Bank of Commerce

An affiliate of San Miguel Corporation

RISING STRONGER, **SERVING BETTER**

2025 ANNUAL REPORT

ABOUT **THE COVER**

RISING STRONGER, SERVING BETTER

The theme highlights Bank of Commerce's 2025 achievements as a year of growing strength and renewed commitment to better service, marked by stronger performance, enhanced capabilities, and a deeper role in supporting customers and the San Miguel Group. From rising with purpose, BankCom rises even stronger, enabling better ways to serve, greater opportunities to thrive, and more meaningful contributions to nation-building.

ABOUT OUR PAPER

The 2025 Bank of Commerce Annual Report cover was printed on Toccata paper certified by the Forest Stewardship Council (FSC). The FSC certification ensures that materials come from responsibly managed forests that provide environmental, social, and economic benefits.

The main pages were printed on Chroma paper certified by the Programme for the Endorsement of Forest Certification (PEFC). The PEFC certification ensures that the product can be traced back to a sustainable source that has been managed with environmental, social, and economic factors taken into consideration. Kodak Sonora process-free plates, non petroleum-based soy ink, and a Heidelberg carbon-neutral offset press were utilized in the printing of this report.

CONTENTS

COMPANY PROFILE

OUR HISTORY

Bank of Commerce, a universal bank licensed by the Bangko Sentral ng Pilipinas ("BSP"), traces its origins to the Overseas Bank of Manila, established in Binondo, Manila in 1963.

In 2008, San Miguel Corporation ("SMC") bought into the Bank and became a major stakeholder through the voting stake of San Miguel Properties, Inc. in the Bank. In December 2020, the Intellectual Property Office (IPO) granted the copyright license for "BankCom" as the Bank's official short name.

OUR BUSINESS

The Bank provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, transaction banking, corporate banking, investment banking, treasury, asset management, trust and investments.

In terms of service reach, the Bank has retail and corporate internet banking facilities, 142 branches (inclusive of the main office branch, 139 regular branches and 2 branch lites) and 278 Automated Teller Machines (ATMs) including 58 Cash Kiosks (deposit and withdrawal) strategically located nationwide as of 31 December 2025.

UNIVERSAL BANKING LICENSE APPLICATION

In October 2022, the Monetary Board of the BSP conferred on the Bank the authority to operate as a universal bank. This is pursuant to the condition set by the BSP when it approved the Bank's universal banking license in 2021.

With a universal banking license, the bank will have more opportunities to generate and warehouse interest bearing assets like marketable securities, generate more fee-based income, and manage risk of securities underwritten and held for trading. This will also enable the Bank to enhance its marketing relationship with existing and prospective clients in the large corporate and middle market segments as it will be carrying a broader range of products, from traditional working capital lines and term loans to project finance, initial public offerings, mergers and acquisitions, financial advisory, etc. The latter services are essential to large businesses in planning their expansion programs as a response to the increasing demand brought about by the robust economy.

142
BRANCHES
including head office and branch-lite units

221
ATM

57
CASH KIOSK

LUZON

43 Branches
77 ATMs
23 Cash Kiosks

METRO MANILA

62 Branches
1 Branch Lite Unit
95 ATMs
20 Cash Kiosks

VISAYAS

22 Branches
1 Branch Lite Unit
33 ATMs
5 Cash Kiosks

MINDANAO

13 Branches
16 ATMs
9 Cash Kiosks

MILESTONE

1963
The Bank began operating as Overseas Bank of Manila

1980
Overseas Bank of Manila became known as Commercial Bank of Manila (ComBank)

1988
ComBank became known as Boston Bank of the Philippines after being acquired by the Bank of Boston

1991
The Bank changed its official name to Bank of Commerce

2008
Bank of Commerce became an affiliate of San Miguel Corporation and introduced its new logo bearing the SMC escudo

2016
Bank of Commerce unveiled its new tagline "WE THINK CUSTOMERS" encapsulating the Bank's Service Promise

2018
The new Bank of Commerce logo included the San Miguel Corporation affiliate text

2025
BankCom was named winner by various award-giving bodies:

- back-to-back winner of Deal of the Year and Best Project Finance Deal Awards by Investment House Association of the Philippines (IHAP)
- 1 Golden Arrow Award by Institute of Corporate Directors (ICD)
- one of Top 5 Corporate Issue Manager/ Arranger by PDS Group
- back-to back winner of Best Syndicated Loan Deal of the Year by Alpha Southeast Asia
- Project Infrastructure Finance Deal of the Year by Asian Banking & Finance
- Top Taxpayer for 2024 by Mandaluyong City
- External Quality Assessment by PWC Philippines

The Bank completed the migration of branches and ATM fleet to advance banking systems

BankCom listed its largest bond issue to-date at PHP 18 million

The Bank inaugurated two Branch Lite Units in Caticlan Airport and NAIA Terminal 3

2024
BankCom inaugurated 5 Branches of Tomorrow (Clark Freeport, Pasig C5, Antipolo, General Santos and Tuguegarao)

Bank of Commerce received two awards from The Triple A Sustainable Infrastructure Awards 2024: Transport Deal of the Year and Renewable Energy Deal of the Year.

BankCom won Best Syndicated Loan Deal of the Year at the Alpha Southeast Asia's 18th Annual Deal & Solution Awards 2024.

BankCom strategically deployed Cash Kiosks across 55 key locations nationwide to provide its clients with convenient, round-the-clock access for cash deposits.

2023
Bank of Commerce celebrated its 60th anniversary, marking an incredible milestone in its history

BankCom won two awards, Best PPP & Blended Financing Infrastructure Deal of the Year and Best Local Currency Bond Deal of the Year in the Philippines, at the 17th Annual Best Deal & Solutions Awards 2023 spearheaded by Alpha Southeast Asia in Hong Kong.

BankCom formally commenced its core banking modernization and digital transformation project with Infosys Finacle, a global leader in banking technology.

BankCom successfully re-fleeted its ATM network with advanced security and user-friendly features.
BankCom launched its Japan remittance business in December.

2022
BSP conferred on the Bank the authority to operate as a universal bank

2021
The Bangko Sentral ng Pilipinas approved the universal banking license subject to an Initial Public Offering (IPO)

2020
BankCom -- the Bank's official short name with trademark license from the Intellectual Property Office (IPO) was granted

ABOUT **US**

VISION

We will be the best conglomerate bank in the Philippines, helping our clients, our communities, employees and stakeholders to prosper as we support the SMC Group in its work toward nation-building.

CORE PURPOSE/MISSION

Harnessing the SMC Group's strengths, we deliver the best choice of financial services for the good of all we serve.

SERVICE PROMISE

With integrity and financial stability, we commit to deliver superior service to you, our discerning customers.

Through competent and warm professionals who understand, anticipate, and fulfill your needs with a sense of urgency in a safe and gust-friendly environment, we promise you a meaningful banking experience.

We think CUSTOMERS

We Uphold
INTEGRITY

We do what is right and keep commitments
We are truthful and transparent
We lead by example
We take ownership of our actions

We Strive for
EXCELLENCE

We innovate and look for better ways to do things
We work with a sense of urgency
We commit to a higher standard
We have a passion for action

We
DELIGHT CUSTOMERS

We listen with empathy
We proactively provide solutions
We keep and deliver what we promise
We encourage a culture of service

We
NURTURE PEOPLE

We foster an environment of open communication
We provide opportunities and guidance for growth
We promote work-life balance and well-being

We are
SOCIALLY RESPONSIBLE

We share our resources to uplift others
We are partners in developing the communities we serve
We are good neighbors

AWARDS

BANKCOM WAS NAMED WINNER BY VARIOUS AWARD-GIVING BODIES:

- Back-to-back winner of **Deal of the Year and Best Project Finance Deal Awards** by Investment House Association of the Philippines (IHAP)
- **Golden Arrow Award** by Institute of Corporate Directors (ICD)
- One of **Top 5 Corporate Issue Manager/Arranger** by PDS Group
- Back-to back winner of **Best Syndicated Loan Deal of the Year** by Alpha Southeast Asia
- **Project Infrastructure Finance Deal of the Year** by Asian Banking & Finance
- **Top Taxpayer** for 2024 by Mandaluyong City
- **External Quality Assessment** by PWC Philippines

ECONOMIC REPORT AND FORECAST

MACROECONOMIC CONDITIONS

The Philippine banking system is expected to remain resilient, profitable, and well-capitalized in 2026 – giving it substantial shock absorption capacity, with growth opportunities centered on digital transformation, fintech partnerships, and retail/SME lending—but it must navigate inflation risks, external sector imbalances, and global uncertainties.

On a macroeconomic level, the Philippine economy grew by 3.0% in Q4 2025, bringing full-year growth to 4.4%, missing government's 5.5%-6.5% target. The slowdown was driven by weather disruptions, weak industry sector, softer consumption and public spending amid the corruption probe, and declining investment.

Inflation remained subdued at 1.8% at end-Dec., bringing the full-year average inflation rate to 1.7%, lower than 2024's 3.2% and well within the govt's 2%-4% target. This is driven by easing food and commodity prices, partially offset by upward pressures from typhoon related disruptions affecting agricultural output and modest increases in fuel and utilities.

The peso remained broadly stable but slightly weaker, closing at P58.79:$1 at end-2025, weaker than the P57.85 finish in 2024. The slight depreciation was mainly driven by global dollar strength and domestic monetary easing, but volatility was limited due to strong structural inflows such as remittances and BPO revenues.

The BSP ended 2025 with a total of five (5) rate reductions equivalent to 125 bps. The Monetary Board (MB) shifted from restrictive stance in 2024 to a gradual easing in cycle in 2025 as inflation outlook remained favorable, with price increase well-contained, even as inflation outlook for 2026 and 2027 slightly rose.

MIDDLE EAST CONFLICT

The ongoing Middle East (ME) conflict which started in late February 2026 has created significant external shocks affecting the Philippine economy and, by extension, the entire banking industry. The ME war could cause a sluggish GDP growth to an average of 4.23% (Table B), while driving up the inflation due to spiking global oil prices. It also poses a threat to overseas Filipino workers' (OFW) remittance as the ME accounts for roughly 16%-18% of all the country's remittances, or USD 6.5 billion inflows annually if Filipino workers are displaced. If the displaced OFWs return home, this would affect banks with heavy retail deposit bases, resulting in slower deposit growth. Loan demand and growth would likewise be affected as banks and borrowers will be increasingly risk-averse due to global uncertainty with credit risk rising from economic strain.

2026 GDP Forecast	
UA&P	3.10%
ANZ Research	4.70%
Moody's	4.90%
PIDS	4.20%
AVERAGE	**4.23%**

On the side of foreign exchange, the Philippine peso is likely to remain under pressure versus the US dollar for 2026. The currency pair is seen to cross the Php 60 threshold within the year and eventually reach Php 61 by the end of 2026 driven by the potential shifts in global trade tariffs and geopolitical noise particularly ME war.

On US trade tariff policies, the potential impact on Philippine banks is seen to be moderately negative as it is expected to drive higher NPL risks in export-facing and import reliant sectors, pressures on foreign exchange (FX) and treasury operations and slower growth. These impacts are, however, manageable due to resilient domestic demand, robust BPO services and Bangko Sentral's (BSP) supportive monetary policy stance.

Due to the outbreak of the ME war, the BSP rate cuts could be delayed or may even force rate hikes under severe oil price scenarios as the inflationary pressures are tilted to the upside. Following the lower annual average inflation print for 2025 which stood at 1.7% from 3.2% in 2024 due to lower prices of key commodities such as rice and petroleum along with easing demand-side price pressures. Inflation forecast for 2026 has been revised upwardly from the previous 3.6% to 5.1%, way above the 2%-4% target band.

MESSAGE OF THE
CHAIRMAN AND THE **PRESIDENT** & **CEO**

We look back on 2025 with deep gratitude and boosted confidence in the path we have chosen for BankCom. It was a year that affirmed the strength of our foundations, the discipline of our strategy, and the growing relevance of our role as the banking arm of the San Miguel Group.

After breaching the P3-billion mark in net income in 2024, we rose even stronger this year, delivering a new record net income of P3.54 billion, nearly double the P1.80 billion recorded at the end of our IPO year in 2022 and 17% higher than the P3.02 billion posted in 2024. This marked our third straight year of record performance post-IPO, underscoring the Bank's steady growth in core revenue streams, resilience amid market shifts, and sustained ability to create value.

The story of 2025, therefore, is not simply one of reaching another milestone. It is a story of execution: growing from a stronger base, improving the productivity of our assets and capital, deepening customer participation in our savings promo, widening access to our services, and strengthening the technology foundation that will allow us to serve faster, safer, and more reliably. It is also a story of BankCom taking on larger roles in transactions and projects aligned with the development agenda of San Miguel Corporation.

RISING THROUGH A DEMANDING ENVIRONMENT

The year presented a complex operating landscape. Global growth remained subdued, with the International Monetary Fund (IMF) estimating world output at 3.2% in 2025, while trade and policy uncertainties continued to influence currencies, rates, supply chains, and investor sentiment. In the Philippines, inflation eased significantly to a full-year average of 1.7% from 3.2% in 2024, allowing the Bangko Sentral ng Pilipinas to reduce its Target Reverse Repurchase Rate to 4.50% by December. Domestic growth, however, became more uneven, with full-year GDP slowing to 4.4% from 5.7% in 2024, reminding financial institutions that resilience cannot be built on favorable conditions alone.

The banking industry likewise continued to face the twin pressures of competition and transformation. Digital banks and FinTech players remained aggressive as the country moved further toward a cash-lite economy, with digital payments accounting for 57.4% of total monthly retail payment volume and 59.0% of value in 2024. Customers, whether corporate, commercial, SME, or retail, increasingly expected banking to be faster, more intuitive, and more accessible, even as regulatory expectations on capital, risk management, consumer protection, cybersecurity, and operational resilience continued to rise.

Against these conditions, BankCom focused on the fundamentals that matter the most in a demanding environment: stronger revenues from core businesses, disciplined balance sheet growth, prudent risk management, sound capital, deeper customer engagement, strategic channel expansion, digital readiness and institutional credibility. This focus allowed us to deliver stronger results while preserving the quality of the business.

MICHELANGELO R. AGUILAR
President & CEO

RECORD INCOME, STRONGER RETURNS

Our net income of P3.54 billion was anchored on the continued expansion of revenues from core businesses. Net interest income reached P10.78 billion, 18% higher than the P9.11 billion recorded in 2024, supported by higher interest income from loans and receivables, investment securities, and financial assets at fair value. This translated to a net interest margin of 4.35%, the Bank's highest since 2009 and 62 basis points higher than the IPO year's 3.73%.

Gross revenue rose to P12.61 billion, up 17% from P10.76 billion in 2024. Net Interest Income (NII) reached P10.78 billion, 18% higher than the P9.11 billion in the previous year. The growth was due to increase in interest income from loans and receivables, investment securities, and financial assets at fair value. The faster growth in revenues from earning assets than interest bearing liabilities translated to an improvement in net interest margin (NIM) at 4.35%. Non-Interest Income (NOII) reached P1.83 billion, 11% higher than the previous year, supported mainly by favorable Treasury trading results and the expansion of both foreign exchange transactions and foreign exchange clients. This underscores the Bank's ability to generate earnings from a broader mix of client-driven and market-related activities.

The improvement in profitability was also reflected in our return measures. Return on Equity (ROE) reached 10.14%, rising from 9.44% in 2024, while Return on Assets (ROA) improved to 1.28% from 1.22% the previous year. These gains reflect continued progress in improving returns under the Bank's multi-year strategic direction, driven by the more effective deployment of capital, funding, and earning assets. By growing loans and investments with better yields, managing funding costs, and maintaining cost discipline, we improved the productivity of both our capital and asset base.

GROWTH BACKED BY DISCIPLINE

Discipline remained central to our growth strategy. Total loans and receivables, our largest earning asset class, grew by 19% year-on-year to P162.82 billion. This expansion came amid easing inflation and lower policy rates, which improved conditions for credit activity, but also amid uneven economic growth that required careful account selection and prudent credit judgment.

With this growth, loans and receivables accounted for 57% of total assets, while total assets expanded by 8% year-on-year to P286.85 billion. Growth was registered across lending segments, reinforcing the breadth of customer demand and the Bank's ability to support that demand through appropriate credit solutions. We pursued this growth with clear attention to asset quality, risk appetite, and repayment capacity.

Asset quality remained sound. Gross non-performing loan ratio stood at 1.33%, while net NPL ratio was kept at 0.62%. These were well below the industry benchmarks for universal and commercial banks, reflecting the quality of our loan book and the discipline of our credit process. We also set aside P382.20 million as additional provision for credit and impairment losses, consistent with our prudent approach to risk. Growth has meaning only when it is supported by sound credit judgment, effective risk management, and timely recognition of potential exposures.

This loan growth was supported by a stable and expanding deposit base. Total deposits rose by 5% to P223.31 billion, composed of P198.49 billion in current account and savings account (CASA) deposits and P24.83 billion in time deposits. Further supporting this momentum was the strong performance of Accelerate Your Savings Promo Part 2, which generated incremental CASA growth of P5.33 billion on an ADB basis and P7.32 billion on an outstanding balance basis, while attracting 46,268 qualified customers. More than a tactical campaign, AYS Part 2 reflected the Branch Banking Group's ability to convert focused acquisition and engagement initiatives into meaningful deposit generation, strengthening customer participation in the Bank's savings business and supporting broader financial requirements across the SMC ecosystem and our customer base.

We also reinforced our funding capacity through the successful issuance of our P18-billion dual-tranche fixed rate bonds in February 2025, the largest bond issue in BankCom's history. The issuance was composed of P10 billion in Series C Bonds carrying a 6.1942% interest rate and P8 billion in Series D Bonds carrying a 6.3494% interest rate, maturing in 2027 and 2030, respectively. More than a balance sheet exercise, this milestone enhanced our ability to support current and pipeline lending requirements, lengthened our funding profile, and demonstrated the coordinated execution of our business and support units. It also affirmed investor confidence in BankCom's fundamentals and strategy.

Our capital position remained robust. The Bank's capital base reached P36.58 billion, 10% higher than the previous year, supported by strong earnings and the reinvestment of income after dividends were declared and paid out of unrestricted retained earnings. Capital adequacy ratio stood at 16.48%, comfortably above the regulatory minimum of 10.0%. This gives us room to grow, support customers, and withstand market cycles while remaining aligned with regulatory expectations.

BENEDICTA A. DU-BALADAD
Chairman

INVESTING TO SERVE BETTER

Financial strength gives us the ability to invest, but service excellence gives that strength its purpose. A growing universal bank must have the people, platforms, controls, and operating infrastructure to support larger volumes, more sophisticated transactions, and higher customer expectations. For BankCom, these investments came together this year through three deliberate moves: strengthening our people, modernizing our core banking system, and placing customer access points in strategic locations where they can create the greatest convenience and market relevance.

As we supported expansion plans, manpower complement expanded from 2,034 in 2024 to 2,113 in 2025, underpinned by continued investment in human capital and an enhanced retention program. This contributed to a 15% increase in compensation to P3.04 billion in 2025, consistent with our continued investment in people and institutional capability. Depreciation and amortization rose by 8% to P672.58 million, while enterprise software licenses and other subscription-based fees more than doubled to P229.41 million, reflecting the Bank's increased utilization of technology-enabled services.

At the same time, we remained disciplined in managing costs. Our cost-to-income ratio improved to 59% from 62% in 2024, demonstrating that our spending was purposeful and that revenue growth outpaced the cost of building institutional capability.

A major milestone in this modernization was the completion of our migration to a new core banking system, replacing legacy infrastructure with a completely new platform. The initiative formed part of the Bank's P1-billion technology investment in 2022, under the broader P2.2-billion IT roadmap that began in 2019 and included the refresh of the ATM fleet. Working with Infosys Finacle and IBM, and through close coordination across business and support units, the migration was completed over one weekend. This strengthened the foundation for faster transactions, greater product and service flexibility, improved reliability and security, and future digital initiatives in data readiness, cybersecurity, fraud management, operational efficiency, risk monitoring, and compliance reporting.

We also widened our service reach. This year, BankCom completed two branch-lite units, one at Caticlan Airport and another at NAIA Terminal 3, bringing our yearend network to 142 branches, inclusive of the main branch, 139 regular branches, and two branch-lite units, supported by 278 ATMs and cash kiosks nationwide. These locations were selected not simply for presence, but for relevance: Caticlan serves a major tourism gateway, while NAIA Terminal 3 places BankCom in one of the country's busiest air terminals and within a broader airport ecosystem where SMC is helping modernize the travel experience.

From BankCom's perspective, these channels improve visibility, capture high-intent transaction flows, support retail and treasury businesses, and reinforce our ability to serve Filipino travelers, balikbayans, foreigners, and airport-based customers in moments when practical banking access matters most.

BUILDING THE CONGLOMERATE BANK

Our unique position as a conglomerate bank continued to define our path. As an affiliate of San Miguel Corporation since 2008, BankCom is part of the San Miguel Group, composed of the parent company and its subsidiaries and affiliates, whose scale has been reported at roughly 6% to 7% of the country's gross domestic product (GDP) in recent years. Around the Group is an even broader SMC ecosystem of suppliers, dealers, distributors, service providers, employees, customers, and communities. This gives BankCom a distinct opportunity and responsibility: to deliver banking solutions that support the movement of goods, capital, people, infrastructure, and enterprise across the San Miguel Group and its ecosystem partners.

In 2025, we continued to strengthen our presence in this arena through lending, deposits, cash management, treasury, trust, and investment banking solutions. We supported business requirements across sectors where SMC has deep participation, and we continued to build a banking proposition that is relevant to conglomerate partners, institutional clients, commercial accounts, and individual customers alike.

Our investment banking business was a significant part of this story, generating fee revenues of P175 million in 2025. BankCom continued to build its track record in project finance, debt capital markets, and public capital raising through major transactions, including its role as Issue Manager, Lead Arranger, and Bookrunner for the P80-billion Project Finance Facility of New NAIA Infra Corporation, the consortium undertaking the rehabilitation, operation, optimization, and maintenance of the Ninoy Aquino International Airport under a 15-year public-private partnership arrangement. We likewise acted as Joint Lead Underwriter and Joint Bookrunner for the Petron Corporation Series G, H, and I Fixed Rate Bonds, and San Miguel Corporation's Series 2-P, 2-Q, and 2-R Exchange Offering and Series 2-S, 2-T, and 2-U Follow-on Offering. These transactions demonstrated BankCom's growing ability to support financing activities of scale and national importance within the San Miguel Group.

RECOGNITION THAT VALIDATES OUR PROGRESS

As BankCom takes on larger and more complex transactions, external recognition becomes an important signal of execution capability, market trust, and institutional readiness. For a mid-tier universal bank with a relatively young investment banking business, it signals that BankCom is earning its place among more established investment houses and capital market participants. This year, our work in project finance and capital markets was recognized by several award-giving bodies locally and internationally.

BankCom was named back-to-back winner of the Deal of the Year and Best Project Finance Deal Awards by the Investment House Association of the Philippines, recognizing our role in the New NAIA Infra Corporation's P80-billion facility. We were also recognized as back-to-back winner of Best Syndicated Loan Deal of the Year by Alpha Southeast Asia, whose awards recognize leading and innovative investment and commercial banking solutions in the region. Asian Banking & Finance named BankCom winner of Project Infrastructure Finance Deal of the Year, further affirming the Bank's capability to participate in financing projects of national relevance. The PDS Group also recognized the Bank as one of the Top 5 Corporate Issue Managers/Arrangers, reflecting our growing presence in the domestic debt capital market and our ability to execute alongside long-tenured players.

Beyond capital markets, governance and institutional responsibility also gained recognition. BankCom received its first 1 Golden Arrow Award from the Institute of Corporate Directors, affirming our commitment to transparency, accountability, and good corporate governance. We were named Top Taxpayer for 2024 by Mandaluyong City, reflecting our role as a responsible corporate citizen in the community where we are headquartered. The External Quality Assessment by PwC Philippines also reinforced our continuing efforts to strengthen assurance, controls, and governance practices.

These awards are not ends in themselves. They are markers of credibility, execution capability, and trust. They are meaningful to BankCom because they show that the Bank can participate in transactions of scale, contribute to nation-building projects, and earn the confidence of customers, arrangers, investors, regulators, and the broader market.

CREATING VALUE FOR SHAREHOLDERS

A bank that rises stronger must also share the value it creates. This year, BankCom declared and distributed special dividends for the first time, in addition to its regular dividend. The payout totaled P0.4500 per share, composed of P0.2000 in special dividends and P0.2500 per regular common share. This represented a 79% increase from the P0.2512 per share paid out in 2024.

Book value per share rose by 12% to P22.22 from P19.84 the previous year, and by 31% from the IPO level of P16.96. This improvement was driven by the Bank's stronger earnings generation and sustained capital build-up even after returning more value to shareholders through dividends. It affirms that BankCom can reward shareholders while preserving the financial capacity to support future growth.

GRATITUDE AND RESOLVE

Rising stronger is not just the work of one individual. It is the outcome of many decisive actions made with discipline, patience, conviction, and synergy. Serving better is not merely a slogan. It is a commitment renewed daily in every branch, every transaction, every credit decision, every client conversation, and every investment we make in people and technology.

To our customers, thank you for allowing us to be your trusted banking partner. To our shareholders and investors, thank you for your confidence in our strategy and our future. To San Miguel Corporation, our sponsor, thank you for the continuing trust and for the opportunity to contribute to a larger purpose. To our regulators and partners, thank you for guiding us toward stronger governance, sounder risk practices, and better service to the public. To our employees, thank you for the dedication, professionalism, and teamwork that made another record year possible.

This year, BankCom rose stronger. More importantly, we served better. With boosted confidence, we move forward with the same purpose that brought us here: to build a stronger BankCom, to support the ambitions of our customers, to create sustainable value for our shareholders, and to contribute meaningfully to the progress of the Filipino nation.

BUSINESS MODEL

PRODUCT RANGE AND REVENUE SOURCES

BankCom provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services in deposit, commercial loans, credit card services, consumer banking, transaction banking, corporate banking, treasury, investment banking, asset management, and trust and investments.

LOANS

BankCom extends loans and other credit facilities to corporate, institutional, and middle-market clients to support their working capital and/or capital expenditure requirements. Corporate lending may be in the form of term loans, credit lines, or project finance.
The target market is divided into:

- Ecosystem accounts – suppliers/providers, dealers, and distributors
- Non-ecosystem – conglomerate, large corporations, and strong middle market

BankCom also provides home, automobile, and salary loans for individual customers nationwide The Bank maintains partnerships with real estate developers as well as automobile dealers through its account officers to capture the market.

BankCom generates revenue from its lending activities in the form of net interest income and non-interest income (i.e., fees).

BRANCH-BASED TRANSACTIONS

With a network of 142 branches including its head office, BankCom provides a consistent and comprehensive financial experience for its affluent and middle-market customers, while extending dependable access to basic banking services to the mass segment.

For financial consumers who transact with merchants or other customers, these branches service their deposits to fund their personal or operating accounts, facilitate withdrawal through over-the-counter or onsite ATMs, accept check clearing and encashment, and fulfill various account-related requests.

BankCom also services the needs of business customers through its check releasing counters, deposit pick-up facilities, and account maintenance for auto-credit and auto-debit arrangements performed by branches.
For customers seeking higher returns, these branches offer not only time deposits but also various investment products from BankCom's other business units.

Depending on the type of product, BankCom pays interest and credits it to customers' accounts at certain periods, thereby incurring interest expense. The pool of funds generated from these accounts is then used to support the Bank's lending and investing activities.

ELECTRONIC BANKING TRANSACTIONS

BankCom's electronic banking channels consist of a mobile app and online banking channel designed for retail or individual customers, i.e., BankCom [Corporate], Automatic Teller Machines (ATMs), Cash Kiosks, and point-of-sale (POS) terminals.

For retail transactions such as InstaPay and PESONet fund transfer, as well as acquirer-based ATM withdrawals and balance inquiries, the Bank earns fee revenues net of agreed sharing with the external partner (e.g., BancNet). On the other hand, for corporate transactions delivered through cash management services, the revenue may be generated through fees entirely, through float from the required deposit average daily balances (ADBs), or a combination of both.

TREASURY

BankCom's treasury business covers money market, trading and treasury services, foreign exchange, as well as management of the Bank's funding operations by use of treasury bills, government securities, and placements and acceptances with other banks. The Bank earns net interest income and non-interest income from this business.

TRADE FINANCE

BankCom's trade finance business caters to the needs of customers requiring guarantees to secure ordered goods through standby letters of credit (SBLCs). Distributors and merchants whose businesses are based on consumer demand are among the target customer segments. The Bank earns fee revenue from the asset and foreign exchange flows generated by this business.

REMITTANCE

Aside from cash management, trade finance, and digital channels, BankCom manages a remittance business within the purview of transaction banking. BankCom develops and manages tie-ups with various partners to facilitate remittances from overseas Filipino workers (OFWs), mostly from the Middle East.

To support this business, BankCom will continue to develop the BankCom SIKAPPINOY Debit Card and SIKAPPINOY Asenso program. SIKAPPINOY Asenso is an all-in-one service to help OFWs and their families handle their hard-earned money in the most convenient, secure, and smart way possible toward establishing a business of their own.

CREDIT CARD AND DEBIT CARD MARKETING

BankCom's credit card product is a revolving loan facility that is offered to clients and eligible applicants. On the other hand, the debit card is a feature of certain BankCom deposit account products.

The Bank rolls out various marketing activities to promote the usage of its debit card and credit card products. To support this, the Bank maintains relationships with various establishments (i.e., merchants). Purchases made using these card products generate billings and usage transactions which earn fee revenues. The Bank's Credit Card Group also promotes the usage of its card products.

TRUST SERVICES

BankCom's trust and fiduciary management arm is responsible for developing new business, account solicitation, and administration of personal and corporate investment accounts under the scope of trust, other fiduciary business, and investment management activities specifically licensed by the BSP.

Through its Trust Services business, such as asset management activities performed in its capacity as Trustee or Investment Manager under local regulations, the Bank is able to generate assets under management to realize its growth objectives, and earn trust fee revenues.

INVESTMENT BANKING

As a universal bank, BankCom engages in and offers investment banking products and services to capitalize on its retail (investors) and corporate (issuers and investors) client base and extensive distribution capabilities from its branch network and established Treasury and Trust businesses. These include but are not limited to: (i) managing, underwriting, and arranging to distribute equity and debt securities; and (ii) providing financial advisory services across various mandates including mergers and acquisitions and capital raising.

BankCom has been actively participating in capital market transactions, thereby generating fee revenues and cross-sell opportunities with its Trust and Treasury Groups.

STRATEGIC FOCUS AREAS

BankCom's business is anchored on four (4) focus areas designed to counter the economic headwinds and secure the growth uptrend that shaped its first year as a universal bank.

FOCUS AREA 1: CORE BUSINESS INCOME

BankCom considers building its core business income first and foremost. Responding to the continuing scenario of abated movement of the economy due to interest rate and inflationary pressure, the Bank will maximize every opportunity where our strength lies. This includes deepening the Bank's integration into the SMC ecosystem through well-thought out loans for small and medium-scale enterprises (SMEs), a thrust that has remained since the Bank's universal license was approved by the Bangko Sentral ng Pilipinas (BSP). BankCom plans to stay on course in its trajectory of growth in its overall loan portfolio while keeping its Non-Performing Loans ratio within a healthy range.

FOCUS AREA 2: CROSS-SELLING

As the economy strengthens, BankCom anticipates that its customers' banking needs will expand and be felt at various marketing touchpoints. To address this and become more visible to its target market segments, the Bank will fortify its core business with more aggressive cross-selling of consumer loans, credit cards, trust services, and other investment products. This will be accomplished through extensive frontline training and effective data science.

The systematic use of data science methodologies in studying and predicting customer needs and behavior patterns from both primary and surrogate data has been in development by a high-level team consisting of no less than the heads of the branch banking, consumer, credit card, transaction banking, corporate banking, and business intelligence (information technology side), under the guidance of SMC's Head of Business Intelligence and Data Science.

Using the Recency-Frequency-Monetary (RFM) data model, the Bank identifies opportunities among affluent, emerging affluent, and mass market customers, enabling them to offer tailored product bundles and support customers in increasing their value chain.

FOCUS AREA 3: INFORMATION TECHNOLOGY

Outside of lending, major information technology (IT) capital expenditure is a cornerstone of BankCom's digital transformation. The Bank's IT roadmap includes combining cash recycling with a more robust ATM network, deploying automation projects to make business units run more efficiently, and building the infrastructure to expand stable sources of fee revenue streams. Through strategic innovation, BankCom endeavors to deliver right-sized solutions to more customers with even greater efficiency. This includes continuous enhancements in its existing electronic banking delivery channels such as the BanKCom [Personal] mobile app, BankCom [Corporate], as well as the up-to-date roll out of automated solutions for corporate disbursements and collections.

FOCUS AREA 4: FEE REVENUES

BankCom is cognizant of the view that a continued rise in interest rates alongside elevated inflation makes it more urgent to accelerate fee-based businesses. As such, BankCom will continue to maintain a stable income stream derived from transaction-based fee revenues.

Maintaining growth in fee revenues such as what was experienced in 2023 will be managed through keener sales focus on foreign exchange transactions, generation of trade finance contingent liabilities, investment banking business, trust fee expansion, and continued improvement in consumer loan volume and credit card billings.

PRODUCTS AND SERVICES

RETAIL PRODUCTS

- Savings Account with Debit Card (Mastercard)
- Savings Account with Passbook
- Savings Account Plus
- Checking Account
- Complete Checking Account
- Executive Payroll Account
- US Dollar Savings Account
- Euro Savings Account
- Yuan Savings Account
- Junior Smart Savers Savings Account
- One Passbook Investment Account
- Time Deposit
- One-Year Time Deposit
- Future Secure Time Deposit
- US Dollar Time Deposit
- Euro Time Deposit
- SSS Pension Account
- US Veterans Pension Savings Account (Peso and Dollar)
- Payroll Savings Account
- Philippine Retirement Authority (PRA) Savings and Time Deposit Accounts (Peso and Dollar)
- Cash Card (Mastercard)
- Long-Term Negotiable Certificate of Time Deposit
- Corporate Savings Account
- Corporate Savings Account Plus
- Corporate Checking Account
- Corporate Checking Account Plus with Corporate Access Number

CORPORATE BANKING

- Working Capital Loan
- Term Loan
- Capital Expenditure Financing
- Project Financing
- Small Business Loan – Term Loan
- Small Business Loan – Business Credit Line
- Foreign Currency Denominated Loan
- Trade Financing

CONSUMER LOANS

- Home Loan
- Auto Loan
- Salary Loan

CREDIT CARD

Bank of Commerce Mastercard
- Classic
- Gold
- Platinum
- World

TRUST PRODUCTS AND SERVICES

Unit Investment Trust Funds (UITFs)
- BankCom Peso Money Market Fund
- BankCom Peso Long Term Bond Fund
- BankCom Dollar Long Term Bond Fund
- Diversity Dividend Focused Fund

All UITFs can be enrolled in the Easy Investment Plan (EIP) to regularly subscribe or invest.

Trust and Other Fiduciary Services
- Personal Management Trust
- Life Insurance Trust
- Employee Benefit Trust
- Trust Under Indenture
- Collateral Trust
- Special Purpose Trust / Other Institutional Trust
- Safekeeping

Investment Management Accounts
- Discretionary
- Directional / Non-Discretionary

Other Agency Accounts
- Facility / Loan Agency
- Escrow Agency
- Buyer and Seller Escrow
- POEA Escrow
- BIR Escrow
- HLURB Escrow
- Source Code Escrow
- Other Escrow Accounts

TREASURY PRODUCTS

- Fixed Income Government Securities (Peso and Dollar)
- Corporate Bonds
- Foreign Exchange

TRANSACTION BANKING

Cash Management Solutions

- BankCom PAY
  - cashPAY
  - directPAY
  - checkPAY
  - govPAY

- BankCom COLLECT
  - depositCOLLECT
  - directCOLLECT

- BankCom CONNECT
  - BankCom [Business]
  - BankCom [Business] Direct

Digital Channels

- BankCom [Personal] – Retail Online Banking (Web and Mobile App)
- BancNet Point of Sale
- Automated Teller Machines (ATMs)
- Fintech / Card Solutions
- Cash Deposit Machine

Remittance Products and Services

- SIKAPPINOY OFW Savings Account
- SIKAPPINOY Asenso Program
- SIKAPPINOY Domestic Remit
  - Cash Pick-up at RD Pawnshop
- SIKAPINOY International Remit through Overseas Remittance Partners*:
  - Credit to Accounts with Bank of Commerce
  - Credit to Accounts with Other Philippine Banks via PESONet
  - Credit to Accounts with Other Philippine Banks via InstaPay
  - Credit to Mobile Wallets (GCash, Maya, Coins.ph, GrabPay)
  - Cash Home Delivery
  - Cash Pick-up Services via Bank of Commerce Branches
- Cash Pick-up Services via Philippine Payout Partners:
  - M Lhuillier
  - Cebuana Lhuillier
  - LBC Express
  - Palawan Pawnshop
  - RD Pawnshop

- e-Government Payments of OFWs through International Remittance Partners*:
  - SSS Contributions / Loan Payments
  - PhilHealth Contributions
  - Pag-IBIG Contributions / Loan Payments

- Overseas Remittance Partner:
  - Al Ansari Exchange LLC (United Arab Emirates)
  - Arab National Bank – Telemoney (Kingdom of Saudi Arabia)
  - Bank Aljazira – Fawri (Kingdom of Saudi Arabia)
  - Bank Albilad – Enjaz (Kingdom of Saudi Arabia)
  - Eastern & Allied Pty Ltd – HaiHa Money Transfer (Australia)
  - Family Express (Canada)
  - Iremit International (Global)
  - Kookmin Bank (South Korea)
  - Mastercard Transaction Services – formerly Transfast (Global)
  - Peragram / MoneyGram (Global)
  - Pacific Ace Forex HK Ltd (Hong Kong)
  - Pinoy Express Padala (Hong Kong)
  - Prabhu Money Transfer (Global)
  - Speed Money Transfer KK (Japan)
  - U Remit International Corp. (Canada)

International Trade Services

- Import
  - Import Letter of Credit
  - Standby Letter of Credit (SBLC) / Bank Guarantees
  - Import Collections
  - Documents Against Payment (DP)
  - Documents Against Acceptance (DA)
  - Trust Receipt Loan
  - Payment Abstract Secure (PAS6) Enrollment and Bureau of Customs Duties and Taxes Payment
  - Shipside Bond Guarantee
  - Airway Bill Endorsement
  - Foreign Exchange (FX) Purchase for Advance Payment of Importation
  - Direct Remittance (DR)
  - Open Account (OA) Arrangement

- Export
  - Export Bills for Collection
  - Export Bills Purchased
  - Export Advances
  - Export LC Advising / Confirmation / Transfer

Domestic

- Letter of Credit
- Standby Letter of Credit / Bank Guarantees
- Negotiation of Domestic Letter of Credit

Supply Chain

- Trade Finance Receivable

FINANCIAL HIGHLIGHTS

TOTAL ASSETS
₱286.85 B
▲ 8.1%
vs 2024: ₱265.44B

NET INCOME
₱3.54 B
▲ 16.8%
vs 2024: ₱3.03B

DEPOSITS
₱223.31 B
▲ 5.3%
vs 2024: ₱212.01B

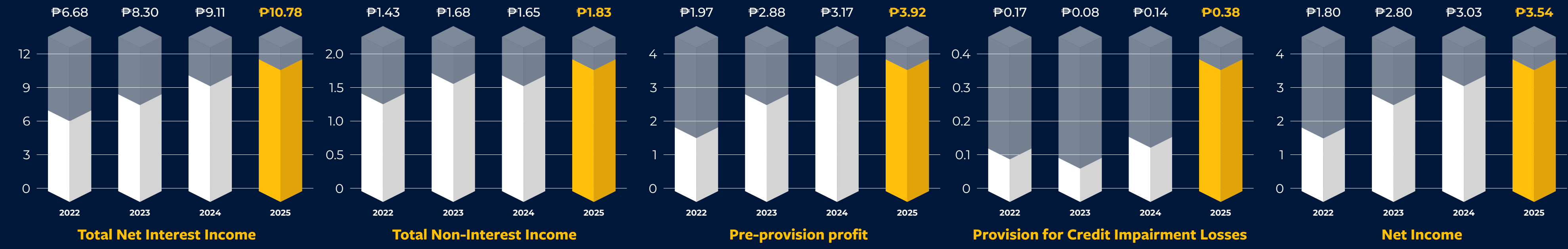
RETURN ON EQUITY
10.14%
▲ 0.70%
vs 2024: 9.44%

FINANCIAL SUMMARY

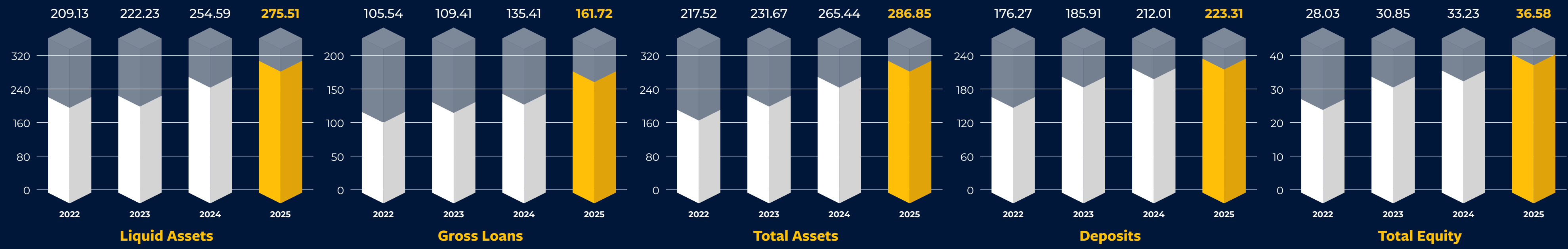
	2025	2024
PROFITABILITY	IN BILLIONS	IN BILLIONS
TOTAL NET INTEREST INCOME	10.78	9.11
Total Non-Interest Income	1.83	1.65
TOTAL NON-INTEREST EXPENSES	(7.42)	(6.67)
EXPENSE FROM INCOME TAX	(1.27)	(0.92)
PRE-PROVISION PROFIT	3.92	3.17
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	(0.38)	(0.14)
NET INCOME	3.54	3.03
SELECTED BALANCE SHEET DATA	IN BILLIONS	IN BILLIONS
LIQUID ASSETS	275.51	254.59
GROSS LOANS	161.72	135.41
TOTAL ASSETS	286.85	265.44
DEPOSITS	223.31	212.01
TOTAL EQUITY	36.58	33.23
SELECTED RATIOS		
RETURN ON EQUITY	10.14%	9.44%
RETURN ON ASSETS	1.28%	1.22%
CET 1 CAPITAL RATIO (FOR UBS/KBS)	13.10%	13.75%
TIER 1 CAPITAL RATIO (FOR UBS/KBS)	15.72%	16.81%
CAPITAL ADEQUACY RATIO	16.48%	17.58%
PER COMMON SHARE DATA		
NET INCOME PER SHARE:		
BASIC	2.32	1.98
DILUTED	1.95	1.66
BOOK VALUE	22.22	19.84
OTHERS		
CASH DIVIDENDS DECLARED	0.85	0.65
HEADCOUNT	2,113	2,034
OFFICERS	1,100	1,050
STAFF	1,013	984

FOUR-YEAR FINANCIAL HIGHLIGHTS

PROFITABILITY (IN BILLIONS)

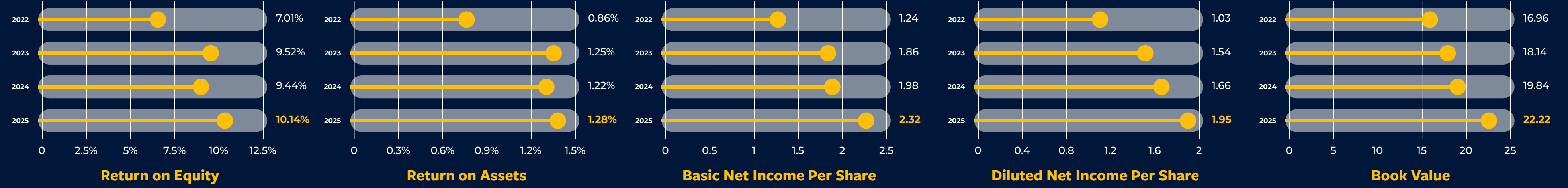


SELECTED BALANCE SHEET DATA (IN BILLIONS)



SELECTED RATIOS

PER COMMON SHARE DATA



OTHER

Year	STAFF	OFFICERS
2022	959	906
2023	997	979
2024	984	1,050
2025	1,013	1,100

OPERATIONAL HIGHLIGHTS

CORPORATE BANKING GROUP

Strong asset expansion and resilient core earnings defined the Corporate Banking Group (CBG)'s performance, reflecting the continued strength of the Bank's corporate business and the sustained momentum of its lending activities. Amid a still challenging operating environment, CBG remained focused on deepening client relationships, supporting the growth requirements of corporate customers, and preserving earnings quality through disciplined portfolio, funding, and risk management.

CBG posted a 25.29% increase in total assets, driven by sustained loan growth and higher line utilization. This contributed to a 13.80% increase in interest income by year-end. With funding costs remaining stable, net interest income reached ₱1.67 billion, underscoring the resilience of the Group's core intermediation business and its ability to generate steady returns from its lending portfolio.

Loan growth was mainly driven by higher corporate lending, including increased business from clients within the San Miguel Corporation (SMC) ecosystem, consistent with the Bank's strategy of fully maximizing opportunities within strategic relationship networks while continuing to serve a broader corporate client base.

Non-interest income amounted to ₱52.40 million, bringing total revenue to ₱1.73 billion, higher than the Group's 2024 revenue level. While fee-related income remained relatively modest, the increase in overall revenues reflected the continued strength of CBG's loan-led business model and the stability of its core income streams.

Overall, the Group's performance remained sound, supported by solid interest earnings, disciplined risk management, and prudent cost control.

ASSET GROWTH
25.29%

NET INTEREST INCOME
₱1.67 B

TOTAL REVENUE
₱1.73 B

BRANCH BANKING GROUP

Against a backdrop of heightened competition and evolving customer expectations, the Branch Banking Group (BBG) delivered a year defined by record deposit generation, improved branch profitability, and broad-based business growth across key product lines. The Group's performance reflected disciplined execution across the branch network, sustained customer engagement, and a sharper focus on building deeper, more productive client relationships.

Foremost among BBG's accomplishments was its exceptional contribution to the Bank's funding base. The Group generated ₱21.39 billion in low-cost or CASA average daily balance (ADB) growth, its highest level on record, bringing CASA ADB to ₱123.15 billion. This milestone underscores the strength of BBG's deposit franchise and the effectiveness of its efforts to mobilize stable, relationship-driven funding in support of the Bank's balance sheet and long-term growth objectives.

Further supporting this momentum was the strong performance of the Accelerate Your Savings (AYS) Promo. AYS Part 2 generated incremental CASA growth of ₱5.33 billion on an ADB basis and ₱7.32 billion on an outstanding balance basis. The campaign also attracted 46,268 qualified customers, demonstrating BBG's ability to convert focused acquisition and engagement initiatives into meaningful deposit generation while further strengthening customer participation in the Bank's savings franchise.

AYS PART 2 (CAMPAIGN RESULT)

₱5.33 B
CASA
ADB Growth

46,268
Qualified
Customers

BBG delivered a strong performance in 2025, generating ₱6.40 billion in total revenues and ₱4.10 billion in net income before provision for credit losses and income tax expense, representing year-on-year growth of 20% and 33%, respectively. The Group's retail portfolio posted sustained growth, particularly in consumer lending (home and auto loans), increasing to ₱3.38 billion from ₱3.09 billion in 2024. In addition, the Group also recorded a remarkable 7,822 credit card acquisitions during the year. BBG's results underscore its continued success in expanding the Bank's retail customer base and deepening product penetration.

Cross-selling and fee-based businesses likewise delivered strong results. Trust fees reached ₱107.66 million, 55.28% of the total fees generated by the Trust Services Group, while foreign exchange transactions amounted to ₱101.19 million, 40.21% of the total foreign exchange gains earned by the Bank. Investment Banking Group (IBG) fees amounted to ₱56.83 billion, 32.39% of the total fees delivered by IBG.

Branch-level profitability also continued to improve. This progress reflects a more resilient and productive branch network, supported by stronger sales execution, improved cost discipline, and sharper performance management across BBG's operating units.

The year also marked important advances in network development and optimization. Two new Branch Lite Units (BLU) were opened in strategically relevant locations (Caticlan Airport and NAIA Terminal 3 Departure), broadening the Bank's presence in high-traffic areas and enhancing customer access in key commercial and travel corridors. At the same time, BBG completed the relocation of six branches (Pasig Boulevard, Cebu-Mandaue, Taft PGH, Iloilo-Atria, NAIA Road-Pasay, and Subic Freeport) to improve market positioning, visibility, and service accessibility.

Beyond physical expansion, BBG continued to strengthen customer relationships through more direct and high-level engagement. Power calls and Townhalls with Bank President and CEO Michelangelo R. Aguilar were conducted with clients across North Luzon, South Luzon, and Western Visayas. These engagements reinforced reinforcing the Bank's customer-first orientation and created valuable opportunities for dialogue, feedback, and relationship deepening in priority markets.

Taken together, these achievements reflect a BBG that delivered strong financial results while also advancing the quality, reach, and profitability of the Bank's branch franchise. Record CASA growth, above-target business generation, meaningful improvement in branch profitability, and deliberate network expansion all point to a Group that remains central to the Bank's growth strategy.

Guided by the Bank's core principle, "We think CUSTOMERS," BBG remains committed to delivering relevant banking solutions, strengthening trust-based relationships, and ensuring that its branch network continues to create lasting value for customers, communities, and stakeholders.

BRANCH LITE UNIT (BLU) CATICLAN

BRANCH LITE UNIT (BLU) NAIA TERMINAL 3

TRANSACTION BANKING GROUP

The Transaction Banking Group (TBG) delivered strong income growth in 2025, despite a challenging operating environment. Overall, income increased by 44.25%, supported by the broader implementation of functional transaction banking solutions for corporate, commercial, SME, and individual clients across the Bank's target segments.

To increase deposit flows coursed through the bank, TBG strengthened its Cash Management business, ending the year with total payment value flows of PHP 135B, a 40% increase from 2024, generated by 72 clients using the BankCom CheckPay solution. TBG continued to enhance the relevance and value of its solutions by addressing the operational needs of its clients comprised of conglomerates, corporates, and SMEs.

One strategic initiative that contributed to overall income growth was TBG's focus on the San Miguel Corporation (SMC) ecosystem, particularly its dealer network. In 2025, this initiative resulted in the onboarding of139 new business accounts. TBG also continued to enhance the Bank's nationwide deposit pickup capabilities, while improving other product offerings, including the new BankCom [Business] platform. By year-end, almost two-thirds of the suite of solutions under the new platform had been launched, including functionality that allows clients to view five different currencies through the Bank.

TBG's Digital Channels arm launched several important enhancements to BankCom [Personal], the Bank's mobile and web-based channel for individual clients. These enhancements contributed to a 45% increase in enrolled users, bringing the total enrollment base to 205,000 users. t. Payment transactions grew by 27% for InstaPay and PESONet transactions, while prepaid transactions increased by 20%. TBG also deployed new ATMs in strategic locations, including Ninoy Aquino International Airport (NAIA), where an average of 5,000 transactions per month have been reported.

The Remittance business continued to support customer transaction needs despite operational challenges involving direct connections with financial partners. In 2025, a total of 420,000 remittance transactions were coursed through BankCom. Majority of these transactions came from partners such as Mastercard Transfer Service and Eastern Allied. Remittance transactions from Australia, particularly Melbourne, also increased through the Bank's new partner, Forex Sporty. In addition, the team expanded its capabilities for the shipping industry, creating opportunities to generate additional fees, foreign exchange revenues, and deposits for the Bank.

Trade remained a key business driver for TBG, especially in fee revenue generation. In 2025, the Group earned fees from processing key trade solutions, including bank guarantees, standby letters of credit, and import letters of credit. Toward the end of the year, an additional 33 SMC ecosystem entities were onboarded, primarily from Ginebra San Miguel Inc. (GSMI), San Miguel Foods, Inc. (SMFI), and San Miguel Brewery.

Through these initiatives, TBG strengthened its role as a critical enabler of transaction flows, digital engagement, deposit generation, and fee-based income for the Bank.

PAYMENT VALUE FLOW

₱135 B

BANKCOM [PERSONAL] USERS

205,000

INVESTMENT BANKING GROUP

The Investment Banking Group (IBG) generated fee revenues of ₱293 million in 2024 and ₱175 million in 2025. Adding to its growing arsenal of industry recognition, BankCom was awarded Top 5 Corporate Issue Manager / Arranger for 2024 under the Bank Category by the PDS Group.

BankCom also participated in a transaction that received the recognition as Best Syndicated Loan Deal of the Year for 2024 under the Project Finance Deal category for the PHP 80.0 billion Project Finance Facility of New NAIA Infra Corp.

Public Capital Raising

BankCom, through IBG, acted as Joint Lead Underwriter and Joint Bookrunner for the Petron Corporation Series G, H & I Fixed Rate Bonds, which were listed on the Philippine Dealing Exchange on July 7, 2025. This was the first corporate bond offering of Petron Corporation since 2021.

Following this transaction, BankCom, through IBG, acted as Financial Advisor and as Joint Issue Manager and Joint Lead Underwriter & Bookrunner for the San Miguel Corporation Series 2-P, 2-Q and 2-R Exchange Offering and Series 2-S, 2-T and 2-U Follow-on Offering. The offering was listed on the Philippine Stock Exchange on October 24, 2025.The transaction represented an important development in the Philippine capital markets, as it involved the simultaneous execution of an exchange offering and a follow-on offering by a private company.

Private Capital Raising

IBG also demonstrated its capabilities in the private capital space by arranging transactions that supported major infrastructure and development initiatives for nation-building. These included financing for the construction and development of a 600-megawatt power plant by Mariveles Power Generation Corp., and a project finance facility for the 28-megawatt expansion of a hydroelectric power plant.

Through innovative capital solutions, BankCom, through IBG, has provided financing for various corporate borrowers in tandem with its Corporate Banking Group and alongside some of the largest banks in the country.

Continued Growth

The year 2025 was marked by growth in the number and scale of transactions handled by IBG, as well as the roles assumed by the Bank in key capital-raising activities. Moving forward, the Group aims to sustain this momentum by building its transaction pipeline, expanding its track record in advisory and equity capital market transactions, and strengthening its presence among a wider universe of corporate issuers.

FEE REVENUES (2025)

₱175 M

BEST SYNDICATED LOAN DEAL

₱80 B

Project Finance Facility

TREASURY MANAGEMENT GROUP

The Treasury Management Group (TMG) played a key role in anchoring the Bank's impressive financial performance in 2025. Despite the monetary easing cycle and policy rate cuts by the Bangko Sentral ng Pilipinas (BSP)'s, the Bank's Net Interest Margin (NIM) further widened this year.

TMG's Liquidity and Asset Liability Management Division (LALMD) remained focused on safeguarding the Bank's balance sheet and maintaining margin stability amid shifting interest rates, heightened deposit competition, and evolving liquidity conditions. Through disciplined execution and forward-looking balance sheet management, the Division delivered ₱10.78 billion in NIM, an 18.30% increase from ₱9.11 billion in the previous year. The Bank's NIM likewise strengthened to 4.35%, up from 4.17% in 2024, reflecting effective repricing actions and prudent deployment of liquidity.

Despite persistent pressure from the monetary easing cycle, LALMD protected margins through proactive duration positioning, timely asset reallocations, and deliberate management of interest rate risk. The Division also supported the Bank's continued business expansion by ensuring that the ₱28.83 billion year-on-year increase in average earning assets was funded efficiently, strategically priced, and fully aligned with the Bank's liquidity, profitability, and risk management frameworks. In line with this, TMG successfully raised ₱18 billion in bonds, the highest bond issuance level in the Bank's history.

At the same time, intensified competition for deposits placed upward pressure on the Bank's overall funding costs. LALMD responded decisively by implementing sharper repricing strategies, reinforcing liquidity deployment discipline, and optimizing the mix of liquid assets. These measures helped preserve an efficient funding profile and reduce funding costs by 10 basis points even with the ₱11.35-billion increase in bonds payable, which carry higher costs than traditional deposits.

As we move forward, LALMD remains committed to fortifying the Bank's balance sheet resilience, enhancing risk management capabilities, and supporting sustainable growth through prudent, data-driven, and strategically aligned asset and liability management strategies. The Division will continue to anticipate shifts in the financial landscape, enabling the Bank to navigate changing market cycles with confidence, discipline, and long-term strategic focus.

TMG also had a banner year for its Foreign Exchange (FX) business. Total FX trading gains reached a record ₱251.64 million, supported by a 63% increase in sales volume to USD1.67 billion. Significant volume was generated through partnerships with our Branch Banking Group (BBG) and Corporate Banking Group (CBG). TMG will continue to expand its FX flows business by strengthening collaboration with BBG and CBG through its FX Sales Division in 2026.

In fixed income, government bond yields remained relatively elevated, especially at the long-end of the yield curve, despite the rate cuts this year.

NET INTEREST INCOME
₱10.78 B

NET INTEREST MARGIN
4.35%

FX TRADING GAIN
₱251.64 M

FIXED INCOME VOLUME
₱36.24 B

Global uncertainties and trade-related tensions contributed to cautious investor sentiment, including in the domestic market. Trading income amounted to ₱96.11 million. With the view that yields may eventually trend lower, TMG maintained its positions in peso-denominated government securities. Together with its US dollar-denominated investments, these positions generated interest income exceeding ₱3.6 billion. In 2026, TMG's fixed income desks will remain vigilant of market developments and will respond with appropriate strategies as conditions evolve.

Fixed Income Sales Volume delivered exceptional performance, registering a 254% increase in total volume versus 2024 and reaching ₱36.24 billion for the year. This outcome reflects the rapid development of the Treasury Marketing and Sales Distribution (TMSD) team as a meaningful fixed income distribution channel and a growing contributor to the Bank's overall sales performance.

Growth was broad-based across client segments, with increased participation from institutional clients, corporate accounts, and BBG-supported branches.

Luzon continued to provide a stable and reliable volume base, supported by deep client relationships and strong balance sheets.

Meanwhile, Visayas and Mindanao regions emerged as key momentum drivers, supported by accelerated client adoption, rising branch confidence in fixed income products, and the activation of previously untapped client opportunities. These developments highlight the success of targeted regional engagement and the expanding reach of the Bank's fixed income platform beyond traditional geographic strongholds.

The Bank also maintained an active presence in the secondary market, with its PDEx fixed income brokering and trading activity ranking 12th out of 34 market participants, reinforcing its relevance and visibility within the domestic fixed income ecosystem.

To sustain and scale growth in fixed income, the TMSD Team is pursuing a deliberate strategy to institutionalize fixed income as a core sales engine and a permanent business line. This includes defending and deepening key volume anchors through high-quality, repeatable flows, while systematically strengthening branch capabilities to support broader and more consistent client engagement.

The strategy is further supported by a more deliberate client segmentation approach and the continued leverage of the Bank's PDEx presence as a strategic enabler of liquidity, pricing, and market access. Collectively, these initiatives position fixed income as a durable and scalable contributor to the Bank's overall performance.

As the Bank enters 2026, TMG remains committed to strengthening balance sheet resilience, enhancing risk management capabilities, and supporting sustainable growth through prudent, data-driven, and strategically aligned asset and liability management.

CONSUMER GROUP

The Consumer Group (CoG) delivered a strong performance in 2025, supported by sustained demand across major retail lending segments and disciplined execution of its growth strategy.

The Group's total consumer loan portfolio expanded to ₱19.4 billion, up 26% year-on-year increase and ahead of the industry's estimated 15% growth rate. Expansion was broad-based, led by 25% growth in Auto Loans and 28% growth in Home Loans. This growth reflected focused market engagement and continued demand for consumer financing.

Earnings performance strengthened alongside the larger loan book. Interest income increased as portfolio yields remained healthy and within expectations, even as higher funding costs moderated margins. Fee-based revenues also contributed positively to performance, supported by consumer-related service fees and ancillary products that provided steady, recurring income and enhanced the overall revenue mix.

Operational discipline remained a key factor in the Group's performance. Cost-efficiency measures reinforced scalability, while credit provisions were maintained at conservative levels appropriate for the pace of loan growth. Asset quality stayed robust, with non-performing loan levels below industry benchmarks across Auto, Home, and Salary Loan segments. This reflected prudent underwriting, consistent portfolio monitoring, and a strong risk governance framework.

The Consumer Group's results made a meaningful contribution to the Bank's profitability in 2025 and further strengthened its role as a key earnings driver.

With a larger asset base, a growing loan portfolio, and more diversified revenue streams, CoG enters 2026 with solid momentum. Its disciplined growth strategy and continued focus on risk management position it to create long-term value for customers and stakeholders as market conditions evolve.

CONSUMER LOAN PORTFOLIO

₱19.4 B

TRUST SERVICES GROUP

The Trust Services Group (TSG) concluded 2025 with total Assets Under Management (AUM) of ₱68.65 billion. Trust fee income reached ₱194.74 million, up 4.92% from previous year, supported by disciplined pricing and sustained business activity.

Unit Investment Trust Funds (UITFs) had the highest AUM growth, increasing by 163% from ₱310 million to ₱816 million. Trust and Other Fiduciary Accounts also recorded solid growth, rising 14% year-on-year to ₱3.59 billion. This reflected continued client confidence and stronger engagement in managed accounts. Investment Management Accounts remained stable and substantial at ₱64.30 billion.

These results highlight the Trust business's capability to service its clients while maintaining stable revenue generation in an increasingly competitive landscape. Growth in UITF assets, together with healthy performance across other trust segments, provides momentum for the Group's long-term objectives.

TSG remains focused on scaling key products, deepening client engagement, and improving the profitability and sustainability of the trust business.

ASSETS UNDER MANAGEMENT (AUM)

₱68.65 B

UITF AUM GROWTH

163%

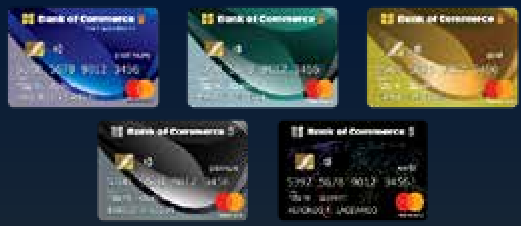
CARDS GROUP

The Cards Group delivered a steady performance in 2025. Its credit card portfolio reached ₱2.1 billion, representing 21% growth from 2024. Billings remained strong at ₱6.68 billion, marking a significant milestone for the year.

The Group also surpassed the 100,000-cardholder mark, a meaningful achievement that reflects growing customer confidence in BankCom's card products and services. Process improvements were introduced during the year, including Card PIN delivery through SMS, which made card servicing more efficient and convenient for customers.

The Group will continue to expand its client base while strengthening its ability to offer competitive card products and services. Improvements in products, processes, and systems will support this effort, along with the experience and commitment of the Cards team.

As the Bank continues to build its digital capabilities and deepen partnerships, the Cards Group is positioned for continued growth. Beyond technology, its focus remains on serving customers well and supporting them throughout their financial journeys.



CREDIT CARD PORTFOLIO

₱2.1 B ▲ 21%

DIGITAL SERVICES GROUP

Advancing Infrastructure Modernization

The Bank made significant progress in its multiyear digital transformation roadmap, focusing on beefing up its core platforms and enabling future-ready capabilities.

A major milestone was the full migration of the Bank's legacy core banking system to the integrated Finacle core banking system by Infosys, running on IBM LinuxONE. The migration covered both deposit and loan products and is now accessed centrally by branches for tellering and by head office booking units.

This upgrade improved system reliability, enhanced processing efficiency, and provided a stronger foundation for data analytics, scalable product innovation, smoother day-to-day operations, and future digital banking services.

The Bank also continued to modernize its infrastructure through virtualization, network upgrades, and refreshed server technologies. These initiatives improved scalability, reduced operational costs, and increased system reliability.

Disaster Recovery and Business Continuity Enhancements

The Bank further strengthened its Disaster Recovery and Business Continuity plans through successful DR drills, improved failover mechanisms, and enhanced redundancy across critical systems.

These efforts support the Bank's ability to maintain essential banking services during unforeseen disruptions and reinforce its commitment to operational resilience.

Enhancing Internal IT Support and Service Delivery

A renewed focus on service excellence led to improvements in IT support processes, ticketing workflows, and cross-department collaboration. System uptime remained high, and internal service level commitments were consistently met.

Training programs for IT personnel further bolstered technical competencies and improve service delivery across the organization

Strategic Investments in Innovation

DSG implemented an API platform to improve the Bank's ability to integrate with external financial and technology partners.

New development and testing tools enabled the team to support initiatives under the bank's long-term innovation roadmap. These investments help position the Bank to remain competitive in a rapidly evolving digital banking environment.

Strengthening Cybersecurity, Fraud Prevention, and Compliance

The Bank continued to energizing its security posture in 2025, with a focus on protecting customer data, institutional assets, and the integrity of its digital channels.

The Digital Services Group (DSG) implemented enhanced cybersecurity frameworks and real-time fraud detection systems to reinforce the Bank's defenses. As part of this effort, the Bank subscribed to brand protection services to monitor its digital footprint and identify online threats such as phishing, brand impersonation, and fraudulent domain activity. This initiative helps the Bank protect customer trust, reduce reputational risk, and maintain the integrity of its digital presence.

Other key initiatives included endpoint hardening and the deployment of advanced threat monitoring tools. These measures significantly reduced cybersecurity incidents and improved response times, ensuring continued protection of customer data and banking services.

The Bank also continued to enhance its Fraud Management System by refining and expanding fraud detection rules. These improvements support faster identification of suspicious activities, stronger transaction-level risk screening, and more adaptive fraud prevention capabilities across channels. By consistently optimizing system rules and leveraging real-time analytics, the Bank fortified operational resilience and enhanced the security of the customer experience.

In line with its commitment to regulatory compliance and financial crime prevention, the Bank also upgraded its anti-money laundering systems. Screening capabilities were expanded through additional watchlist subscriptions, including global sanctions and adverse media lists from Dow Jones, as well as data sources related to Online Sexual Abuse and Exploitation of Children. These enhancements improve the Bank's ability to identify high-risk individuals and entities, increase alert accuracy, and support alignment with international standards and local regulatory requirements.

By toughening its watchlist databases and monitoring controls, the Bank improved its due diligence processes and risk identification capabilities. These upgrades reflect the Bank's proactive approach to compliance and its continued investment in stronger, more effective financial crime risk management.

HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT DIVISION

The Human Resource Management and Development Division (HRMDD) remained steadfast in its mission to enhance employee experience, promote continuous learning, and strengthen organizational engagement. Through strategic initiatives and milestone programs, HRMDD continued to build a capable, engaged, and future-ready workforce.

Talent Acquisition – Proactive Sourcing and Integration

In 2025, the Talent Acquisition team introduced a proactive recruitment strategy anchored on interactive "Open House" events. These sessions allowed candidates to explore career opportunities, engage with leaders, and showcase their skills in real time. To further strengthen integration, the Star Kumustahan program provided new hires with an informal platform to share their needs and accelerate their sense of belonging within the BankCommUnity.

Learning and Development – Building Capabilities and Leadership Depth

Continuous learning remained a cornerstone of HRMDD's agenda. Thirty-one employees completed the Officers Training Program, reinforcing the leadership pipeline. Mandatory Compliance and Governance modules ensured regulatory discipline across the workforce.

Leadership capability was strengthened through programs such as Managing a Multi-Generation Workforce, Coaching Skills for Leaders, and an advanced Leadership Masterclass for senior executives. The launch of BankCom University marked a milestone in embedding structured learning, offering specialized programs in Branch Operations, Sales Excellence, Consumer Lending, Agile Project Management, and Continuous Improvement.

The FLEX Program continued to prepare high-potential employees for future leadership roles, underscoring the belief that capability-building is not just employee development
— it is a business strategy.

Employee Engagement – Connecting, Involving, Inspiring

Employee well-being was supported through sports activities that fostered camaraderie and teamwork. The BankCom Excellence Awards (BEA) recognized individuals and teams whose contributions drove innovation and measurable impact, reinforcing a culture of accountability and pride.

Celebrations such as the Disney Halloween event and the festive Fiestang Pinoy, Paskong BankCom Christmas Party brought employees and families together, highlighting creativity, inclusion, and team spirit. Loyalty Awards honored long-serving employees, while Coffee with the President created a direct channel for high-performing employees to engage with leadership, strengthening transparency and trust.

ESG Engagement – Purpose-Driven Participation

Employees actively supported environmental, social, and governance priorities through initiatives such as Denim Day, the Box All You Can vegetable distribution program, and online wellness sessions. These activities reinforced the Bank's commitment to respect, dignity, sustainability, and holistic well-being.

Total Rewards – Enhancing Value Proposition

Retention and competitiveness were strengthened through strategic compensation reviews, market benchmarking, and enhancements in medical coverage, insurance, and wellness programs. A major highlight was the successful renewal of the Collective Bargaining Agreement (CBA), achieved through constructive engagement with the Union, ensuring balanced improvements while sustaining cost efficiency.

Operational efficiency was further enhanced through HRIS stabilization, improving data integrity and streamlining payroll and benefits administration.

Driving Transformation – Human Capital Strategy Toward 2030

Looking ahead, HRMDD will deepen its role as a strategic partner in enterprise transformation. Anchored on four pillars, Talent Acquisition, Learning and Development, Talent and Organization Development, and Total Rewards — HRMDD is strengthening the employee lifecycle from hire to retire.

By embedding HR Business Partnering, advancing succession planning, and evolving reward systems, HRMDD ensures alignment between performance, accountability, and enterprise growth. Guided by the conviction that

> OUR PEOPLE STRATEGY IS NOT SEPARATE FROM OUR BUSINESS STRATEGY, IT IS HOW OUR BUSINESS STRATEGY IS REALIZED

HRMDD continues to shape a high-performing, values-driven organization positioned for sustainable growth toward 2030.

CORPORATE **SOCIAL RESPONSIBILITY**

Corporate Social Responsibility (CSR) in Bank of Commerce (BankCom) is deeply aligned with our parent company, SMC's core value of "Malasakit" and vision of building a better world. For BankCom, our commitment to delivering superior service goes hand-in-hand with our commitment to bringing positive impact to our employees, clients and partners, and to supporting SMC's nation-building initiatives. The Bank adheres to the concept of giving back through willingness to dedicate time, effort and resources, and showing up when it matters the most.

In 2025, BankCom ramped up its involvement on initiatives and causes which are anchored on the Bank's CSR pillars of community development, financial literacy, and social responsibility. From various donation drives, environmental protection activities, community outreaches, and financial literacy sessions, BankCom volunteers strategically partnered with reputable organizations and proactively participated in San Miguel Foundation-led initiatives. These enabled our employees to be part of something purposeful and gave them a sense of meaning and connection aside from the work that they do.

My experience had been both challenging and exciting because **being a volunteer required stepping out of my comfort zone, and exploring new opportunities and experiences.** As a result, I had grown personally and professionally, learned to overcome my fears and became more confident when socializing and collaborating with different people.

ANGELICA BAGSICAN

IT Vendor and Budget Associate, Digital Services Group

Volunteering is a good way to engage employees. The more events they take part in, the better. **Many forget or take for granted the impact they can make.**

DAVID SALVADOR

Product Development and Research Department Head, Treasury Management Group

I've been volunteering since 2023, and the excitement of meeting new people and **embracing new experiences are what inspires me to volunteer.** There's fulfillment every time I am part of different activities that show malasakit for others.

JOBEE JERLI LAGUMBAY

IT Asset Management Specialist, Digital Services Group

Volunteering is a beautiful reminder of the power of compassion, connection and community. Moments like this inspire us to continue making a positive impact, one meaningful encounter at a time.

NOEMI NIKKI GUEVARRA

Sucat Branch Manager

FINANCIAL LITERACY PROGRAM

BankCom's Financial Literacy (FinLit) Program is a core pillar of the Bank's CSR initiative. Through its Consumer Protection and ESG Department (CPED), the Bank regularly rolls out FinLit sessions that focus on equipping various segments in society such as parents, students, micro and small entrepreneurs, women, and others with knowledge on financial planning, budgeting, saving and avoiding scams.

In 2025, the program was able to successfully reach a total of 100 high school teachers from President Corazon "Cory" C. Aquino National High School (PCCCANHS), a total of 101 women entrepreneurs who are Better World Community members or being supported by the Helping Hands Livelihood Group or the Petron Foundation, 30 parents and officials in Brgy. Pingit, Baler, Aurora, and 100 youth plus parents around the area of the Sto. Domingo Church in Quezon City.

Aside from the Bank's CPED, different branches in Metro Manila also conducted the different sessions, ensuring a wider reach.

SCHOOL KIT PACKING

With an aim to support after-school programs in education and active citizenship, BankCom partnered with Sikat-Aurora, a non-profit organization who helps underserved communities in the province of Aurora. In August 2025, the Bank sponsored one cycle of Abot Ko Ang Libro (ABKL), a mobile library cart program that brings books closer to learners in remote areas in the province. In this program, student volunteers did storytelling sessions for 5 consecutive Saturdays to 50 kids from Brgy. Pingit. On the fifth Saturday, BankCom turned over 50 school kits with reading materials to these kids who completed attending all 5 Saturdays of the ABKL program. These school kits were packed through the assistance of 24 head office-based volunteers of BankCom.

A total of 56 volunteers from the different branches of the Metro Manila South and North Areas also joined in the school kit packing activities. Their participation produced a total of 135 school kits donated to students of Lawang Elementary School and Lawang West Elementary School in the Municipality of Dilasag in Aurora province.

BOX IT FRESH

The Bank's Human Resources Management & Development Division (HRMDD) implemented a Nutrition Month Engagement Program called "Box It Fresh" in July 2025 at the head office where employees can buy fresh produce from Better World Tondo Nanays. 19 BankCom volunteers dedicated their time in effectively managing the program and in ensuring the activity was implemented in an orderly manner.

OUTREACH AND SUPPORT

Philippine Cancer Society, Inc.

BankCom's Transaction Banking Group (TBG) visited the Philippine Cancer Society, Inc. (PCSI) at San Miguel, Manila to generously share their monetary and in-kind donations, spend some time to cheer up and bring a glimmer of hope to the patients assisted by PCSI. Senior Vice President and TBG Head Mary Assumpta Gail Bautista together with 17 volunteers from the group generously donated their cash prize of PHP 50,000 from winning the Charity Raffle during BankCom's 2024 Year-end Party. The volunteers also organized a special program with fun games and shared inspirational messages to 20 cancer patients.

Chosen Children Village Foundation

11 volunteers from different branches in the Metro Manila South Area visited the Chosen Children Village Foundation which houses children with disabilities. The visit was filled with joy and meaningful interactions through fun games, storytelling, and special bag painting activity that allowed the children to express their creativity. As part of this initiative, the volunteers also extended their support through cash and in-kind donations.

Missionaries of Charity for the Elders

Initiated by the Metro Manila East Area branches, a total of 70 elders being cared for by the Missionaries of Charity were visited by 16 volunteers from BankCom. The volunteers spent time to entertain the "lolos and lolas" through songs and meaningful interactions. The volunteers also donated hygiene kits and essential supplies. Through these special visit, the volunteers were able to let the elderlies feel the warmth of human connection as some of these elderlies no longer have families to care for them.

Virlanie Foundation

BankCom branches in the Makati Area came together to partner with Virlanie Foundation to support the nine (9) female teenagers in Elizabeth Home, 20 persons with disabilities in Aime Home and 15 kids ages 5 to 12 years old in Masaya Home. From teaching confidence and useful soft skills to donations of school kits, the volunteers spent two (2) Saturdays to ensure that they were able share valuable lessons and materials that would equip them further in life.

Manila Boys, Girls and Kids Town

From elderlies to young ones, the Metro Manila East branches visited the Manila Boys, Girls and Kids Town to distribute loot bags containing snacks and spend quality time with the beneficiaries. The volunteers also hosted a game and donated clothes and hygiene kit to ensure that these children feel love and support.

Overtaken Church

The Bank's Cash Management Sales Department under Transaction Banking Group partnered with Overtaken Church to collect monetary and in-kind donations in the relief operations for those affected by fire in Brgy. Catmon, Malabon last October. A total of 50 individuals were the beneficiaries of this donation drive.

TEAM MALASAKIT ACTIVITIES

BankCom's unwavering support of Team Malasakit (TM) activities was clearly visible with the Bank's active participation in San Miguel Foundation's (SMF) TM 10th Anniversary activations in 2025. From Better World community activities to environmental initiatives, blood donation and relief operations, BankCom volunteers were ready to support.

Tutor Kita Program

Seven (7) volunteers from BankCom dedicated their time and expertise to help bridge learning gaps for Filipino students as part of SMF's Tutor Kita Program in partnership with AHA Learning Center, a non-profit organization that helps Filipino students in their studies. The volunteers participated in both face-to-face and online trainings to prepare them for the task of tutoring learners at the Better World Smokey Mountain in Tondo, Manila. For two consecutive Saturdays in February and March, they shared their knowledge on one of the four (4) subjects: Filipino, English, Math and Science within an hour and half-long class structure. After each session, the students took post-tests to evaluate their learnings and ensure reinforcement of academic and social skills.

The program provided after-school learning support to K-12 students, focusing on academic reinforcement, emotional growth, and self-confidence.

Blood Donation, and Health and Wellness

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The program provided after-school learning support to K-12 students, focusing on academic reinforcement, emotional growth, and self-confidence.

Fur Partner Day

20 pet-loving BankCom volunteers joined SMF's Fur Partner Day with Animal Kingdom Foundation (AKF) in Capas, Tarlac. They assisted in feeding, petting, bathing plus getting to know the rescued cats and dogs at the shelter. There were also monetary and in-kind donations such as pet wipes, treats, collar and other useful items. These donations were then turned over to AKF.

Tree planting, Backyard Bukid and Agriskwela and Coastal Cleanup

The Bank's strong commitment to environmental protection was visible in its participation to different conservation efforts. Nine (9) volunteers planted saplings at the Mount Purro Nature Reserve (MPNR) in Brgy. Calawis, Antipolo City along with other SMC business unit volunteers. These saplings were the grown seedlings potted by BankCom volunteers in the previous years.

On the other hand, BankCom volunteers also joined the efforts for maintaining the Backyard Bukid and learned about basic agricultural skills at the SMC Head Office Complex.

BankCom has been actively participating in coastal cleanups since 2018 and has supported SMF's cleanup campaigns since 2019. 2025 is no different with more BankCom volunteers from the Head Office and branches participating in the cleanup drive: 45 joined the Metro Manila leg at the SM Mall of Asia and 10 joined the regional activation at Brgy. Jubay, Liloan, Cebu. Held last September 20, these cleanup drives were part of San Miguel Corporation's (SMC) unified efforts to help collect wastes that affect our rivers and seas. This is the biggest coastal cleanup campaign yet by SMC targeting 55 sites nationwide and hundreds of volunteers from the group. BankCom volunteers collected a total of 55 sacks of plastics, aluminum cans, wood debris, rubbers and other wastes at the Manila Bay. While in Liloan, our volunteers collected 2 sacks of non-biodegradable wastes such as plastics, metals and glass.

Various donation drives

As part of Team Malasakit's initiative to bring smiles to Better World Communities in time for the Christmas season, One Good Deed Day is annually activated where different San Miguel business units can support. For BankCom, a total amount of PHP 37,861 and three (3) in-kind donations from 36 donors were turned over to SMF last December 16, 2025.

One of the highlights of Team Malasakit activities for 2025 is the Kasalang Bayan where a total of 47 couples in Smokey Mountain, Manila tied the knot in July. City of Manila Mayor Francisco "Isko" Moreno Domagoso presided over the wedding ceremonies. A total of 37 BankCom donors graciously bestowed white dresses, long sleeves, shoes and other wedding items that these couples used.

In 2025, different calamities also struck the nation; typhoons, earthquakes and fires affected our countrymen. The call for "malasakit" was even greater and BankCom was one of those who heed this call. A total amount of PHP 29,900 from 31 donors from the Bank assisted in the relief operations of SMF those affected by Typhoon Tino and Uwan in Luzon and Visayas. On the other hand, a total of 116 BankCom donors shared clothes, beddings/blankets, towels and hygiene kits to the Better World Tondo community members who were victims of the big fire in September.

Sponsorships for a Cause

The Bank continued its active involvement in sponsoring initiatives aimed at supporting various social causes including education, healthcare, and sports among others. A total amount of PHP 590,000 was donated by BankCom to various reputable organizations and institutions. Among those were Pinget Elementary School, Money Market Association of the Philippines, Alumni Association of the Asian Institute of Management (AAAIM), Bank Security Management Association of the Philippines (BSMAP), International Care Ministries (ICM), Sikat-Aurora, Foundation for Economic Freedom, Tanging Yaman Foundation, Inc., HERO Foundation, Inc. and President Corazon "Cory" C. Aquino National High School (PCCCANHS).

BANKCOM EMPLOYEE VOLUNTEERISM
IN NUMBERS

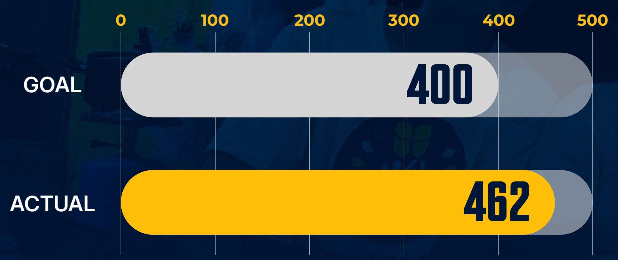
462
VOLUNTEER PARTICIPATIONS

1,398
VOLUNTEER HOURS

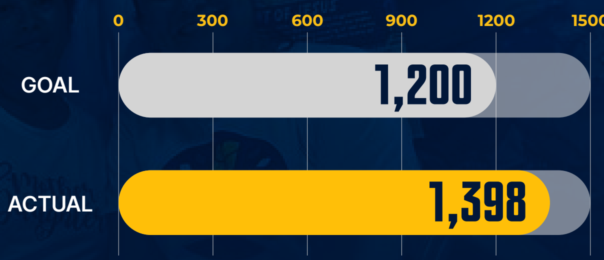
29
VOLUNTEER ACTIVITIES

977+
DIRECT BENEFICIARIES

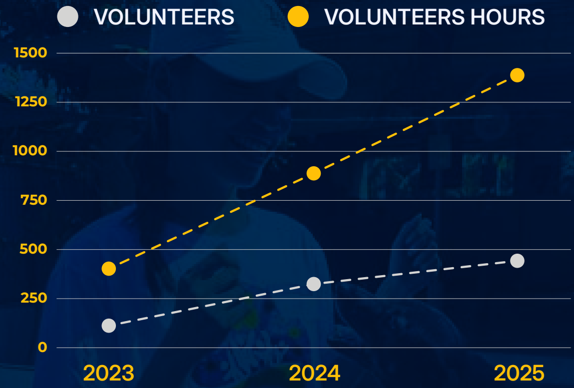
PARTICIPATION GOAL



VOLUNTEER HOURS GOAL



GROWTH THROUGH THE YEARS



+70.5%
PARTICIPATION GROWTH VS 2024

+60.9%
VOLUNTEER HOUR GROWTH VS 2024

+301.7%
PARTICIPATION GROWTH VS 2023

+304.0%
VOLUNTEER HOUR GROWTH VS 2023

VOLUNTEERING ACTIVITIES IN A NUTSHELL

29 TOTAL ACTIVITIES

- **20** BANKCOM LED
- **9** SAN MIGUEL FOUNDATION LED

327 OF 462 PARTICIPATIONS CAME FROM INTERNALLY LED ACTIVITIES

867 OF 1,398 HOURS CAME FROM INTERNALLY LED ACTIVITIES

69% OF ACTIVITIES WERE INTERNALLY LED

71% OF PARTICIPATIONS CAME FROM INTERNALLY LED INITIATIVES

62% OF VOLUNTEER HOURS CAME FROM INTERNALLY LED INITIATIVES

BREADTH OF VOLUNTEERING ACTIVITIES

CAPACITY-BUILDING / FINLIT / TRAINING

8 ACTIVITIES | **105** PARTICIPATIONS | **~350** HOURS

EDUCATION

6 ACTIVITIES | **119** PARTICIPATIONS | **~284** HOURS

ENVIRONMENT

6 ACTIVITIES | **101** PARTICIPATIONS | **~400** HOURS

FINLIT REACH

- **100** HIGH SCHOOL TEACHERS
- **101** WOMEN ENTREPRENEURS
- **30** PARENTS AND BARANGAY OFFICIALS
- **100** YOUTH PLUS PARENTS

TOTAL AUDIENCE REACHED: **331**

SCHOOL-KIT PACKING IN NUMBERS

- **80** HEAD OFFICE AND BRANCH VOLUNTEERS
- **185** SCHOOL KITS
- **2** UNDERSERVED LEARNING COMMUNITIES IN AURORA AND DILASAG

> **WHEN BANKERS VOLUNTEER AS EDUCATORS, KNOWLEDGE BECOMES IMPACT.**

SUSTAINABILITY **IN BANKCOM**

BankCom embraces sustainability as a core pillar in its operations, understanding the importance of harmonizing its financial growth with the environmental and social responsibility of the Bank. The Bank aligns with the Bangko Sentral ng Pilipinas (BSP) in recognizing the role of the financial sector in the greater sustainable development agenda.

In 2024, the BankCom has engaged in an ESG Strategic Planning session to assess the current state of the Bank and develop its sustainability statement and strategy that align with both the internal priorities and SMC's sustainability objectives. BankCom has officially articulated its sustainability statement:

> **Harnessing BankCom's strengths, we envision a nation where our clients, people, and communities thrive together.**

To work towards this goal, the Bank relies on the leadership of its people, its ability to drive responsible and inclusive finance, and its ambition to be a future-ready universal bank.

ADVANCING PRODUCTS SUSTAINABLY

BankCom will offer comprehensive, customer-centric products with expanded coverage, driving competitiveness through integrated solutions and seamless services that elevate the customer experience.

RESILIENT AND EFFICIENT OPERATIONS

BankCom is committed to responsible and resilient operations, underpinned by strong corporate governance. The bank will enhance operational efficiencies, assess its impact, and create an environment that benefits both the planet and its people.

RESPONSIBLE AND COMPREHENSIVE FINANCE

BankCom will expand its portfolio, develop new sustainable products, and increase investments that drive sustainable growth.

WORKING TOWARDS DIGITALIZATION

BankCom will drive digital transformation by improving efficiencies, optimizing data, and enhancing cybersecurity, while streamlining digital solutions to ensure greater customer security and convenience.

CHAMPIONING PEOPLE

BankCom will strengthen employee engagement, implement effective succession planning, foster career development, and provide capacity-building initiatives that lead to an effective and resilient team.

Aligning with sustainability goals and regulatory frameworks, the Bank ensures to continuously implement policies and programs that integrate sustainability principles from its operations to its corporate governance and risk management. This highlights the Bank's approach to reinforce a shared value for society by fostering a strong governance and long-term resilience approach. At BankCom, there is implementation of Environmental and Social (E&S) risk measurement tools and systems, internal and external communications of sustainability efforts and initiatives, and consistent ethical banking practices, ensuring that operations are guided by transparency and accountability.

SUSTAINABILITY GOVERNANCE

The Bank's ESG and Sustainability (ESGS) Framework Manual formalized its corporate decision-making process on how to deal with sustainability-related risks and opportunities. The direction of the sustainability strategies, programs and activities are managed and executed effectively at the highest level.

GOVERNANCE STRUCTURE

BOARD OF DIRECTORS (BOD)

Determines the overarching ESG direction, implementation, and strategies of the Bank. The Board leads the Bank's adoption of sustainability principles through incorporating them into the corporate governance framework as well as in the Bank's strategic objectives and operations, risk strategy, risk appetite and risk management policies and procedures. The Board approves the Bank's Environmental and Social Risk Management System (ESRMS) and keeps track of BankCom's progress in meeting its E&S strategic objectives and targets and ensures that issues and challenges are addressed.

CORPORATE GOVERNANCE COMMITTEE (CGCOM) & BOARD RISK OVERSIGHT COMMITTEE (BROC)

Oversee the Bank's implementation of ESG regulations issued by the Securities and Exchange Commission (SEC) and the BSP. The CGCOM ensures that sustainability principles are integrated in the corporate governance framework, strategies, and operations. One of the duties of the CGCOM is to oversee the reporting and disclosure of ESG information. This covers adherence with existing regulations and ethical obligations toward stakeholders. The BROC, on the other hand, oversees the Bank's adherence to the risk appetite statement, risk policy, and ESG-related risk limits.

SENIOR EXECUTIVE TEAM (SET)

Responsible for the execution of the Board-approved strategies and policies in relation to the sustainability objectives of the Bank. They ensure that the Bank's activities are aligned with the overall E&S strategic objectives and target and that methodologies and tools that will effectively identify, quantify/measure, monitor and control E&S risks are adopted.

ESG PROJECT TEAM

Led by the Chief Risk Officer, Chief Compliance Officer, and the Corporate Communications and Consumer Protection Division Head, executes the approved direction and strategies as well as facilitates the adoption of tools to identify and assess E&S risks in relevant business units and oversee the formulation, approval, and implementation of policies, procedures, and processes to monitor and control identified E&S risks. The designated members apprise the BOD, CGCOM, and BROC on the Bank's exposures on E&S risks and status of implementation of the Bank's sustainability program.

MANAGEMENT-LEVEL COMMITTEES (MGT COMM) AND PROCESS OWNERS

Integrate E&S risks into the relevant risk management frameworks, operating policies, and procedure manuals, conducting proper identification, assessment, monitoring and mitigation of E&S risks.

INTERNAL AUDIT DIVISION AND COMPLIANCE DIVISION

In charge of assessing the Bank's adherence to polices related to management of E&S risks and evaluation of the effectiveness and relevance of said policies.

RISK MANAGEMENT

In compliance with the series of circulars released by the BSP in relation to sustainable finance and risk management, BankCom has instituted the ESRMS to integrate climate risks in the Bank's credit and operational risk management system.

- BSP Circular No. 1085 (Sustainable Finance Framework)
- BSP Circular No. 1128 (Guidance on the integration of Environment and Social Risk Management)
- BSP Circular No. 1149 (Integration of sustainability principles in the investment activities of banks)
- BSP Circular No. 1187, Series of 2024 (Philippine Sustainable Finance Taxonomy Guidelines)
- BSP MEMORANDUM No. M-2025-033 Philippine Sustainable Finance Taxonomy Guidelines: Sample Climate Adaptation-related Projects and Activities
- BSP Memorandum No. M-2024-035 (User Guide for Circular No. 1187 on the Adoption of the Philippine Sustainable Finance Taxonomy Guidelines
- SEC Memorandum Circular No. 5, Series of 2024 (Guidelines on the Philippine Sustainable Finance Taxonomy)
- SEC Memorandum Circular No. 16 Series of 2025: Adoption of Philippine Financial Reporting Standards (PFRS) on Sustainability Disclosures and Issuance of Reporting Guidelines for Publicly-listed Companies and Large Non-listed Entities
- IFRS Foundation (2023) IFRS S1 general requirements for disclosure of sustainability-related financial information
- IFRS Foundation (2023) IFRS S2 climate-related disclosures

Aligned with the Bank's Enterprise Risk Management (ERM) Framework, the ESRMS covers the policies, procedures and tools to identify, assess, monitor and mitigate exposures environmental and social risks. The ESRMS ensures that the risk of financial loss, a weakened reputation, or diminution of stakeholder value stemming from the impact of major environmentally and socially related incidents and national or global developments is adequately mitigated.

IDENTIFY

The Bank's ESRMS identifies physical and transition risks that has a potential impact on its operations and portfolio. For its own operations, the Bank conducts physical hazard assessments in its branch site selection and monitoring and instituted a supplier sustainability questionnaire to identify and understand sustainability risks in the supply chain.

ASSESS

E&S considerations form part of the methodology of the Bank's stress testing activity under the internal capital adequacy assessment process (ICAAP). The Bank also regularly assesses E&S risks through the Bank's Risk and Control Self-Assessment (RCSA) and Business Impact Analysis (BIA) Process. For more details on the assessment, refer to ICAAP: ESG-Related Stress Test section of BankCom's Sustainability Report.

CONTROL

The Bank's policies specify the E&S related controls, limits, and approval authorities, including how to evaluate E&S considerations in the clients and vendors/suppliers of the Bank. Activities to support the Bank's sustainability agenda are also considered in the performance appraisal of employees.

MONITOR

The Bank is setting a management and monitoring system to monitor E&S risks. The Bank utilizes tools such as Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs) to track management of Bank's E&S objectives or risks. Covering both operations and credit risk, breaches in risk limits or thresholds or non-compliance with sustainability-related standards, laws and regulations are reported to relevant Board committees and the accountable unit will be directed to develop and implement an action plan.

REPORT

Reporting activities include escalation and notation of potential or actual ESG issues to relevant Management-level and Board committees. Updates on such issues shall be presented on a regular basis. ESG activities are also reported to third parties such as customers, stakeholders, and regulators.

RISK APPETITE STATEMENT

Every year or as may be required, the Bank formulates its Risk Appetite Statement to guide the decision-making on various transactions of the Bank.

For each type of risk—credit, market, liquidity, operational, information technology—a dashboard showing the current risk exposure against approved limits or risk appetite is presented to the Board Risk Oversight Committee (BROC) and the Board of Directors (BOD). Any mandates or directives from the BROC or the BOD are further tackled by the responsible Risk Management unit with the affected business or support unit. The outcome of these discussions may be further escalated to the Senior Executive Team (SET) if certain decisions are required.

ESG focuses on two types of E&S risk, i.e., physical risk and transition risk. The Bank's Risk Appetite Statement on physical risk is constructed as follows:

PHYSICAL RISK

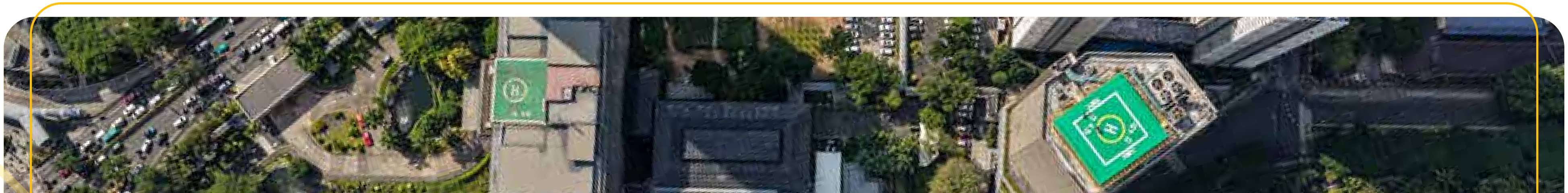
Physical risk refers to the potential loss or damage to tangible assets arising from climate change and/or other weather-related conditions such as floods, typhoons, droughts, earthquakes, extreme weather variability and rising sea levels.

- Impact of physical risk shall be considered in the overall assessment of a counterparty. A commentary section or sensitivity analysis around the location of operations and/or collateral shall be included in the account officer's evaluation. The evaluation shall also include the health and safety (ex. labor conditions) of workers of the counterparty.
- On disasters, the Bank has a low physical risk appetite, which means it aims to minimize physical risks to its business operations, assets, employees, and other stakeholders. The Bank prioritizes safety and security measures to protect against natural disasters, physical damage, theft, and other physical risks that could disrupt its operations or harm its people. It ensures that it has adequate and updated business continuity plans and that any residual financial impact shall be sufficiently covered by insurance, whenever feasible.

TRANSITION RISK

Transition risk, on the other hand, refers to the potential economic adjustment cost resulting from policy, legal, technology and market changes to meet climate change mitigation and adaptation requirements. The Bank's Risk Appetite Statement on transition risk is stated as follows:

- Exposures shall be aligned with identified transition risks. Additional due diligence will be required for industries and companies with E&S risks:
    - Environmental permits and/or certificates ("ECC") for relevant industries (e.g., Mining and Power sectors);
    - Awareness in possible changes to regulations, technology, or market conditions and estimate potential impact to loan repayment.

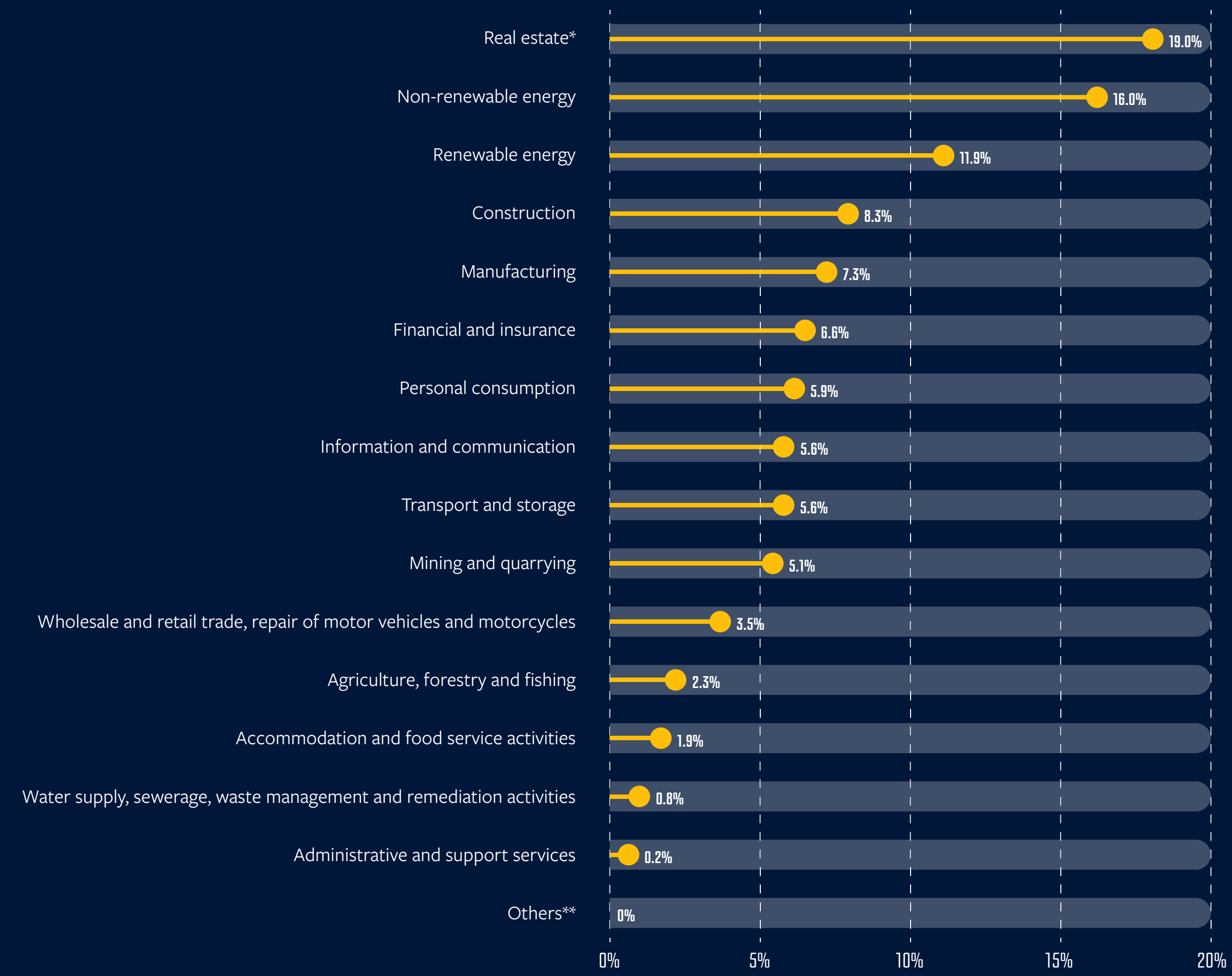


BREAKDOWN OF E&S RISK EXPOSURES OF THE BANK PER INDUSTRY OR SECTOR

The table below provides a breakdown of the Bank's exposure to E&S risks based on the outstanding balance of loans extended to clients falling under the industries or economic activities indicated:

E&S RISK EXPOSURE BY INDUSTRY

% Outstanding Loans



* Commercial and individual real estate

**Professional, scientific, technical; public administration, defense, social work; education; human health and social work, arts, entertainment and recreation, other services activities

TOP 3 INDUSTRIES BY E&S RISK EXPOSURE

19.0%
REAL ESTATE

16.0%
NON-RENEWABLE ENERGY

11.9%
RENEWABLE ENERGY

The Bank has already incorporated ESG and climate consideration in its credit evaluation to identify, assess, measure, and monitor ESG and climate risks in light of its impact on the Bank's loan portfolio. The Bank performs E&S due diligence on the borrower as part of the evaluation of the borrower's creditworthiness and E&S risk profile at the beginning of the client relationship.

BankCom actively manages, monitors, and controls E&S risks both at the borrower and portfolio levels, including regular engagement with borrowers to ensure continuing alignment with the Bank's E&S strategic objectives and targets throughout the term of the loan or duration of the client relationship.

CAPACITY BUILDING AND AWARENESS RAISING ACTIVITIES

BankCom is working on increasing the knowledge and capacity of the management and its employees on the topics of sustainable development, ESG, environment and social risk management as well specific topics on sustainability in the financial industry.

The ESG Team and the Senior Executive Team (SET) attends trainings provided by universities, third-party consulting services, industry bodies, and regulators to take stock of best practices, trends, as well as upcoming policies, standards and regulations on sustainability that can be applied to the Bank. Some of the trainings / webinars attended include:

- IFRS 9 Update and Expected Credit Loss Modelling Master Class
- Philippine Sustainable Finance Taxonomy Guidelines Training for Financial Sector
- Board Education Series: The Sustainable Financing Alternative

Since 2023, the Bank rolled out its Sustainability and ESG Module in the New Employees Orientation. The module introduces the topics of corporate sustainability, ESG, climate change as well as the policies and regulations covering the financial industry. The Bank also shares the sustainability focus areas and activities.

The Bank considers communications to be a critical tool in instituting a sustainability culture within BankCom. Through proper communication, the Bank raises awareness on the importance of implementing a responsible and sustainable business and conducts its activities, abiding by transparency and accountability principles by informing stakeholders on the Bank's sustainability commitment and performance. The Bank issued information materials on its Facebook page and website as well as through emails to employees.

Further, aligned with the sustainability agenda of the Bank, to provide suppliers with a brief overview of the supplier sustainability questionnaire (SSQ), BankCom conducts an orientation for suppliers on ESG and sustainability, the Bank and SMC Group's commitments, and provides guidance on how to accomplish the SSQ.

MATERIALITY

BankCom determined its material topics through a review of the banking industry's most significant impacts aligned with the realization of the Bank's Vision and Core Purpose. Along with a study of material topics in the financial industry, the Bank referenced international standards on sustainability reporting, publicly available methodologies of third-party rating providers, and local regulations, particularly the circulars issued by the Bangko Sentral ng Pilipinas (BSP) on Sustainable Finance and the Implementation of the Environmental and Social Risk Management System (ESRMS). From there, the Bank considered which topics would be of interest and would likely affect its primary and secondary stakeholders. In addition, the Bank also considered the priority topics identified in the materiality analysis of its parent company, San Miguel Corporation.

This materiality process is managed by a cross-functional technical working group assigned to facilitate the Bank's ESRMS. As BankCom continues to improve its processes, enhance its policies and develop responsive products and services, its materiality process and topics will be reviewed and updated accordingly.

PEOPLE

- Diversity, Equal Opportunity and Anti-Discrimination
- Employee Hiring and Benefits
- Employee Training
- Occupational Health and Safety
- Community Involvement

CUSTOMERS & GOVERNANCE

- Direct economic value generated to stakeholders
- Customer Privacy
- Financial Consumer Protection
- Business Ethics and Anti-Corruption

ENVIRONMENT & OPERATIONS

- Products and Services Contribution to SDG
- Resource Consumption
- Environmental Impact Management
- Procurement Practices
- Supply Chain Accreditation Policy
- Climate Risk Management

STAKEHOLDER ENGAGEMENT

BankCom recognizes the critical role that stakeholders play in the Bank's sustainability journey. In 2023, the Bank has identified the key stakeholders who have an interest in or are impacted by the Bank's performance and business operations. The Bank's goal is to find synergies, address concerns, and align its actions with the stakeholders' interests and values.

CLIENTS / CUSTOMERS

Relevant Sustainability Topics	Management Approach	Communication / Engagement Channels
Customer Privacy, Consumer Financial Protection	• Continue to prioritize customer welfare through improving products, services, system, particular on accessibility, privacy and data security • Ensure timely resolution of concerns and understanding of needs	• BankCom Official website • BankCom Official Facebook page • BankCom Email Blast Facility and SMS notifications • Client meetings

EMPLOYEES

Relevant Sustainability Topics	Management Approach	Communication / Engagement Channels
Diversity, Equal Opportunity and Anti-Discrimination, Employee Hiring and Benefits, Employee Training, Occupational Health and Safety	• Continuously engage with employees to understand needs or challenges • Review compensation and benefits • Provide incentives on performance and support professional development	• Employee engagement activities • Internal Advisories • Labor management meetings • Performance Evaluation • Townhalls, meetings

SHAREHOLDERS / INVESTORS

Relevant Sustainability Topics	Management Approach	Communication / Engagement Channels
Climate Risk Management, Resource Consumption, Environmental Impact Management	• Provide transparent information on the company's performance • Effectively implement and consistently improve the Bank's ESRMS	• Annual Stockholders' Meeting • Investor Surveys • Regular Meetings

SUPPLIERS

Relevant Sustainability Topics	Management Approach	Communication / Engagement Channels
Procurement Practices, Supply Chain Accreditation Policy	• Continue to increase awareness and understanding of third-party service providers and suppliers in sustainability • Continue to improve procurement processes to maintain quality and cost-effectiveness	• Performance Evaluation • Suppliers Accreditation Process • Regular meetings/ correspondences

REGULATORS

Relevant Sustainability Topics	Management Approach	Communication / Engagement Channels
Business Ethics and Anti-Corruption, Customer Privacy, Consumer Financial Protection, Climate Risk Management	• Continue to promote and strengthen culture of compliance within the Bank • Provide timely, complete, and transparent disclosures • Continue to monitor developments on sustainability-related policies and regulations, ensuring Bank's alignment and compliance	• Consultations/Surveys • Formal correspondence • Annual/Quarterly Reports • Sustainability Report

COMMUNITIES, CIVIL SOCIETY

Relevant Sustainability Topics	Management Approach	Communication / Engagement Channels
Environmental Impact Management, Community Involvement	• Provide positive contributions to the environment and society through the Bank's CSR activities and financial literacy programs • Publish timely, complete, and transparent disclosures	• Community engagement/ Corporate Social Responsibility activities

SUSTAINABILITY PERFORMANCE

BankCom has made significant strides in progressing its sustainability agenda within the Bank. The Bank has finalized its sustainability statement, identifying focus areas and key performance indicators for each area. Working towards its goal, the Bank relies on the leadership of its people to achieve its ambition.

ZERO COMPLAINTS ON CUSTOMER PRIVACY

17.2% INCREASE IN DIRECT ECONOMIC VALUE GENERATED

13.76% EMPLOYEE ATTRITION RATE

TOP TAXPAYER IN MANDALUYONG CITY

1 GOLDEN ARROW DISTINCTION FROM THE INSTITUTE OF CORPORATE **DIRECTORS**

96,585 TOTAL EMPLOYEE TRAINING HOURS IN 2025

In 2025, the Bank's sustainability performance in all its material topics has shown improvement. BankCom generated direct economic value (revenue) of ₱12,609 million, a 17.2% increase from last year's ₱10,756 million. Similarly, it saw a record high profit, with the net income up by 17% and nearly double the ₱1.80 billion at end of IPO year, to ₱3.54 billion highlighting steady growth in the bank's core revenue streams.

Following its sustainability statement, by harnessing its strengths, the Bank envisions a nation where its clients, people, and communities thrive together. In 2025, BankCom volunteers grew from 271 to 462, a 70.5% increase in participation with volunteer hours rendered also indicating a 60.9% increase, from 869 hours in 2024 to 1,398 hours in 2025.

The Bank has shown its commitment to building a more progressive and financially literate society through:

- With knowledge gained from the Train the Trainers program, a total of 21 branches in Metro Manila, South and North Luzon assisted in the implementation of the financial literacy program reaching about 800 stakeholders
- Consistent annual mandatory training requirement, reflecting 100% completion for all employees

In the same year, BankCom showed its environmental conservation initiatives through its resource consumption. There was a decrease in the consumptions of water from 25,136 cubic meters to 22,610.67 cubic meters, and electricity from 5,739,031 kilowatt-hour to 4,570,707.55 kilowatt-hour. Lastly, the Bank's transition to energy-saving lamps (LED) has been completed, with 100% using LED lights.

For more details on our sustainability performance and contributions, please refer to BankCom's Sustainability Report 2025.

Financial Literacy Program Implemented Across 21 Branches, Reaching 800 Stakeholders

Consistent 100% completion of annual mandatory trainings

Reduced Water Consumption

25,136 to 22,610.67
Cubic Meters

Reduced Electricity Consumption

5,739,031 to 4,570,707.55
Kilowatt-hour

CORPORATE GOVERNANCE

MANUAL ON CORPORATE GOVERNANCE

The Bank has adopted a Manual on Corporate Governance ("Manual") which institutionalizes the principles of good corporate governance in the entire organization. It emphasizes the Board of Directors' Commitment to prudently manage the Bank thereby preserving the trust and confidence reposed on it by its clients and stakeholders. The Bank believes that it is a necessary component of sound strategic business management, hence, we undertake efforts to create awareness within the organization.

The Manual formalizes the principles of sound corporate governance to be observed across all segments of the entire Bank. Corporate governance being a necessary component of sound strategic business management, the Bank's directors, officers and employees are expected to exert every effort to foster awareness and consistent implementation thereof on a continuing basis.

The Manual is reviewed and updated annually to capture current and best practices and recent regulatory updates issued by the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC). Proposed amendments thereof are presented to and approved by the Board as reviewed and endorsed by the Corporate Governance Committee.

BOARD GOVERNANCE

Setting the tone from the top, the Board of Directors (the Board) is primarily responsible for the sound governance of the Bank. It approves and oversees the implementation of the Bank's strategic objectives. Aware of its duty of setting the policies for the accomplishment of corporate objectives, the Board fosters the long-term success of the Bank and sustains its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of the stockholders. The Board likewise conducts an independent check on Management.

BOARD OF DIRECTORS

The Bank's Board of Directors (BOD) is composed of fifteen (15) members. The Board is a healthy mix of individuals with diverse experiences, backgrounds, and perspectives and a combination of executive and non-executive directors such that no director or small group of directors dominates the decision-making process. Five (5) of the total Board seats are independent directors. , one of whom is designated as Lead Independent Director (LID). The LID is tasked of ensuring that conflicts of interest are identified and managed .

This number of independent directors is compliant with the representation of independent directors required by the Bangko Sentral ng Pilipinas (BSP) and Securities and Exchange Commission (SEC) rules and regulations. All directors were chosen based on integrity, probity, market reputation, conduct and behavior, relevant education and training, physical and mental fitness, knowledge and relevant experience.

They possess such qualifications and stature that enable each of them to effectively participate in the deliberations of the Board. Prior to election as a director, any nominee or candidate passes through the evaluation of the Nominations, Compensation, and Remuneration Committee (NCRC).

The Chairman of the Board provides leadership in the Board of Directors. He ensures effective functioning of the Board, including maintaining a relationship of trust with members of the Board, and steers it toward an effective performance of its bounden duties. Consistent with the Corporate Governance Principle under the Manual of Regulations for Banks (MORB), the Chairman of the Board is an independent director who has not served as CEO of the Bank within the past three (3) years. In his absence, the Vice Chairman of the Board is responsible for overall governance of the institution. The Bank's Chief Executive Officer is responsible for day-to-day management of the Bank. The Bank's Independent Directors, apart from possessing minimal shareholding, are independent of management and free from any business or other relationship with the Bank, other than transactions which are conducted at arm's length, and could not interfere with their exercise of independent judgment when carrying out their responsibilities as directors. Further, they are not retained professional advisers or consultants of the Bank, not a nominee of any director or substantial stockholder, nor member of any advisory board. Independent directors only serve as such for a maximum cumulative term of nine (9) years reckoned from 2012, after which, they shall be perpetually barred from serving as independent directors but may continue to serve as a regular director of the Bank.

The above term limit is consistent with SEC Memorandum Circular No.4 dated 9 March 2017 and BSP Memorandum 2021-025 dated 23 April 2021, which stated that an independent director shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as a non-independent director.

The Board has also adopted a Policy on Interlocking Positions and Secondment to provide guidelines on the maximum number of directorships in other entities that its members can hold, taking into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities as director of the Bank.

Directors are expected to act in the best interest of the Bank and in a manner characterized by transparency, accountability, and fairness. As a member of the Board upon which the corporate powers of the Bank rest and are exercised, and through which the Bank's strategic objectives, risk appetite/strategy, corporate governance and corporate values are set, a director should demonstrate leadership, observe prudence, exercise sound and objective judgment, and maintain integrity in directing the Bank toward sustained progress. The Board formulates the Bank's vision, mission, strategic objectives, policies, and procedures that guide its activities, including the means to effectively monitor Management's performance.

To effectively carry out their duties and responsibilities, the members of the Board are required to attend a program on corporate governance conducted by a duly accredited training service provider by the BSP. To maintain their professional integrity, enhance their skills and knowledge, understand the activities that the Bank is engaged in or intends to pursue, and keep abreast with the developments in the banking industry and changes in regulatory landscape, members of the Board of Directors participate in seminars, lectures or symposia as part of their continuing education or training. The Board has likewise adopted a policy on continuing education and training across all segments of the Bank's manpower complement, commensurate with their duties and responsibilities in order to keep up with developments in the banking industry, ensure that skills and knowledge remain relevant and that requirements of the law, rules and regulations are understood and complied with.

For the year 2025, the Board held twelve (12) meetings:

BOARD ATTENDANCE SUMMARY

NAME	POSITION	ATTENDANCE	PERCENTAGE
Francis C. Chua[1]	Chairman, Non-Executive Director	5/5	100%
Benedicta A. Du-Baladad[2]	Chairman, Non-Executive Director	11/12	91.67%
Michelangelo R. Aguilar	Member, Executive Director	12/12	100%
Roberto C. Benares	Member, Non-Executive Director	12/12	100%
Marito L. Platon	Member, Non-Executive Director	12/12	100%
Melinda Gonzales-Manto	Member, Non-Executive Director	12/12	100%
Fe B. Barin	Member, Non-Executive Director	12/12	100%
Alexander R. Magno	Member, Non-Executive Director	12/12	100%
Jose Carmelo C. Nograles	Member, Non-Executive Director	12/12	100%
Jose A. Barcelon	Member, Non-Executive Director	12/12	100%
Antonio S. Laquindanum[3]	Member, Executive Director	7/7	100%
Leonardo J. Matignas Jr.	Lead Independent Director	12/12	100%
Ricardo DL. Fernandez	Independent Director	12/12	100%
Simon R. Paterno	Independent Director	12/12	100%
Rebecca Maria A. Ynares[4]	Independent Director	6/6	100%
Antonio S. Abacan Jr [5]	Independent Director	5/5	100%
Daniel Gabriel M. Montecillo[6]	Independent Director	8/8	100%
Rafael G. Ayuste Jr.[7]	Independent Director	3/3	100%

1 Resigned as Chairman of the Board of Directors effective end of business hours on May 27, 2025
2 Elected as Chairperson of the Board of Directors effective May 27, 2025 (replaced Francis C. Chua)
3 Elected as Director effective May 27, 2025
4 Resigned as Independent Director effective June 30, 2025
5 Elected as Independent Director effective July 29, 2025 (replaced Rebecca Maria A. Ynares)
6 Resigned as Independent Director effective September 23, 2025
7 Elected as Independent Director effective September 30, 2025 (replaced Daniel Gabriel M. Montecillo)

YEARS OF SERVICE OF THE BOARD OF DIRECTORS

NAME	POSITION	YEARS OF SERVICE AS OF 31 MARCH 2026 (DATE OF ELECTION)
BOARD OF DIRECTORS		
Benedicta Du-Baladad	Chairperson, Non-Executive Director	12 years and 2 months (January 31, 2014)
Roberto C. Benares	Vice-Chairperson, Former President and CEO, Non-Executive Director	12 years and 11 months (April 30 2013)
Michelangelo R. Aguilar	President and CEO, Executive Director	7 years and 8 months (July 17, 2018)
Fe B. Barin	Non-Executive Director	11 years and 11 months (April 24, 2014)
Marito L. Platon	Non-Executive Director	15 years and 11 months (April 30, 2010)
Jose A. Barcelon	Non-Executive Director	1 year and 9 months (June 25, 2024)
Alexander R. Magno	Non-Executive Director	11 years and 8 months (August 1, 2014)
Melinda S. Gonzales-Manto	Non-Executive Director	9 years as Independent Director; 3 years and 11 months as Non-Executive Director (April 29, 2022)
Jose Carmelo C. Nograles	Non-Executive Director	9 years as Independent Director; 1 year and 11 months as Non-Executive Director (April 30, 2024)
Antonio S. Laquindanum	Chief Financial Officer, Executive Director	10 months (elected on May 27, 2025)
Ricardo D. Fernandez	Independent Director	5 years and 3 months
Simon R. Paterno	Independent Director	3 years and 10 months
Leonardo J. Matignas, Jr.	Independent Director	2 years and 9 months (elected on June 27, 2023)
Antonio S. Abacan, Jr.	Independent Director	8 months (elected on July 29, 2025)
Rafael G. Ayuste, Jr.	Independent Director	6 months (elected on September 30, 2025)
Maria Josephine Marquez Ocampo	Independent Director	Nominated for Election
BOARD ADVISORS		
Jose T. Pardo	Chairman of the Board of Advisors	18 years and 4 months as Director, 10 years as Chairman of the Board, and 4 years and 1 month as Chairman of the Board of Advisors since February 16, 2022
Aurora T. Calderon	Board Advisor	14 years and 8 months
Ferdinand K. Constantino	Board Advisor	2 years as Director and 14 years and 10 months as Advisor
Cecile L. Ang	Board Advisor	10 years and 5 months
Francis C. Chua	Board Advisor	16 years and 10 months
Evita C. Caballa	Corporate Secretary	2 years as Asst. Corporate Secretary; 15 years and 11 months as Corporate Secretary and 3 years and 3 months as Director

The following are the number of shares comprising the Bank's capital stock (all of which are voting shares) owned of record by the President, directors, key officers of the Bank, and nominees for election as director as of March 31, 2026:

DIRECTORS TOTAL SHARES 233,900

KEY OFFICERS TOTAL SHARES 264,610

TOTAL SHARES 488,510

DIRECTORS

TITLE OF CLASS	NAME OF OWNER	POSITION	CITIZENSHIP	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP		% OF TOTAL OUTSTANDING SHARES
Common	**Benedicta Du-Baladad**	Chairperson	Filipino	Direct	10	NIL
Common	**Roberto C. Benares**	Vice-Chairman	Filipino	Direct	10	NIL
Common	**Michelangelo R. Aguilar**	President and CEO / Director	Filipino	Direct Indirect	10 40,100	NIL
Common	**Ricardo D. Fernandez**	Director	Filipino	Direct	10	NIL
Common	**Marito L. Platon**	Director	Filipino	Direct	10	NIL
Common	**Jose Carmelo C. Nograles**	Director	Filipino	Direct	10	NIL
Common	**Melinda Gonzales-Manto**	Director	Filipino	Direct Indirect	10 83,300	NIL
Common	**Jose A. Barcelon**	Director	Filipino	Direct	10	NIL
Common	**Fe B. Barin**	Director	Filipino	Direct	10	NIL
Common	**Alexander R. Magno**	Director	Filipino	Direct	10	NIL
Common	**Antonio S. Laquindanum**	Chief Financial Officer and Head, Finance and Controllership Group / Director	Filipino	Indirect	100,000	NIL
Common	**Leonardo J. Matignas, Jr.**	Independent Director	Filipino	Direct	100	NIL
Common	**Antonio S. Abacan. Jr.**	Independent Director	Filipino	Direct	100	NIL
Common	**Rafael G. Ayuste, Jr.**	Independent Director	Filipino	Direct	100	NIL
Common	**Marie Josephine Marquez Ocampo ***	Independent Director	Filipino	Direct	100	NIL
	TOTAL				**223,900**	

**Ms. Marie Josephine Marquez Ocampo holds 100 shares as of June 04, 2026.*

KEY OFFICERS

TITLE OF CLASS	NAME OF OWNER	POSITION	CITIZENSHIP	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP		% OF TOTAL OUTSTANDING SHARES
Common	**Michelangelo R. Aguilar**	-same as director's share-				
Common	**Antonio S. Laquindanum**	-same as director's share-				
Common	**Evita C. Caballa**	Corporate Secretary	Filipino	Direct	10	NIL
Common	**Felipe Martin F. Timbol**	Treasurer / Head, Treasury Management Group	Filipino	Indirect	110,500	NIL
Common	**Mary Assumpta Gail C. Bautista**	Head, Transaction Banking Group	Filipino	Indirect	10,100	NIL
Common	**Don Carlo P. Hernandez**	Chief Trust Officer	Filipino	NONE		NIL
Common	**Manuel A. Castaneda III**	Head, Corporate Banking Group	Filipino	Indirect	20,100	NIL
Common	**Maria Ana P. dela Paz**	Head, Credit Group	Filipino	Indirect	8,100	NIL
Common	**Ma. Katrina A. Felix**	Head, Credit Card Group	Filipino	Indirect	30,100	NIL
Common	**Louella P. Ira**	Asst. Corporate Secretary / Head, Legal Services Division	Filipino	Indirect	8,500	NIL
Common	**Annalyn D. Delos Santos**	Head, Branch Banking Group	Filipino	Indirect	20,100	NIL
Common	**Melanie P. Santos**	Head, Human Resources Management and Development Division	Filipino	NONE		NIL
Common	**Joel O. Longalong**	Chief Audit Executive	Filipino	Indirect	100	NIL
Common	**Jeremy H. Reyes**	Chief Risk Officer	Filipino	Indirect	5,100	NIL
Common	**Jay S. Velasco**	Head, Operations Group	Filipino	Indirect	8,100	NIL
Common	**Jose Mari M. Zerna**	Head, Consumer Group	Filipino	Indirect	8,100	NIL
Common	**Marie Suzanne S. Sevilla**	Chief Information Officer/Head, Digital Services Group	Filipino	NONE		NIL
Common	**Francisco Raymund P. Gonzales**	Corporate Communication & Consumer Protection Division Head	Filipino	Indirect	20,100	NIL
Common	**Gregorio M. Yaranon**	Chief Compliance Officer	Filipino	NONE		NIL
Common	**Luis Martin E. Villalon**	Head, Investment Banking Group	Filipino	Indirect	15,600	NIL
	TOTAL				**264,610**	

The aggregate number of shares owned of record by the President, directors, and key officers of the Bank as a group as of March 31, 2026 is 488,510 shares.

Voting trust holders of 5% or more - The Bank is not aware of shareholders holding any Voting Trust Agreement for shares constituting 5.0% or more of the outstanding capital stock, or any such similar agreement.

Change in control of the registrant since beginning of last fiscal year - There has been no change in the control of the Bank since the beginning of its last fiscal year.

Lock-up Shares - As of March 31, 2026, no shares of Bank of Commerce are under lock-up.

BOARD COMMITTEES

The Board has constituted the following committees to assist in its supervision over the Bank's activities and guide Management in implementing sound corporate governance: Executive Committee; Audit Committee; Board Risk Oversight Committee; Corporate Governance Committee; Nominations, Compensation, and Remuneration Committee; Trust and Investments Committee; Related Party Transactions Committee; Information Technology Steering Committee; and Underwriting Committee. These committees regularly convene as mandated in their respective Charters.

In the appointment of members of each committee, knowledge, skills, training, experience and profession, among others, are considered to ensure an optimum combination of knowledge and experience that encourages constructive, objective and critical discussions, while exposing members to differing views that will allow them to fully understand and objectively evaluate the issues.

EXECUTIVE COMMITTEE

The Executive Committee (ExCom) is empowered to approve and/or implement all corporate acts within the competence of the Board of Directors (BOD), except those acts expressly reserved by the Revised Corporation Code of the Philippines for the Board of Directors.

The Committee shall be composed of five (5) members to be appointed by the Board of Directors from among the members of the Board of Directors of the Bank, one (1) of whom will be designated as Chairman, another as Vice-Chairman and three (3) others as members. It held twenty-four (24) meetings in 2025.

EXECUTIVE COMMITTEE			
NAME	POSITION	ATTENDANCE	%
Benedicta Du-Baladad [1]	Chairperson	20/24	83.33%
Roberto C. Benares [2]	Chairman	24/24	100%
Michelangelo R. Aguilar	Vice Chairperson	23/24	95.83%
Marito L. Platon	Member	24/24	100%
Alexander R. Magno	Member	24/24	100%

1 Ceased to be Chairperson effective May 27, 2025; Appointed as member effective May 27, 2025
2 Appointed as Chairman effective May 27, 2025 (replaced Benedicta Du-Baladad)

AUDIT COMMITTEE

The Audit Committee oversees the Bank's financial reporting policies, practices and controls, monitoring and evaluation of internal control system's adequacy and effectiveness, the internal audit functions, the appointment, conduct, and reporting of the external auditors, as well as implementation of corrective actions.

The Committee shall be composed of at least three (3) members of the Board of Directors, who shall be non-executive directors, majority of whom shall be Independent Directors, including the Chairperson. It held thirteen (13) regular meetings in 2025.

AUDIT COMMITTEE			
NAME	POSITION	ATTENDANCE	%
Leonardo J. Matignas Jr.	Chairman	13/13	100%
Simon R. Paterno	Member	13/13	100%
Melinda Gonzales-Manto	Member	13/13	100%
Jose Carmelo C. Nograles	Member	13/13	100%
Rebecca Maria A. Ynares [1]	Member	5/7	71%
Antonio S. Abacan Jr. [2]	Member	5/5	100%

1 Resigned as Independent Director effective June 30, 2025
2 Appointed as member effective July 29, 2025 (replaced Rebecca Maria A. Ynares)

BOARD RISK OVERSIGHT COMMITTEE

The Board Risk Oversight Committee (BROC) is responsible for the development and supervision of the risk management program of the Bank and its Trust unit.

The Committee is composed of at least three (3) Directors, majority of whom shall be independent directors, including the Chairperson. The BROC's Chairperson shall not be the Chairperson of the Board of Directors or any other Board-level committee. It held thirteen (13) meetings in 2025.

BOARD RISK OVERSIGHT COMMITTEE			
NAME	POSITION	ATTENDANCE	%
Simon R. Paterno	Chairman	13/13	100%
Melinda Gonzales-Manto	Member	13/13	100%
Fe B. Barin	Member	12/13	98%
Leonardo J. Matignas Jr.	Member	13/13	100%
Daniel Gabriel M. Montecillo [1]	Member	8/8	100%
Rafael G. Ayuste Jr. [2]	Member	4/4	100%

1 Resigned as Director effective September 23, 2025
2 Appointed as member effective September 30, 2025 (replaced Daniel Gabriel M. Montecillo)

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee (CGCom) assists the Board in fulfilling its corporate governance responsibilities. It is responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines across all levels of the Bank's personnel.

The Committee is composed of five (5) members, majority of whom, including the committee chairman, are independent directors. It held twelve (12) meetings in 2025.

CORPORATE GOVERNANCE COMMITTEE			
NAME	POSITION	ATTENDANCE	%
Daniel Gabriel M. Montecillo [1]	Chairman	8/8	100%
Antonio S. Abacan, Jr. [2]	Chairman	3/3	100%
Fe B. Barin	Member	12/12	100%
Jose Carmelo C. Nograles	Member	12/12	100%
Ricardo D. Fernandez	Member	12/12	100%
Simon R. Paterno	Member	12/12	100%

1 Resigned as Independent Director effective September 23, 2025
2 Appointed as Chairman effective September 30, 2025 (replaced Daniel Gabriel M. Montecillo)

NOMINATIONS, COMPENSATION, AND REMUNERATION COMMITTEE

The Nominations, Compensation, and Remuneration Committee (NCRC) reviews and evaluates the qualifications of all persons nominated to the Board, as well as those nominated to other positions requiring appointment by the Board.

The Committee is composed of at least five (5) members of the Board of Directors, majority of whom, including the Committee Chairperson, are Independent Directors. It held eleven (11) meetings in 2025.

TRUST AND INVESTMENTS COMMITTEE

The Trust and Investments Committee (TIC) is primarily responsible for overseeing the trust and other fiduciary activities of the Bank.

The Committee is composed of six (6) members, three (3) of whom are Board Directors including the Chairman, the President of the Bank, and the Bank's Chief Trust Officer. It held twelve (12) meetings in 2025.

RELATED PARTY TRANSACTIONS COMMITTEE

The Related Party Transactions Committee (RPTCom) assists the Board in fulfilling its responsibility of ensuring that transactions with related parties are handled in an efficient and prudent manner, with integrity and in compliance with relevant laws and regulations to protect the interest of the Bank, its depositors, creditors and other stakeholders.

For this purpose, the RPTCom evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.

It likewise evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under identical circumstances.

The Committee is composed of five (5) members, four (4) of whom, including the Chairman, are Independent Directors. It held twelve (12) meetings in 2025.

INFORMATION TECHNOLOGY STEERING COMMITTEE

The Information Technology Steering Committee (ITSC), as tasked by the Board of Directors, is responsible for overseeing the IT functions of the Bank. It cohesively monitors IT performance and formulates appropriate measures to ensure that the Bank's technology strategy and significant technology investments support its business needs, strategies and objectives.

The ITSC is composed of five (5) members, one (1) Board of Director as Chairman, with two (2) Board Directors, the Digital Services Group Head, and the President and CEO as members. It held twelve (12) meetings in 2025.

NOMINATIONS, COMPENSATION, AND REMUNERATION COMMITTEE

NAME	POSITION	ATTENDANCE	%
Rebecca Maria A. Ynares [1]	Chairperson	5/6	83.33%
Antonio S. Abacan, Jr. [2]	Chairman	4/4	100%
Ricardo D. Fernandez	Member	11/11	100%
Melinda Gonzales-Manto [3]	Member	6/6	100%
Fe Barin	Member	11/11	100%
Antonio S. Laquindanum [4]	Member	5/5	100%
Daniel Gabriel M. Montecillo [5]	Member	8/8	100%
Leonardo J. Matignas, Jr. [6]	Member	2/2	100%

1 Resigned as Independent Director effective June 30, 2025
2 Appointed as Chairman effective July 29, 2025 (replaced Rebecca Maria A. Ynares)
3 Ceased to be member effective May 27, 2025
4 Appointed as member effective May 27, 2025 (replaced Melinda Gonzales-Manto)
5 Resigned as Independent Director effective September 23, 2025
6 Appointed as member effective September 30, 2025 (replaced Daniel Gabriel M. Montecillo)

TRUST AND INVESTMENTS COMMITTEE

NAME	POSITION	ATTENDANCE	%
Francis C. Chua [1]	Chairman	4/5	80%
Benedicta Du-Baladad [2]	Member	10/12	83.33%
Michelangelo R. Aguilar	Member	12/12	100%
Marito L. Platon [3]	Member	7/7	100%
Alexander R. Magno [4]	Member	9/9	100%
Rafael G. Ayuste, Jr. [5]	Member	3/3	100%
Don Carlo P. Hernandez	Member/Chief Trust Officer	11/12	91.67%

1 Resigned as Chairman effective May 27, 2025
2 Appointed as Chairperson effective May 27, 2025 (replaced Francis C. Chua)
3 Appointed as member effective May 27, 2025 (replaced Benedicta Du-Baladad)
4 Ceased to be member effective September 30, 2025
5 Appointed as member effective September 30, 2025 (replaced Alexander R. Magno)

RELATED PARTY TRANSACTIONS COMMITTEE

NAME	POSITION	ATTENDANCE	%
Ricardo D. Fernandez	Chairman	12/12	100%
Melinda Gonzales-Manto	Member	12/12	100%
Leonardo J. Matignas Jr.	Member	12/12	100%
Jose Carmelo C. Nograles	Member	12/12	100%
Rebecca Maria A. Ynares [1]	Member	5/6	83.33%
Antonio S. Abacan, Jr. [2]	Member	5/5	100%

1 Resigned as Independent Director effective June 30, 2025
2 Appointed as member effective July 29, 2025 (replaced Rebecca Maria A. Ynares)

INFORMATION TECHNOLOGY STEERING COMMITTEE

NAME	POSITION	ATTENDANCE	%
Roberto C. Benares	Chairman	11/12	91.67%
Marito L. Platon	Member	12/12	100%
Michelangelo R. Aguilar	Member	11/12	91.67%
Jose A. Barcelon	Member	10/12	83.33%
Marie Suzanne A. Sison Sevilla	Member	12/12	100%

UNDERWRITING COMMITTEE

The Underwriting Committee (UWCom) evaluates, endorses, and approves transactions by the Investment Banking Group (IBG).

The UWCom is currently composed of five (5) members with extensive experience and/or familiarity with the investment banking industry, appointed by the Board of Directors from among its members. It held twelve (12) meetings in 2025.

UNDERWRITING COMMITTEE

NAME	POSITION	ATTENDANCE	%
Michelangelo R. Aguilar	Chairman	12/12	100%
Roberto C. Benares	Member	11/12	91.67%
Alexander R. Magno	Member	12/12	100%
Jose A. Barcelon	Member	12/12	100%
Marito L. Platon [1]	Member	5/5	100%
Antonio S. Laquindanum [2]	Member	6/7	91.67%

1 Ceased to be member effective May 27, 2025
2 Appointed as member effective May 27, 2025 (replaced Marito L. Platon)

THE CORPORATE SECRETARY

The Corporate Secretary plays a significant role in ensuring that the Board is able to effectively fulfill its responsibilities. The Office of the Corporate Secretary prepares the agenda and sends out the required notices, materials for discussion prior to the meeting, and minutes of the previous meeting. The Office is responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Bank.

Loyal to the mission, vision, and objectives of the Bank, the Corporate Secretary works fairly and objectively with the Board, Management, stockholders, and other stakeholders.

With full awareness of the laws, rules, and regulations essential to the Board's performance of its duties and responsibilities, the Corporate Secretary ensures that all the Board procedures, rules, and regulations are strictly followed by the members.

THE CHIEF COMPLIANCE OFFICER

The Board appointed a Chief Compliance Officer (CCO) who directly reports to the Board of Directors through the Corporate Governance Committee (CGCom). The CCO does not perform any revenue-generating or line function and is primarily responsible for coordinating, monitoring, and facilitating the Bank's compliance with existing laws, rules and regulations.

As such, the CCO has the skills and expertise to provide appropriate guidance and direction to the Bank on the formulation/enhancement, implementation and maintenance of the Compliance Program.
The CCO is delegated with appropriate authority and provided with necessary support and resources to ensure that compliance with laws, rules and regulations, and observance of best practices are carried out by the entire Bank. The CCO is free to report any breach or violation of significant regulation to the appropriate Board Committee or to the Board, and provide a recommendation to prevent its recurrence, as well as pursue administrative investigation when warranted.

The CCO oversees the identification, assessment and management of the Bank's compliance risk, supervises the functions of the compliance staff, and liaises with the BSP on compliance/regulatory/licensing matters. The CCO is responsible for the timely completion of documentary submissions to the BSP.

THE CHIEF RISK OFFICER

The Board also appointed a Chief Risk Officer (CRO) who is independent from executive, operations and revenue-generating functions, and possesses sufficient stature and authority within the Bank. Without compromising his independence, the CRO has the ability to engage in discussions with the Board, Chief Executive Officer and other Senior Management members on key risk issues, and has access to such information as he deems necessary to form his judgment. The CRO has direct access to the Board and reports at least once a month to the Board Risk Oversight Committee. The CRO is responsible for identifying, measuring and monitoring key risk exposures, and for assessing whether decisions to accept particular risks are consistent with the risk appetite approved by the Board.

The CRO oversees the risk management function and supports the Board of Directors in the development of the risk appetite of the Bank and in further translating the risk appetite into a risk limits structure. The CRO, likewise, proposes enhancements to risk management policies, processes, and systems to ensure that the Bank's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities.

BOARD AND SENIOR MANAGEMENT

The Board of Directors annually assesses its performance and effectiveness as a body, as well as the performance of various committees, the individual directors and the committee members through self, peer, committee and board evaluation system facilitated by the Corporate Governance Committee. Results of the annual performance evaluation of the Board and board-level committees are presented to and discussed with the Board.

The Senior Executive Team (SET) performance is also assessed annually by the President and CEO, except for the Heads of the Independent Units (Internal Audit Division, Compliance Division, Risk Management Division, and Trust Services Group) who are evaluated by their respective Board Committees.

SELECTION PROCESS FOR THE BOARD AND SENIOR MANAGEMENT

The Nomination, Compensation, and Remuneration Committee (NCRC) conducts a detailed evaluation of the nominees for Directorship prior to their nomination and candidates for Senior Management (with ranks of Assistant Vice Presidents and up) prior to their appointment and approval of the Board. The NCRC determines the fitness of a candidate by his integrity, physical and mental fitness, relevant education, financial literacy/training and competencies relevant to the job.

A nominee's/candidate's integrity is based on his market/industry reputation and observed conduct and behavior. Necessary checks are also conducted to ensure qualification for the position and financial fitness, among others. Positions held in other institutions are also considered by the Committee in determining the capability of the nominee/candidate in fulfilling his role with the Bank.

PERFORMANCE EVALUATION

The Board institutes an internal self-rating system that measures the performance of the Board and Management. It conducts an annual performance review, measuring results against targets and other appropriate criteria defined by the Board.

The Annual Board assessment, Self-Assessment, Peer Assessment and Board Committee Assessment are performed by each member of the Board. The results are reported to the Corporate Governance Committee and the Board, and shared with Nomination Compensation and Remuneration Committee.

REMUNERATION AND SUCCESSION PLAN/PROGRAM

The Bank has a sustainable succession planning and management program in place. Twice a year, members of the Senior Executive Team identify candidates for succession and assess readiness to assume the position. Aside from the SET successors, they also identify mission critical positions who are typically the direct reports of the SET. HRMDD facilitates the process. Results of assessment and a Succession Table of Organization are presented to the NCRC and the Board for notation and approval.

As provided for in the Bank's by-laws, dividends may be declared from the surplus profits arising from the business of the Bank at such time and in such percentage as the Board of Directors may deem proper. No dividends may be declared that will impair the capital of the Bank and stock dividends shall be declared in accordance with the law.

In 2024 and 2025, the compensation of the Directors and the most senior executive officers as a group unnamed, is as follows:

TOTAL COMPENSATION OF THE CEO AND TOP 4 EXECUTIVES

Year	Total	Salary	Bonus
2025	111,872,411	86,417,052	25,455,359
2024	109,116,987	81,996,720	27,120,267

TOTAL COMPENSATION OF ALL OTHER SENIOR OFFICERS AND DIRECTORS AS A GROUP UNNAMED

Year	Total	Salary	Bonus	Other Annual Compensation
2025	634,064,366	439,534,622	161,765,598	32,764,146
2024	575,241,415	394,178,244	147,098,990	33,964,181

PROCESS IN DETERMINING THE REMUNERATION OF THE PRESIDENT AND SENIOR OFFICERS OF THE BANK

The Bank has a salary structure in place that is used in determining the remuneration of all employees. Each rank has a minimum and a maximum pay rate. The hiring of Senior Officers with ranks of Assistant Vice President to President and CEO is presented to the NCRC to assess their qualification and fitness for the position and subsequently endorsed to the BOD.

Remuneration of employees, including the President and CEO and Senior Officers, is determined on the basis of their position, scope of work and the Bank's salary scale.

In 2025, the level of remuneration for the most senior executive officers of the Bank is as follows:

MICHELANGELO R. AGUILAR
PRESIDENT AND CEO

FELIPE MARTIN F. TIMBOL
EVP/TREASURY MANAGEMENT GROUP HEAD

MANUEL A. CASTAÑEDA III
EVP/CORPORATE BANKING GROUP HEAD

ANTONIO S. LAQUINDANUM
EVP/CHIEF FINANCIAL OFFICER AND FINANCE AND CONTROLLERSHIP GROUP HEAD

MARIE SUZANNE A. SISON-SEVILLA
SVP/CHIEF INFORMATION OFFICER

TRAINING PROGRAM FOR DIRECTORS AND SENIOR MANAGEMENT

Directors and members of Senior Management undergo periodic training programs particularly focused on regulatory policy updates and requirements, typically the likes of Anti-Money Laundering (AML) and terrorist financing, risk management practices, governance and ethical standards, and supervisory expectations. Members of the Senior Management team are required to take the AML and Information Security courses annually. Core, functional, soft skills and leadership programs are also part of the Bank's training program.

RETIREMENT AGE OF BOARD AND SENIOR MANAGEMENT

The Directors are elected during the annual meeting of stockholders, or at any special meeting called for that purpose, and hold office for one (1) year and serve until their successors shall have been duly elected. A retirement plan for all employees was established and became effective in March 1990 with amendments thereafter. Based on the Bank's retirement plan with amendments after 1990, the normal retirement age for all employees (including Senior Management) is 60 years old. The plan includes benefits on Early Retirement, Resignation, Death/Total and Permanent Disability, Optional Retirement and Involuntary Separation. The Bank bears the full cost of providing the benefits in the Plan.

ADEQUATE AND TIMELY INFORMATION

Complete, adequate and timely information on matters to be taken up during Board and committee meetings is important to enable the members of the Board to properly fulfill their duties and responsibilities. The information allows them to address matters at hand and participate in exchanges and discussions during meetings in order to arrive at informed decisions. Prior to Board and committee meetings, members of the Board are provided with the required information and materials for discussion. They are given independent access to the Management and Corporate Secretary at all times for the proper discharge of their functions.

RELATED PARTY TRANSACTIONS

Cognizant that transactions between and among related parties create business synergy and economic benefits, the Bank has adopted an overarching policy on handling related party transactions which included the creation of a Board-level Related Party Transactions Committee (RPTCom) and the crafting of the Related Party Transaction Policy (RPT Policy). The RPT policy is updated/amended as the need arises to include the requirements under relevant regulatory issuances.

The policy provides guidelines on defining a Related Party Transaction and who are considered Related Parties of the Bank. Following said guidelines, the Bank created and maintained a database of its related parties and a San Miguel Corporation conglomerate structure which concerned business units was used as reference to determine if an account is a Related Party.

The database and conglomerate structure is updated at least annually or as often as necessary to reflect changes in corporate structures. The RPT Policy also provides guidelines for handling related party transactions to ensure that the terms are arm's length, preventing conflicts of interest or potential conflicts of interest in the event that Related Party Transactions are entered into on terms not less favorable to the Bank and are not consistent with its shareholders' interest. Furthermore, it sets the limits and materiality thresholds for Related Party Transactions to be vetted by the RPTCom and approved by the Board. The RPTCom assists the Board of Directors in fulfilling its corporate governance responsibility related to the safety and soundness of the Bank's financial transaction/s with Related Parties and ensures that such are conducted in accordance with sound governance principles and values.

RPTs at or above the materiality threshold set by the Bank's RPT Policy are vetted by the RPTCom and approved by the Board of Directors. RPTs falling below the set threshold are vetted and approved by the designated approving authority/committee, subject to the notation of the RPTCom and confirmation by the Board of Directors.

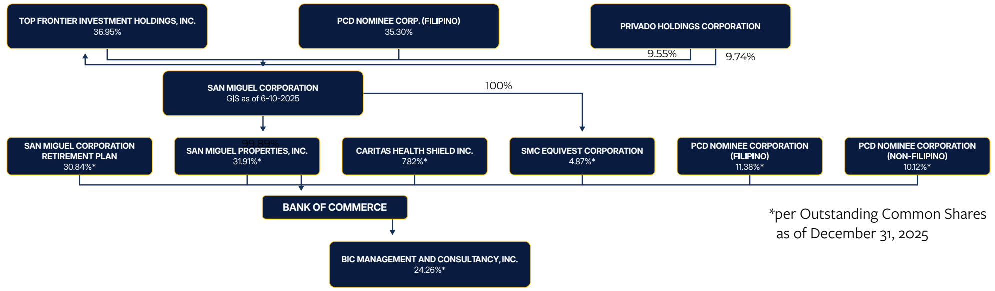
All Related Party Transactions are handled in accordance with guidelines prescribed in BSP Circulars 895 and 914 dated December 14, 2015 and June 23, 2016, respectively, and other related issuances and the Corporate Governance Principles and related provisions of the Manual of Regulations for Banks (MORB). Presented in Annex A (page 216) are Material Related Party Transactions as of December 31, 2025.

The loans and other credit accommodations to the Bank's Directors, Officers, Stockholders, and their Related Interests (DOSRI), on the other hand, are granted pursuant to the requirements of Part Three D of the MORB and related BSP issuances.

BOARD OVERSIGHT ON THE EFFECTIVENESS AND ADEQUACY OF INTERNAL CONTROL

The control environment of the Bank consists of: (a) the Board, which ensures that the Bank is properly and effectively managed and supervised; (b) Board committees that oversee the business operations, initiatives, and control functions of the Bank; (c) a Management that actively manages and operates the Bank in a sound and prudent manner; (d) the organizational and procedural controls supported by effective management information and system; and (e) the independent compliance, risk management system, and internal audit mechanism that assess the adequacy and effectiveness of the Bank's governance framework, soundness of operations security of information systems, including the reliability and integrity of financial and operational information/data, the efficiency of operations, the safety of assets, and compliance with laws, rules, regulations in the conduct of business or activities, among others.

OWNERSHIP STRUCTURE



Title of Class	Name and Address of Record Owners and Relationship with the Bank	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares	% of Ownership (Total Outstanding)	% of Ownership (Common)
Common Preferred	SMC Equivest Corporation	San Miguel Corporation (SMC) owns 100% of the outstanding common stock of SMC Equivest and 99.8986% of SMPI.	Filipino	68,305,560 416,666,670	26.6515%	4.8685% N/A
Common	San Miguel Properties, Inc. (SMPI)	Top Frontier Investments Holding (TFIH), Inc. owns 38.44% of the outstanding capital stock and 61.78% of the outstanding common stock of SMC.	Filipino	447,711,800	24.6039%	31.9108%
Common	San Miguel Corporation Retirement Plan	Various employees of San Miguel Corporation	Filipino	432,626,860	23.7749%	30.8356%
Common	PCD Nominee Corporation	Various Individuals/Entities	Filipino	159,667,804	8.77450%	11.3804%
Common	PCD Nominee Corporation	Various Individuals/Entities	Non- Filipino	142,045,166	7.8060%	10.1243%
Common	Caritas Health Shield, Inc.	Jose A. Barcelon, Filipino, Insurance Commission – Appointed Liquidator, and Rosalyn D. Martinez, Filipino, Compliance Officer, are beneficial owners of Caritas Health Shield, Inc. *Caritas Health Shield, Inc. is under liquidation by the Insurance Commission as of August 18, 2025	Filipino	109,666,640	6.0267%	7.8165%

FINANCIAL REPORTING CONTROLS AND AUDIT

The Board envisions to protect shareholders' value through adequate internal controls. Thus, the Board encourages a collaborative setting that fosters and encourages a corporate environment of strong internal controls, sound fiscal accountability, high ethical standards, and compliance with laws, rules, and regulations and codes of conduct.

The Board also has a bounden duty to its shareholders to present a balanced and understandable assessment of the Bank's performance and financial position. Specifically, the Board commits to accurate Financial Reporting, Transparency, robust Internal Control, and adherence to accepted Accounting Standards and Auditor Independence.

STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTEREST

The Board respects the rights of the stockholders as provided for in the Corporation Code and ensures that they can freely vote on all matters that require their consent or approval, exercise their preemptive right to all stock issuances of the Bank subject to the limitations under banking laws, rules and regulations, inspect the Bank's books and records, and access information on dividends and appraisal right. The Board likewise promotes transparency, accountability and fairness to stockholders of the Bank. It remains cognizant of its responsibility to foster the long-term success of the institution and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders.

STAKEHOLDERS

Beyond preservation of the financial value of the Bank, the Board recognizes the needs of its other stakeholders such as its customers, creditors, office suppliers/contractors, personnel and the community at large. The Board has formulated policies that prioritize customer needs, promote consumer protection, rationalize selection and evaluation of suppliers/service providers, and develop employees' potentials through continuing education, leadership training and seminars. The Bank has adopted policies that created an open channel of communication for the Bank's various stakeholders, so they can express their concerns and other views to the Bank. It recognizes their rights as mandated by law and encourages their active participation in promoting financially sound and socially responsible endeavors.

CODE OF ETHICS AND STANDARDS

The Bank upholds its Code of Conduct. It regularly reviews this Code, updates it whenever necessary, and communicates it to all the officers and employees of the Bank. To further strengthen compliance with this Code, the same is incorporated in the Bank's performance assessment system.

DISCLOSURE AND TRANSPARENCY

The Board commits to transparency and disclosure such that all essential and material information about the Bank which could adversely affect its viability or the interest of its stockholders and other stakeholders shall be adequately and timely disclosed. Aside from information and reports required by the BSP and the SEC to be published, information like earnings result, acquisition or disposition of assets, off-balance sheet transactions, related party transactions, and other indirect remuneration of members of the Board and Management, among others, shall remain disclosed.

CONSUMER **PROTECTION**

At Bank of Commerce, Consumer Protection remains an integral part of our culture and commitment embodied in our credo, "We think CUSTOMERS." We recognize that maintaining the trust and confidence of our clients requires transparency, fairness, accountability, and responsible banking practices in every customer interaction.

The Bank continues to strengthen its Consumer Protection Framework by ensuring compliance with applicable laws, regulations, and industry standards relating to consumer rights, fair treatment, and data privacy. Policies and procedures are regularly reviewed and enhanced to align with evolving regulatory expectations and emerging risks in the banking environment.

The Bank is committed to providing customers with clear, accurate, and timely information on its products and services. Through transparent disclosures on pricing, terms and conditions, fees, charges, and potential risks, the Bank empowers customers to make informed financial decisions. Customer communications are designed to be straightforward, understandable, and accessible across various channels.

Protecting customer information remains a key priority. The Bank maintains strong cybersecurity controls, data protection measures, and strict information handling protocols to safeguard customer data against unauthorized access, misuse, and cyber threats. In compliance with Republic Act No. 10173, or the Data Privacy Act of 2012, the Bank ensures that customers are informed of how their personal data are collected, used, stored, and protected, while obtaining the necessary consent in accordance with applicable regulations.

The Bank also continues to enhance accessibility and convenience through secure and user-friendly digital banking platforms. Recognizing the diverse needs of customers, including those with limited digital literacy, the Bank promotes access to its services by providing responsive support channels, customer assistance, and financial education initiatives.

As part of its commitment to responsible banking, the Bank actively supports financial literacy and consumer awareness programs for various sectors and communities. These initiatives aim to help individuals make sound financial decisions, protect themselves from fraud and scams, and improve their overall financial well-being.

Throughout the year, the Bank continuously monitored and evaluated its consumer protection practices through customer feedback, complaint resolution mechanisms, internal assessments, and regulatory reviews. Insights gained from these activities contributed to the enhancement of policies, employee training programs, customer experience initiatives, and technology-driven solutions that further strengthen consumer trust and protection.

FINANCIAL CONSUMER PROTECTION FRAMEWORK

Bank of Commerce's Financial Consumer Protection (FCP) Framework is embodied in its FCP Framework Manual (FCP Manual), which serves as the foundation of the Bank's consumer protection governance and oversight system.

The FCP Framework establishes policies, standards, and controls that promote the fair treatment of customers, responsible business conduct, transparency, data protection, and effective customer assistance. It also supports the Bank's commitment to fostering consumer trust and confidence through responsible and customer-centric banking practices.

The FCP Manual defines the shared responsibilities of the Board of Directors and Senior Management in approving, implementing, and overseeing the effective management of the Bank's Consumer Protection Risk Management System (CPRMS) and Consumer Assistance Management System (CAMS). Through active governance and oversight, the Bank ensures that consumer protection principles are embedded across its operations, products, services, and customer touchpoints.

The Framework is regularly reviewed and enhanced to ensure alignment with applicable laws, Bangko Sentral ng Pilipinas (BSP) regulations, industry standards, and emerging consumer protection risks.

ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board of Directors and Senior Management are responsible and accountable for the development of the Bank's consumer protection strategy, the establishment of effective oversight over the Bank's consumer protection programs, and the overall compliance with its own Financial Consumer Protection Framework.

Their roles are delineated as follows:

BOARD OF DIRECTORS

- Approving the CPRMS and CAMS that are integrated into the overall framework for the Bank's entire product and service life cycle, business model, market, and third-party relationships;
- Overseeing the implementation of the Bank's consumer protection policies, as well as the mechanism to ensure compliance with said policies, including the promotion of a culture of ethical behavior and adherence to fair treatment of consumers;
- Monitoring and overseeing the performance of Senior Management in managing the day-to-day consumer protection activities of the Bank, as well as effective implementation of personnel training and approval of remuneration and compensation packages based on guidelines on responsible business conduct, fair treatment, and avoidance or mitigation of conflicts of interest;
- Ensuring that measurements of risks related to consumer protection, reports from the CAMS, and other material consumer-related developments that will impact the Bank, as well as actions taken on them, are regularly reported; and
- Reviewing the implementation and effectiveness of the CPRMS as well as its relevance in case of changes in the Bank's business model and/or operating environment.

SENIOR MANAGEMENT

- Implementing CPRMS and CAM policies approved by the Board of Directors, ensuring they are clearly documented, properly understood, and appropriately implemented across all levels and business units;
- Managing the day-to-day consumer protection activities of the Bank, and monitoring and addressing consumer-related issues through a risk governance framework and an effective management information system that is able to:
  - provide adequate information on the performance and quality of the Bank's CAM;
  - determine the level of the consumer protection risk exposure through assessment of its implementation of the FCP Standards of Conduct;
  - identify and monitor, in a timely manner, consumer protection risk exposures approaching risks of loss to financial consumers, legal and reputational risk, and related risks; and
  - identify and assess emerging or increasing consumer risks that affect the Bank, such as through social media monitoring and market monitoring;
- Ensuring that adequate systems and controls are in place to promptly identify issues that affect the consumer across all phases of the relationship with the consumer;
- Ascertaining that weaknesses in the consumer protection practices or consumer protection emerging risks are addressed and corrective actions are taken in a timely manner;
- Ensuring observance of expectations and requirements prescribed under relevant regulations on compliance and internal audit; and
- Endorsing new or enhanced consumer protection policies and compliance mechanisms for approval of the Board of Directors.

Together, the Board of Directors and Senior Management perform the following:

- Periodically reviewing how findings are reported and how existing audit mechanisms enable or provide adequate oversight;
- Ensuring that sufficient resources are provided for the implementation of the Bank's financial consumer protection program;
- Periodically reviewing the effectiveness of the CPRMS; and
- Ensuring that any weakness identified in the CPRMS is addressed and corresponding enhancement or corrective action is taken in a timely manner.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

One of the key components of the Bank's FCP Framework is a CPRMS. Through the CPRMS, the Bank demonstrates its commitment to ensuring adherence to consumer protection laws, rules, and regulations, and that all its business activities and that of its officers and staff are conducted with the highest ethical standards and in accordance with consumer protection standards of conduct.

The CPRMS is part of the Bank's corporate-wide risk management system. It is a means by which the Bank identifies, measures, monitors, and controls consumer protection risks inherent in its operations. It consists of the following:

BOARD AND SENIOR MANAGEMENT OVERSIGHT

The Board of Directors and Senior Management provide strategic direction and high-level support for the effective design, implementation, and continual improvement of the Bank's CPRMS. The more detailed roles are provided in the Bank's FCP Manual.

COMPLIANCE PROGRAM

The Bank's formal, written Compliance Program Manual covers financial consumer protection and follows the Revised Compliance Framework for Banks.

TRAINING

Bank of Commerce believes in the continuing education of personnel as a means to strengthen and maintain compliance with consumer protection laws, rules, and regulations. All relevant frontline and support personnel, more specifically those whose roles and responsibilities have customer interface, are covered by the Bank's consumer protection sessions. This initiative advocates for specific and comprehensive trainings to be received by these personnel in a timely manner, in order to reinforce and help implement written policies and procedures on consumer protection. For 2025, the Human Resource Management and Development Division (HRMDD), in cooperation with the Compliance Division, Risk Management Division, Branch Banking Group (BBG), and Consumer Protection and ESG Department (CPED), ran various electronic learning (e-Learning) training programs, which are computer-based self-service training modules with exam. Topics covered were Anti-Money Laundering and Counter Terrorist Financing, Information Security Awareness, and Financial Consumer Protection. In addition to introducing e-Learning training sessions for Bank employees, face-to-face FCP presentations for newly hired employees were also conducted by CPED under Corporate Communications and Consumer Protection Division (CCCPD).

POLICIES AND PROCEDURES

Board-approved consumer protection policies and procedures are in place to ensure that consumer protection practices are embedded in the Bank's business operations, and to serve as reference for employees in complying with consumer protection laws, rules, and regulations.

INTERNAL AUDIT FUNCTION

The Bank's consumer protection audit program enables the Board and its designated committee to make an assessment of the effectiveness of the implementation of the FCP Framework, as well as the adequacy of approved policies and standards, in meeting the established consumer protection objectives.

CONSUMER ASSISTANCE MANAGEMENT SYSTEM

The Bank's enhanced customer complaint handling and redress mechanism conforms to the BSP's requirements for an effective CAMS. Through this mechanism, the Bank aims to address the need for an accessible, affordable, independent, fair, accountable, timely, and efficient means in resolving customers' complaints with their financial transactions.

BOARD AND SENIOR MANAGEMENT OVERSIGHT

The Bank's complaint handling process, as embodied in its Customer Complaint Management Manual, covers the channels and responding units in which complaints may be coursed through. The Customer Care Head (CCH) is the central figure responsible for overseeing customer care and complaint handling performed by units administering the Bank of Commerce Hotline, head office units, and branches. The CCH also closely monitors critical complaints and regularly notifies the Operational Risk Management Department. Periodically, the CCH submits a complaint report for discussion in the meetings of the SET and the Board Risk Oversight Committee (BROC).

COMPLAINTS RESOLUTION TURNAROUND TIME.

For efficient resolution of complaints, the Bank categorizes them as follows:

- ***Simple Complaints*** are complaints that may be given immediate solution, possibly at the point of receipt of complaint or within five (5) banking days from receipt of complaint.
- ***Complex Complaints*** are complaints that may require (15) banking days to resolve as further investigation/study by the concerned unit/s is needed.

The Bank notifies customers via available means / channels about where they may communicate their complaints, inquiries, or requests for resolution. These include the Bank's official website, welcome kits, and statements of account, marketing collaterals, or other appropriate channels as determined by a business unit. Below is the list of available consumer assistance channels:

CHANNEL	CONSUMER ASSISTANCE OFFICERS
Branch	Branch Head (BH)/ Branch Operations Officer (BOO)/ Branch Marketing Officer (BMO)
HO	Section Head / Department Head
customerservice@bankcom.com.ph	CCH /CCO / Consumer Protection Officer (CPO)
Phone call through the Bankcom Hotline	(02-8632-2265)
Media/ BSP	CCD
Official BankCom Facebook Page	CCH /CCO / Consumer Protection Officer

The customer complaint handling flow is generally the same for the three channels (Bank of Commerce Hotline, Branch, and Head Office Unit), but with some variation as to the receiver and mode of filing for escalation and reporting purposes.

For each complaint received, the designated Receiver/ Responding Person records details about the client and the nature of complaint. If the resolution is immediately available, the Receiver/Responding Person gives the client the appropriate response.

However, if the client remains dissatisfied, the client is then provided with a tracking number and processing turnaround time (TAT), and the complaint is escalated to the concerned unit or person. The Receiver/Responding Person monitors the unit's progress and upon resolution of the complaint, closes it.

The time frame for the investigation and formulation of an answer to a complaint is as follows:

ACTION REQUIRED	SIMPLE	COMPLEX
Response	Within two (2) banking days from receipt of complaint	Within two (2) banking days upon receipt of complaint
Processing, assessment, investigation and resolution	Within five (5) banking days from receipt of complaint	Within fifteen (15) working days upon receipt of complaint

FINANCIAL EDUCATION AND AWARENESS

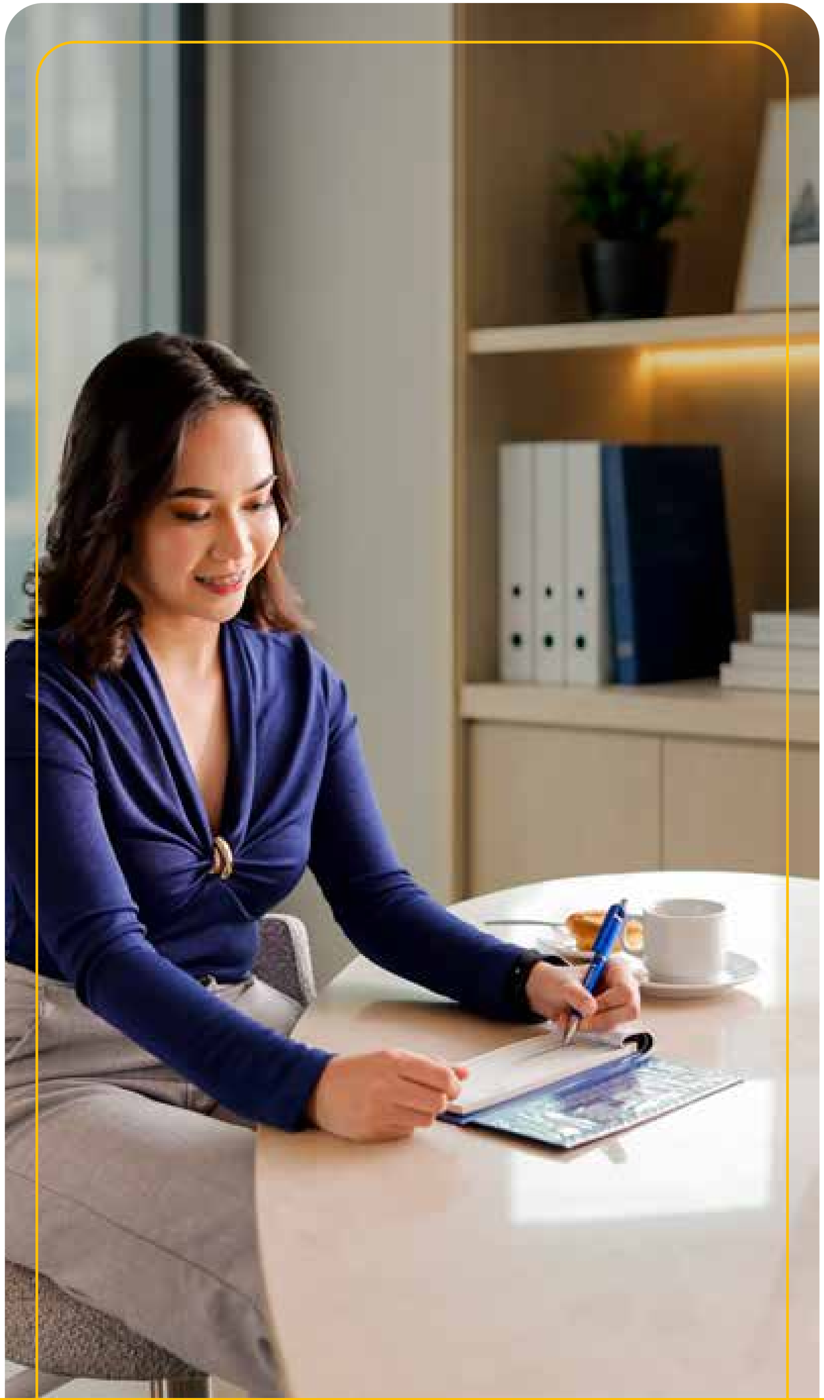
Bank of Commerce recognizes the importance of promoting financial education and consumer awareness to help customers safeguard their financial well-being, particularly amid evolving economic conditions and increasing digital risks. The Bank remains committed to empowering consumers through accessible, relevant, and timely financial education initiatives focused on responsible banking, cybersecurity awareness, and digital literacy.

Throughout the year, the Bank implemented cost-effective information and awareness campaigns designed to educate customers and employees on safe banking practices, fraud prevention, and the responsible use of digital financial services. These initiatives aimed to strengthen consumer vigilance against cyber threats, scams, phishing attacks, and other fraudulent activities.

To further enhance awareness and outreach, the Bank disseminated advisories/bulletins, educational materials, and security reminders through various electronic and digital channels, including email blasts, SMS, the Bank's official Facebook page, and the Bank's website. These communication efforts reinforced the Bank's commitment to consumer protectionand customer empowerment in an increasingly digital banking environment.

I. BANK PRODUCT AND POLICY AWARENESS

- Banks and the public: Partners for a Brighter Future - National Banking Week 2025
- New Check Design Standards – reminder on writing information on checks
- BankCom Cash Kiosk – a convenient way to deposit cash anytime of the day
- Smarter.Cleaner.Stronger – The first Philippine Polymer Banknote Series
- Get real-time updates from BankCom – Encouraging clients to keep their contact information up to date
- Reminder on the Proper Handling of Philippine Banknotes
- Increase in PDIC Maximum Deposit Insurance Coverage – PDIC raises
  the maximum deposit insurance coverage to P1.0 million
- World Consumer Rights Day Part 1 – Introduction
- World Consumer Rights Day Part 2 - How To Integrate Sustainability in Your Everyday Choices
- Beat the heat, not your wallet this summer
- Banking Made Easy: Locate a Branch, ATM, or Cash Kiosk!
- Keep your account safe – Update your passbook today!
- Secure your records in seconds!
- Credit Consciousness Week 2025 – Smart borrowing culture for a better future
- Credit Consciousness Week 2025 – What's your Credit Personality"



- Credit Consciousness Week 2025 – Credit: Tool or Burden?
- Your National ID is valid and sufficient proof of identity!
- 3 Easy Ways to Get Your Statement of Account
- 23rd Depositor Protection and Awareness Week (DPAW)
- One-Time 90 day Bank Statement On Us!
- Savings Consciousness Week 2025 – A secure future starts with consistent saving habits!
- Your Guide To Writing Checks Write: Key Clarifications
- Tax Updates for Deposit / Investment Interest
- Check Writing Standards: a reminder on properly writing information on your checks
- Face Your Financial Fears
- Economic and Financial Literacy Week 2025 – Step by step na kaalaman sa Ekonomiya at Pinansya para sa wais na desisyon tungo sa ambisyon
- Budgeting Basics
- Borrowing Smart
- BankCom checkpoint: PDIC Coverage
- Christmas Bonus Received! – Pause and Think
- Bank-Smart Moves this Holiday Season

II. AWARENESS ON CYBER SECURITY AND DETECTING SCAMS

- Text hijacking – Avoid being a victim
- Love Scam – Safeguarding love in the digital era
- Think Twice before you share your screen
- Protecting Your Data Starts with You
- One Password for all? Avoid using the same PIN and Password across different accounts
- Use only the BankCom official website
- Beware of scam emails claiming to be Bank of Commerce
- How to determine Phishing attempts
- Recognize and Avoid Phishing Scams
- Beware of Online Fraudsters and Scammers
- Don't Share OTPs with Anyone
- Advisory on Phishing and Fraud Prevention
- Beware of Scam Emails Claiming to be Bank of Commerce
- Stay safe online: Always protect your password
- Beware of Fake Promos
- Check the Sender's Email Address
- BankCom will never send urgent or threatening messages

- Beware of scam emails claiming to be Bank of Commerce (SM Gift Pass)
- Watch out for fake links
- Never Download Unknown Attachments
- Secure your account with a strong password
- Huwag Magpaloko - Mag-ingat sa Phishing Scams!
- Iwasan Ang Pag-Click Ng Mga Links!
- Nagpalit ka na ba ulit ng Password?
- Scammers may pretend to be from your Bank's customer service
- Beware of Fraudulent Social Media Messages
- Think Twice Before Clicking
- Online Shopping Safety 101
- Security Beyond Passwords: What is MFA?
- Avoid Smishing Scams
- Protect Your Account with Multi Factor Authentication
- Beware of Smishing Text Scams
- Beware of scam emails claiming to be Bank of Commerce (ZARA)
- Strong Privacy Starts With Us
- Stay alert for possible internet flooding
- Beware of Vishing Scams Targeting Bank Clients
- Responsible Use of Messaging Apps on Work Devices
- Not all QR codes are Safe to Scan
- Travelling this holiday? Watch out for fake travel deals!

Furthermore, the Bank conducted a series of Financial Literacy Programs for various sectors and communities to enhance participants' understanding of basic financial management, including financial planning, budgeting, and saving, as well as digital literacy and cybersecurity awareness. These programs aimed to empower participants to make informed financial decisions and protect themselves against online threats and financial scams. The series of Financial Literacy Programs were conducted to the following partner institutions:

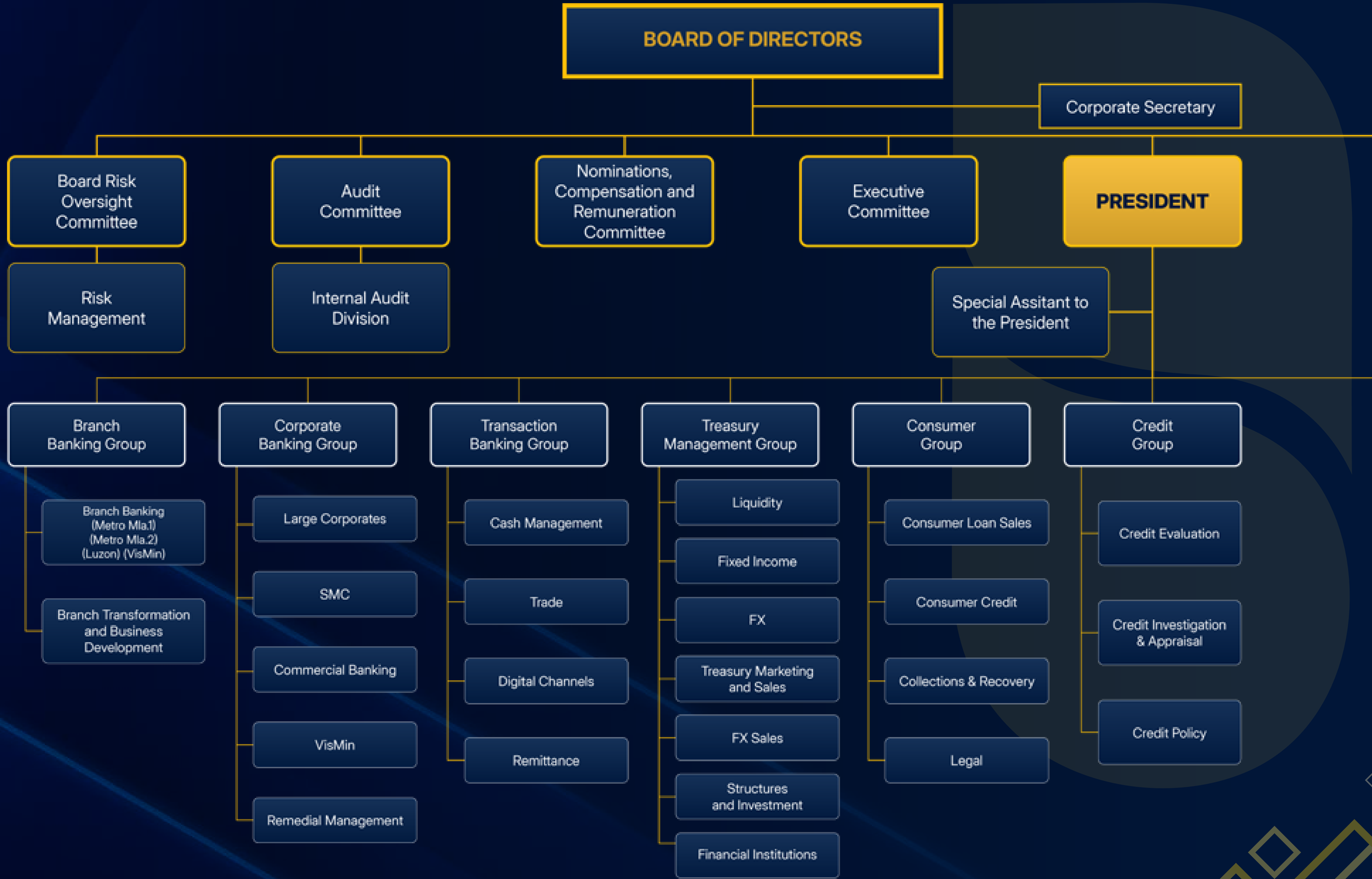
- San Miguel Corporation
- Northern Cement Corporation
- Purefoods Hormel
- Luzon Powers Dynamics
- Liquigaz Philippines Corporation
- Jets Trophy, Inc.
- Mabalacat City College
- Petron Foundation
- Sikat Aurora
- President Corazon "Cory" C. Aquino National High School

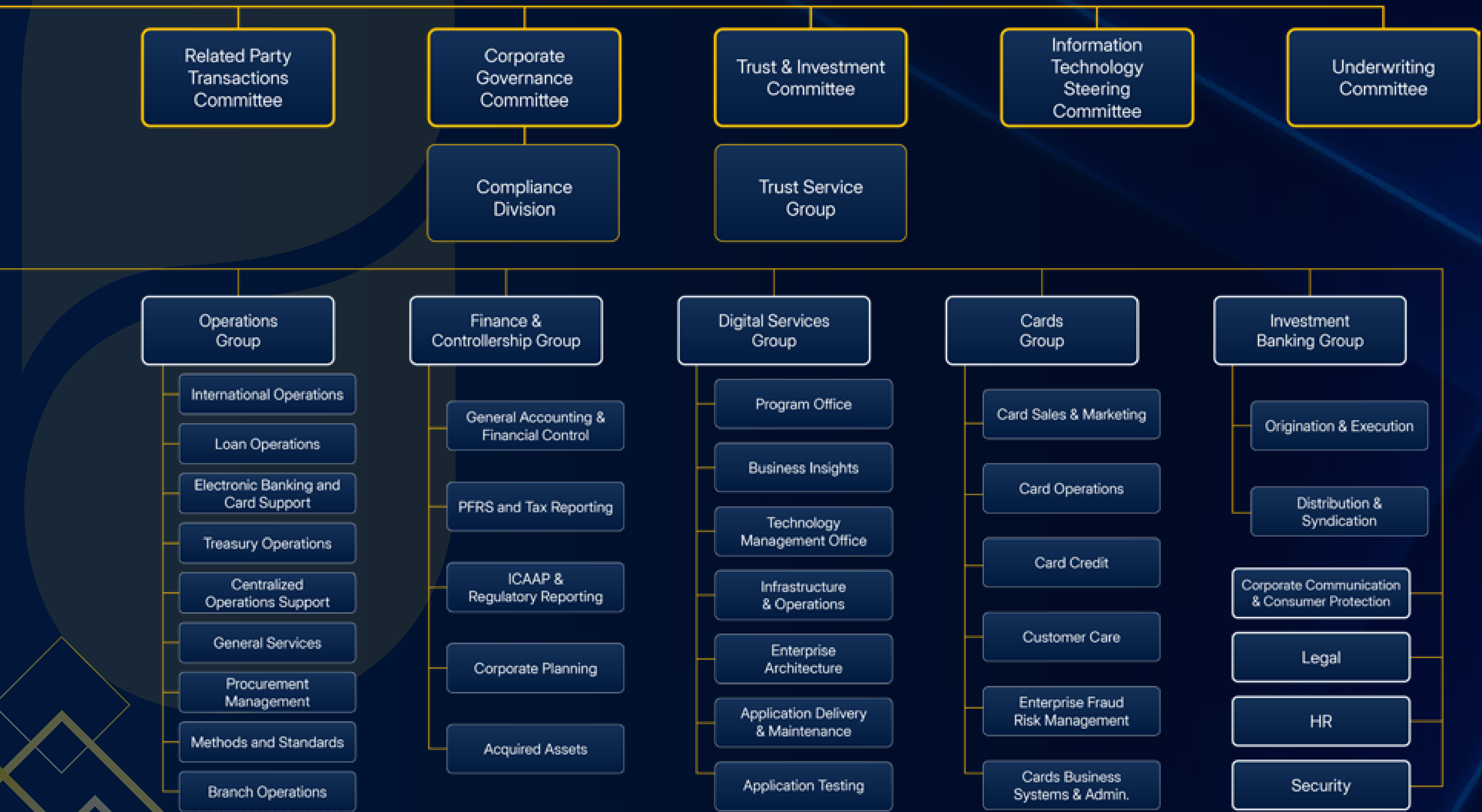
In addition, the Bank has implemented its "Train-the-Trainer Program," for all Branch Managers and Branch Marketing Officers. The program, designed to equip frontline personnel with the knowledge, tools, and facilitation skills needed to effectively deliver financial literacy sessions to existing and prospective clients, proved the strategy effective.

By empowering branch representatives to serve as financial education advocates within their respective communities, the Bank is able to sustain and expand the reach of its financial literacy initiatives, ensuring that key financial information is consistently and effectively shared with a wider audience.

Through this approach, the Bank reinforces a multiplier effect that extends financial awareness beyond individual clients to their families and social networks, thereby strengthening a culture of responsible financial management. Ultimately, the program contributes to the development of financially literate and empowered individuals, particularly among the youth, who are better prepared to make sound and informed financial decisions as they transition into adulthood.

TABLE OF **ORGANIZATION**




Related Party Transactions Committee
Corporate Governance Committee
Trust & Investment Committee
Information Technology Steering Committee
Underwriting Committee
Compliance Division
Trust Service Group
Operations Group
International Operations
Loan Operations
Electronic Banking and Card Support
Treasury Operations
Centralized Operations Support
General Services
Procurement Management
Methods and Standards
Branch Operations
Finance & Controllership Group
General Accounting & Financial Control
PFRS and Tax Reporting
ICAAP & Regulatory Reporting
Corporate Planning
Acquired Assets
Digital Services Group
Program Office
Business Insights
Technology Management Office
Infrastructure & Operations
Enterprise Architecture
Application Delivery & Maintenance
Application Testing
Cards Group
Card Sales & Marketing
Card Operations
Card Credit
Customer Care
Enterprise Fraud Risk Management
Cards Business Systems & Admin.
Investment Banking Group
Origination & Execution
Distribution & Syndication
Corporate Communication & Consumer Protection
Legal
HR
Security

BOARD OF **DIRECTORS**

BENEDICTA "DICK" DU-BALADAD
CHAIRPERSON, NON-EXECUTIVE DIRECTOR
FILIPINO, 64 YEARS OLD

MICHELANGELO R. AGUILAR
PRESIDENT AND CEO, EXECUTIVE DIRECTOR
FILIPINO, 69 YEARS OLD

ROBERTO C. BENARES
VICE-CHAIRPERSON, FORMER PRESIDENT AND CEO, NON-EXECUTIVE DIRECTOR
FILIPINO, 73 YEARS OLD

FE B. BARIN
NON-EXECUTIVE DIRECTOR
FILIPINO, 92 YEARS OLD

MARITO L. PLATON
NON-EXECUTIVE DIRECTOR
FILIPINO, 73 YEARS OLD

JOSE A. BARCELON
NON-EXECUTIVE DIRECTOR
FILIPINO, 68 YEARS OLD

ALEXANDER R. MAGNO
NON-EXECUTIVE DIRECTOR
FILIPINO, 71 YEARS OLD

MELINDA S. GONZALES-MANTO
NON-EXECUTIVE DIRECTOR
FILIPINO, 73 YEARS OLD

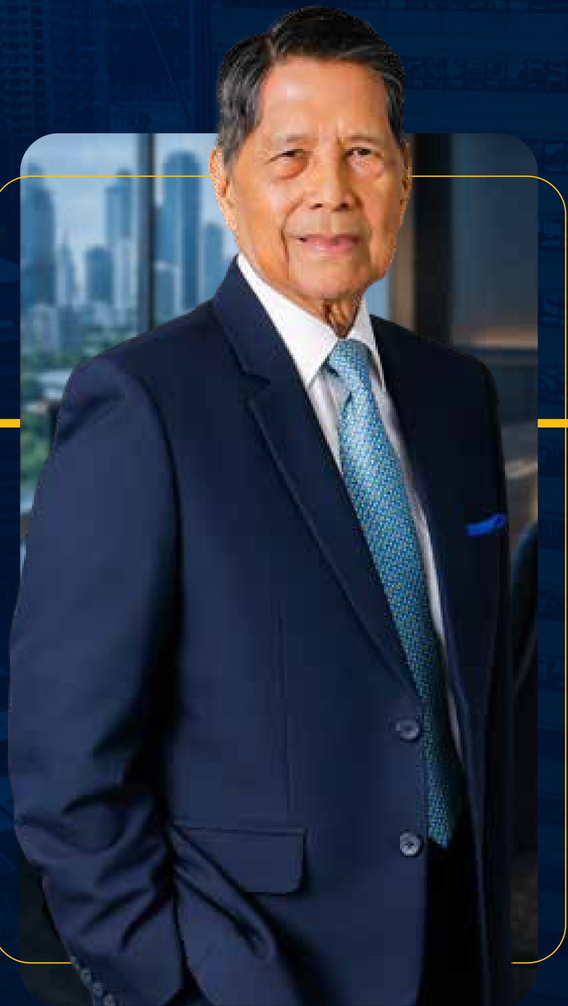
JOSE CARMELO C. NOGRALES
NON-EXECUTIVE DIRECTOR
FILIPINO, 76 YEARS OLD

ANTONIO S. LAQUINDANUM
EXECUTIVE DIRECTOR, EXECUTIVE VICE PRESIDENT &
CHIEF FINANCIAL OFFICER
FILIPINO, 48 YEARS OLD

RICARDO D. FERNANDEZ
INDEPENDENT DIRECTOR
FILIPINO, 72 YEARS OLD

SIMON R. PATERNO
INDEPENDENT DIRECTOR
FILIPINO, 67 YEARS OLD

LEONARDO J. MATIGNAS, JR., CPA, CFE, CIA, CRMA, MM, FCPA AUSTRALIA
INDEPENDENT DIRECTOR
FILIPINO, 64 YEARS OLD



ANTONIO S. ABACAN, JR.
INDEPENDENT DIRECTOR
FILIPINO, 83 YEARS OLD

RAFAEL G. AYUSTE, JR.
INDEPENDENT DIRECTOR
FILIPINO, 62 YEARS OLD

BOARD OF **DIRECTORS PROFILES**

BENEDICTA "DICK" DU-BALADAD
Chairperson, Non-Executive Director
Filipino, 64 years old

Atty. Benedicta "Dick" Du-Baladad has been a member of the Board of Directors of the Bank since 31 January 2014. She is the Chairperson of the Board of Directors, Chairperson of the Trust and Investments Committee, and a member of the Executive Committee. She was previously a member of the Bank's Board Risk Oversight Committee (BROC) from 2014-2017, as well as the Audit Committee until April 2022.

She is the Founding Partner and CEO of Du-Baladad and Associates (BDB Law), a premier tax law firm specializing in taxation, transfer pricing, and related corporate services. Before establishing BDB Law, she served as Tax Partner at Punongbayan and Araullo, where she played a key role in expanding the firm's tax practice, and earlier held various leadership positions at the Bureau of Internal Revenue, where she pioneered the establishment of the Large Taxpayers Service.

A Certified Public Accountant and lawyer, she graduated Magna Cum Laude with a Bachelor's Degree in Accountancy from Saint Louis University (1982) and obtained her Bachelor of Laws from the University of Santo Tomas (1989). She completed the Master of Laws and International Tax Program at Harvard University and the Advanced Management Program at the Wharton School of the University of Pennsylvania.

Beyond legal practice, she is deeply involved in corporate governance, business leadership, and tax policy reform. She is currently on her second year of serving as the Chairperson of the Institute of Corporate Directors, and holds several positions in major business and professional organizations, including as Overall Chairperson of the BIR–Private Multi-Sectoral Working Group (BIR-PMSG) under the Philippine Chamber of Commerce and Industry (PCCI), Co-Chairman of the Tax and Financial Services Committee of the European Chamber of Commerce of the Philippines (ECCP), and Cluster Chair for Taxation, Investment Promotion, and Capital Market of PCCI. A former President of the Management Association of the Philippines (MAP), Financial Executives of the Philippines (FINEX), and Tax Management Association of the Philippines (TMAP), she has been at the forefront of public-private collaboration on tax administration and legislative reform, and is frequently invited as a resource speaker and technical expert in Senate hearings and policy consultations.

Her outstanding contributions have earned her numerous accolades and rankings, including recognition by the International Tax Review, Chambers & Partners, The Legal 500, AsiaLaw, and recognized as one of Asia's Top 15 Female Lawyers in 2024 by Asia Legal Business.

She is also an author and columnist, having published several notable works on taxation, including Taxation of Financial Institutions in the Philippines, which won an Anvil Award of Merit, as well as books on the taxation of banks, non-bank financial intermediaries, and insurance companies. She publishes The Philippine Internal Revenue Code Book and writes for BusinessMirror and the Philippine Daily Inquirer.

Reflecting her stature in the profession, she served as Bar Examiner for Taxation in the 2023 Philippine Bar Examinations and has also taught Taxation at the University of the Philippines Diliman and the University of Santo Tomas, helping shape future generations of tax practitioners and lawyers.

MICHELANGELO R. AGUILAR
President and CEO, Executive Director
Filipino, 69 years old

Mr. Michelangelo R. Aguilar was elected member of the Board of Directors and appointed President and Chief Executive Officer (CEO) of the Bank on 16 July 2018. Concurrent to his position as Executive Director, he is also the Chairperson of the Bank's Underwriting Committee (UWCom), Vice-Chairperson of the Executive Committee (ExCom), and a member of the Trust and Investments Committee (TIC) and Information Technology Steering Committee (ITSC).

Outside the Bank, Mr. Aguilar serves as a member of the Board of Directors of the Bankers Association of the Philippines (BAP) and sits on the Data Privacy Council Group as a committee member. He is also a member of the Board of Directors of BancNet, Inc., the largest interbank network and ATM consortium in the Philippines, for the term 2025-2026.

Mr. Aguilar has over 40 years of banking experience with expertise in Corporate and Investment Banking, Global Markets, and Treasury. He spent 22 years with international banks, starting his career as an Executive Trainee at Citibank Philippines. Over time, he advanced through key roles in Banking Operations, Treasury and Sovereign Risk, serving as Assistant Manager, Manager, and Assistant Vice President.

He later held senior leadership positions at Standard Chartered Philippines, where he served as Country Treasurer, Managing Director, and Head of Wholesale Bank. Across two stints totaling 13 years, he served at Solidbank Corporation (1991 to 1997) as Senior Vice President & Treasurer, and later at Rizal Commercial Banking Corporation (2011 to 2018) as Segment Head and Conglomerates and Global Corporate Banking Group Head. He was also a Director of RCBC Rental Corporation and RCBC Leasing and Finance Corporation.

Mr. Aguilar holds a Bachelor of Science degree in Mechanical Engineering from De La Salle University and a master's degree in Business Management from the Asian Institute of Management. He is a licensed Mechanical Engineer and a Certified Treasury Professional by the Bankers Association of the Philippines (BAP).

ROBERTO C. BENARES
Vice-Chairperson, Former President and CEO, Non-Executive Director
Filipino, 73 years old

Mr. Roberto C. Benares has been elected as member of the Board of Directors of the Bank since 30 April 2013. Before he was succeeded by Mr. Michelangelo R. Aguilar, he assumed his position as President and CEO of Bank of Commerce on 1 August 2013 where he took the lead in strengthening the balance sheet of the Bank, grew its branch network and asset base. He currently sits as Vice-Chairperson of the Board of Directors, and chairs the Executive Committee (ExCom) and Information Technology Steering Committee (ITSC), and sits as a member of the Underwriting Committee (UWCom). Director Benares used to sit as a member of the Board Risk Oversight Committee (BROC) until April 2023.

Previously, Mr. Benares was the Managing Director of Maybank ATR Kim Eng Capital Partners, Inc. He started his banking career at Bancom Development Corp. as Assistant Treasurer prior to holding the position of Vice President of Account Management at United Coconut Planters Bank. He also served as Managing Director at Asian Alliance and Executive Vice President at Insular Investment & Trust Corporation, and Vice President at Philamlife.

Mr. Benares holds a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and has a Master's Degree in Business Management at the Asian Institute of Management.

FE B. BARIN
Non-Executive Director
Filipino, 92 years old

Mrs. Fe B. Barin has been a member of the Board of Directors since 24 April 2014. She is currently a member of the Corporate Governance Committee (CGCom), Board Risk Oversight Committee (BROC), and Nomination, Compensation, and Remunerations Committee (NCRC).

She is an Honorary Fellow of the Institute of Corporate Directors and a founding member of the Judicial Reform Initiative, all non-stock nonprofit associations.

Mrs. Barin's career in the government service has been in the regulatory and supervisory agencies. She spent a total of fifty-three (53) years of service in the government, forty-four of which in the then Central Bank of the Philippines and the Bangko Sentral ng Pilipinas where she served as Member of the Monetary Board from 2002 to 2004. She was the first Chairperson of the Energy Regulatory Commission created under the EPIRA in 2001, which position she occupied from August 2001 to September 2002 prior to her appointment as Monetary Board member. In September 2004, she was appointed Chairperson of the Securities and Exchange Commission (SEC) for a seven-year term ending 2011. As Chairperson of the SEC, she was ex Officio member of the Anti-Money Laundering Council and Chairperson of the Credit Information Corporation. She also served as Assistant Legal Counsel in the Philippine Deposit Insurance Corporation on secondment from the then Central Bank.

Mrs. Barin graduated from the College of Law, University of the Philippines, passed the Bar examinations given the same year and admitted to the Philippine Bar in 1957.

MARITO L. PLATON
Non-Executive Director
Filipino, 73 years old

Mr. Marito L. Platon was elected on April 30, 2010 as member of the Board of Directors of the Bank. He is currently a member of the Executive Committee (ExCom), Information Technology Steering Committee (ITSC), and Trust and Investments Committee (TIC). He was previously a member of the Board Risk Oversight Committee (BROC) (former Chairman), Audit Committee, Corporate Governance Committee (CGCom), and the Related Party Transactions Committee (RPTCom). Mr. Platon has been the driving force behind the consistent growth of the Bank's business in partnership with clients.

Currently, he serves as Chairman and President of Villa Maria Resorts and Development Corporation, a tourism and property development family-owned corporation, as well as Capricorn Resources Inc.

Mr. Platon has 27 years of treasury and corporate finance experience at San Miguel Corporation and Coca-Cola Bottlers Philippines, Inc. (CCBPI) as Vice-President and Treasurer supervising various departments/functions in the areas of Treasury management and operations, funds planning and loans management, banking relationship, working capital management, capital budgeting and project coordination, tax administration and management, insurance and risk management, credit and collection, systems design and development, and provident fund operations as he was also the former Managing Trustee of the CCBPI Retirement Plan. Aside from formerly holding directorship and/or management positions in various companies or undertakings involved in investment banking, corporate leasing, internal auditing, security services, aquaculture operations, food retailing, among others, including education as former Chairman at non-sectarian Institute for Esoteric Studies, he was also formerly director and CFO of CCBPI's real estate companies Marangal Properties, Inc. and Luzviminda Landholdings, Inc. Mr. Platon likewise has over 30 years of rural banking experience being former Chairman and President of Rural Bank of Talisay (Batangas), Inc.

Mr. Platon graduated in 1973 at De La Salle University with a degree in Bachelor of Science, Major in Accounting.

JOSE A. BARCELON
Non-Executive Director
Filipino, 68 years old

Atty. Jose A. Barcelon was elected as member of the Bank's Board of Directors effective June 26, 2024. He is currently a member of the Information Technology Steering Committee (ITSC) and the Underwriting Committee (UWCom).

He had been appointed as conservator, receiver, and liquidator for various companies regulated by the Insurance Commission of the Philippines and served as Corporate Secretary for a number of companies, including United Coconut Planters Bank (UCPB) Savings Bank, UCPB Rural Bank, UCPB Properties, Inc., UCPB Securities Inc., UCPB Leasing and Finance, United Coconut Planters Life Assurance Corp. (Cocolife), UCPB General Insurance, Inc., All Nations Security and Investigation, New Ultra Security; and Ultra Security Services, Inc.

He also functioned as Director and Corporate Secretary of the following companies: (a) United Coconut Planters International; (b) United Funds, Inc.; (c) Cocolife Inc.; (d) Cocogen, Inc.; (e) Cocoplans, Inc.; (f) Silahis Marketing Corp.; (g) Minola Refining Corporation; (h) San Pablo Manufacturing Corp.; and (i) Granex, USA.

Atty. Barcelon served as Head of the Legal Services Department of UCPB and Cocolife, Inc, and was a Partner in Mendoza and Barcelon Law Offices and RB Ancheta Law Office. He was also a Senior Associate Lawyer in Solis and Medina Law Offices. Previously, he worked Special Legislative Officer and Legislative Staff Officer at the House of Representatives.

Atty. Barcelon obtained his Bachelor of Arts in Political Science and Bachelor of Laws degrees from the University of the Philippines.

ALEXANDER R. MAGNO
Non-Executive Director
Filipino, 71 years old

Mr. Alexander R. Magno became a member of the Board of Directors of the Bank on August 01, 2014 and currently sits as a member of the Executive Committee (ExCom), and Underwriting Committee (UWCom). He used to be a member of the Bank's Trust and Investment Committee (TIC) until April 2023.

Mr. Magno is a columnist of the Philippine Star and consults for both the Department of Finance and the Steel Asia Manufacturing Corporation. Mr. Magno's career best describes him as a policy advocate, public intellectual and an activist. He served as a member of the Board of the Development Bank of the Philippines, helping supervise such programs as the Nautical Highway System from 2001 to 2010. He was Director of Steel Asia Manufacturing from 1995 to 1999 and a professor at the University of the Philippines from 1976 to 2018. After the EDSA Revolution, he served as interim director of the President's Center for Special Studies, a think tank put together during the Marcos period which supplied regular briefing papers for President Corazon C. Aquino. He helped establish the Foundation for Economic Freedom (FEF), a research and advocacy institution proposing market-driven economic policies providing research for key liberalization policies including the Liberalization of the Retail Trade, the Electricity Power Industry Reform Act, and the Procurement Law. He consulted for the privatization program of the Metropolitan Waterworks and Sewerage System (MWSS) and the liberalization of the telecommunications sector. In 2005, he was appointed Commissioner of the Consultative Commission on Charter Change and served as a commissioner of the EDSA People Power Commission.

His social activism during the martial law led to his career as an instructor of political science at the University of the Philippines (U.P.), Diliman. Mr. Magno supported student representation in 1975, winning a seat at the UP Student Conference and served as Vice Chairman of the organization. Mr. Magno had regular editorial columns at the Manila Times, the Manila Chronicle, and the Manila Standard. He remains an important columnist at the Philippine Star since 2003 and his columns became main reference points for building democratic and reformist public opinion.

Mr. Magno graduated in 1975 from U.P. Diliman, with a degree in Bachelor of Arts in Political Science. In 1981, he obtained a master's degree in Political Science from the same university.

MELINDA S. GONZALES-MANTO
Non-Executive Director
Filipino, 73 years old

Ms. Melinda S. Gonzales-Manto (Linda) has been a member of the Board of Directors of the Bank since April 30, 2013. She currently serves as member of the Related Party Transactions Committee, Board Risk Oversight Committee, and the Audit Committee. She was formerly the Chairperson of the Bank's Audit Committee.

Ms. Manto likewise sits in the Board of Directors of Linferd & Company, Inc. (Linferd & Company) and ACB Corabern Holdings Corporation (ACB Corabern Holdings). Additionally, she is the Lead Independent Director of Eagle Cement Corporation (Eagle Cement) and Petrogen Insurance Corporation (Petrogen), and an Independent Trustee of RSA Foundation, Inc. and a Director of RSA Holding Inc.

Ms. Manto functions as the Vice-President of Linferd & Company as well as ACB Corabern Holdings while also the Treasurer of Compsych Philippines, Inc. She is currently the Chairman of the Audit and Risk Committee and member of the Corporate Governance Committee and Related Party Transactions Committee of Eagle Cement. She chairs the Audit and Risk Oversight Committee and sits as member of the Corporate Governance Committee and Related Party Transactions Committee of Petrogen. She was formerly a board member of GSIS Family Bank.

Ms. Manto started her career in SyCip, Gorres, Velayo & Co. (SGV). She is a celebrated accountant and is looked up to as an expert in assurance and business advisory. Her areas of specialization include retail, manufacturing, food processing and distribution, real estate, radio and television broadcasting, technology, steam power generation, agribusiness, semiconductors, and electronics. She is highly respected as well in initial public offerings, due diligence engagements, and mergers and acquisitions. Her stint in the audit corporate world lasted for more than three decades. She retired as a Partner in the Assurance and Advisory Business Services Division of SGV. While in SGV, she served as the Head of the Consumer Products Industry for Asia and the Pacific of SGV/Ernst & Young Philippines and SGV/Arthur Andersen. Wanting to expand her horizon, she also functioned as a board member and auditor of the Philippine Retailers Association for almost a decade. She was previously assigned to the Cincinnati Office of Arthur Andersen in Ohio where she spearheaded the audit engagements of manufacturing and retail clients.

Ms. Manto finished elementary and high school as valedictorian and graduated cum laude with a degree of Bachelor of Science in Business Administration, major in Accounting at the Philippine School of Business Administration. She is a Certified Public Accountant and a lifetime member of the Philippine Institute of Certified Public Accountants. She completed the Management Development Program at the Asian Institute of Management and had computer training at the Institute of Advanced Computer Technology.

JOSE CARMELO C. NOGRALES
Non-Executive Director
Filipino, 76 years old

Mr. Jose C. Nograles has been an elected member of the Board of Directors of the Bank since April 20, 2015. He serves as a member of the Corporate Governance Committee (CGCom), Related Party Transactions Committee (RPTCom), and Audit Committee (AuditCom).

He is likewise a Director of Amalgamated Investment Bancorporation, Inc., FinQuest Technologies (OPC), and Rosario Heights Servicecenter. He is also an Independent Director of First Metro Save & Learn Equity Fund, Inc., First Metro Save and Learn FOCCUS Dynamic Fund, First Metro Consumer Fund, Inc., First Metro Philippine Index Fund, and Asia Best Group.

Mr. Nograles continues to be a strict advocate of the Bank's conscientious and efficient use of resources towards sustainable care for the environment. A seasoned investment banker and economist, Jose C. Nograles was President of the Philippine Deposit Insurance Corporation (PDIC) from January 2008 to May 2011 where he led PDIC's transformation to a more responsive and innovative institution. Previously, he was the Senior Executive Vice President of the Land Bank of the Philippines (LBP). In 2005, he headed LBP's Operations and Corporate Services Sector. Five years earlier, as Senior Vice President and Treasurer, he organized LBP's combined Treasury and Investment Banking. He was also concurrently Board Vice-Chairman and President of Land Bank Insurance Brokerage Inc., LBP's subsidiary engaged in insurance brokerage and foreign exchange trading. He was a fellow of the Institute of Corporate Directors.

Mr. Nograles started his career in 1969 as part of the management services staff of SGV and Company. By 1973, he worked in government as a Senior Consultant to former Secretary Arturo R. Tanco, Jr. of the Department of Agriculture and Natural Resources. After three years, he rejoined the private sector as General Manager of Sarmiento Management Corporation. He moved to Anflo Management & Investment Corporation as Vice President in 1977 to head its Automotive Group of car dealerships and the Corporate Planning Department. He later founded his family's realty company engaged in commercial building and hotel operations in Davao City in 1980. In 1984, he was appointed Assistant Minister for Planning and Project Management of the Ministry of Natural Resources. In 1991, he joined Columbian Autocar Corporation as Vice President and General Manager that introduced the Kia brand in the Philippines.

Mr. Nograles obtained his BA in Economics with honors (Cum Laude) from the Ateneo de Manila University in 1969 and his master's degree in business administration from the Asian Institute of Management in 1973.

ANTONIO S. LAQUINDANUM
Executive Director, Executive Vice President & Chief Financial Officer
Filipino, 48 years old

Mr. Antonio S. Laquindanum was elected as member of the Board of Directors on May 27, 2025. He sits as a member of the Nomination, Compensation and Remunerations Committee (NCRC) and Underwriting Committee (UWCom). He has also been the Bank's Executive Vice President since 2022 and Chief Financial Officer since 2018.

Mr. Laquindanum also sits as a Director of Lake Champlain Holdings and Riesenwasser Land, Inc.

He brings more than 28 years of experience in the finance and banking industry, both in the Philippines and overseas. He previously served as Chief Financial Officer and Acting Chief Operating Officer of the Manila office of the Australia and New Zealand Banking Group. Before entering the Philippine banking sector, Mr. Laquindanum worked as a Consultant with Andersen Consulting (Philippines) and Ernst & Young (New York). His career has spanned the Philippines, Europe, and the United States, where he has worked with a wide range of financial institution clients.

Mr. Laquindanum graduated from Ateneo de Manila University with a degree in Bachelor of Arts in Management Economics in 1998 and earned his Masters of Business Administration from Darden Graduate School of Business Administration at the University of Virginia in 2006.

RICARDO D. FERNANDEZ
Independent Director
Filipino, 72 years old

Mr. Ricardo D. Fernandez was elected as an Independent Director of the Bank effective 1 January 2021. He is currently the Chairman of the Related Party Transactions Committee (RPTCom), and a member of the Corporate Governance Committee (CGCom) and the Nomination, Compensation and Remuneration Committee (NCRC).

He has worked in the investment banking industry for 40 years. Mr. Fernandez was employed at Unicapital Incorporated (UI) from 1995 to 2019, where he was appointed as President from 1997 to March 2019, became a Consultant until December 2019, and Director until March 2020. From 1980 to 1995, he was employed at Multinational Investment Bancorporation (MIB).

Mr. Fernandez graduated from the De La Salle University with degrees in Behavioral Science and Business Management. He also holds a master's degree in business administration from the University of the Philippines.

SIMON R. PATERNO
Independent Director
Filipino, 67 years old

Mr. Simon Paterno has been elected Independent Director of the bank since June 01, 2022. He is the current Chairperson of the Board Risk Oversight Committee (BROC), and a member of the Audit Committee (AuditCom), and Corporate Governance Committee (CGCom).

He is the Founder and CEO of ZQR Corporation, a start-up platform that improves the experience of document exchanges between enterprises and their customers. Currently, he also sits as a member of the Board of Directors of ALFM Mutual Funds, where he functions as President, and Philam Funds, Mamita Realty, and MobileMO, where he also acts as Vice-Chairman. He is an Independent Director of Mynt, a fintech company.

Mr. Paterno previously served as the EVP and Head of Products and Alternative Channels at Bank of the Philippine Islands from 2014-2019 where he managed all of the bank's profit centers outside of Treasury, including the bank's digital channels. This included supervision of insurance (BPI-MS), merchant acquiring (Chairman of BPI Global Payments), leasing, investment banking, and microfinance (Chairman of BPI BanKo).

Mr. Paterno represented CIMB in the Philippines in its search for a bank investment and in originating investment banking deals. He joined the group in late 2012 as the CEO-designate of Bank of Commerce, which was targeted for acquisition by CIMB. The deal was canceled in 2013.

Mr. Paterno was Managing Director and Country Manager of Credit Suisse from 2004 to 2012. He also founded and served as Chairman of Credit Suisse Securities Philippines, Inc., the firm's securities broker/dealer subsidiary.

Mr. Paterno served as President/CEO of the Development Bank of the Philippines, the government-owned commercial bank, from 2002 to 2004. At the DBP, he pioneered work on the maritime Ro-Ro network that links the archipelago. He was concurrently Chairman of the LGU Guarantee Corporation and other DBP subsidiaries. In 2003, DBP was named 6th Best Employer by Hewitt Associates and Strongest Bank in the Philippines (Based on financial and operational measures, asset quality, and year-on-year improvements in profits and assets) by Asian Banker.

Mr. Paterno spent 18 years with J.P. Morgan & Co., with stints in New York and Hong Kong. In 1997, he was named a Managing Director, with responsibility for coverage of Asian sovereign clients during the Asian financial crisis. He led the project teams that advised the Indonesian Bank Restructuring Agency (IBRA) and its Malaysian counterpart, Danaharta. In mid-1998, he returned to Manila to head J.P. Morgan's Philippine business, and following the merger with Chase Manhattan Bank, worked as Head of Philippine Investment Banking until 2002.

At J.P. Morgan, he worked on some of the most significant sovereign financing transactions including the country's restructuring of its foreign debt in 1991, the return to capital markets in 1992, the Brady exchanges in 1994, and while at Credit Suisse, the Domestic Bond Exchanges and the Debt Exchange Warrants transactions that won Best Liability Management awards for 2006 and 2008. His M&A transaction experience includes mergers that formed the 3 largest Philippine banks in the Philippines, the largest cement company mergers, and the restructuring of San Miguel Corporation's ownership. Under his leadership, J.P. Morgan was named Best Investment Bank in the Philippines by The Asset in 2001 and Credit Suisse was named Best Investment Bank in the Philippines by FinanceAsia in 2009.

In 1999, he received the TOYM (The Outstanding Young Men) Award for his work in Investment Banking. In 2005, he served as President of the Management Association of the Philippines, an organization of the country's top CEO's. He has served on the Board of Directors of the Bankers Association of the Philippines. He serves as Vice Chairman of the Foundation for Economic Freedom, a reform-oriented advocacy group of the country's top economists, and as Chairman of the Ateneo Scholarship Foundation.

Mr. Paterno graduated cum laude from the Ateneo de Manila University in 1980, with a degree in Bachelor of Arts in Economics, Honors Program. He also holds an MBA obtained in 1984 from Stanford University.

LEONARDO J. MATIGNAS, JR., CPA, CFE, CIA, CRMA, MM, FCPA Australia
Independent Director
Filipino, 64 years old

Mr. Leonardo J. Matignas, Jr. has been an Independent Director of the Bank since June 28, 2023. Concurrent with his function as the Lead Independent Director, he chairs the Bank's Audit Committee (AuditCom) and sits as member of the Board Risk Oversight Committee (BROC), Related Party Transactions Committee (RPTCom), and Nomination, Compensation and Remunerations Committee (NCRC).

He likewise sits as an Independent Director of the Rural Bank of Sta. Maria (Ilocos Sur), Inc., and Anchor Land Holdings, Inc., where he chairs their Audit Committees.

Mr. Matignas is a multi-awarded and internationally recognized authority on Enterprise Risk Management (ERM). Prior his retirement on June 30, 2022, he was a Partner and Chief Risk Officer of SGV & Co., a member practice of Ernst & Young He was also Ernst & Young's ASEAN Risk Management Leader until his retirement.

Over the course of his career, he had started service lines that paved the way for Certified Public Accountants (CPAs) to venture into other avenues such as forensic accounting, risk-based auditing, and in risk management, either as a risk owner or risk champion. He was also very instrumental in SGV's accreditation by the Securities and Exchange Commission as an institutional training provider for Corporate Governance, for which he was the lead lecturer.

In 2022, Mr. Matignas released his book entitled "A Practical Approach to Enterprise Risk Management," the first book on ERM written by a Filipino author for the Filipinos.

In November, 2023, he released his second book, "Piercing the Numbers- Fraud and Forensics."

In November, 2025, he released his third book. "From Risks to Opportunities: Integrating Sustainability into Enterprise Risk Management."

Aside from being included as one of the Top 100 CPAs in the celebration of the 100 years of the accounting profession, Leo received in August 2025 the "Outstanding Professional of the Year Award in the Field of Accountancy. He is also the recipient of local and international awards.

Mr. Matignas holds a Bachelor of Science degree in Commerce, Magna Cum Laude, from San Sebastian College. He is also a CPA, and has completed Management Development Program at the Asian Institute of Management and Master's in Management - International at the University of Phoenix. Aside from being a Philippine CPA, he also holds a Fellow CPA (FCPA) Australia which is the highest rank in CPA Australia and is recognized globally. He is also a Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), and has Certification in Risk Management Assurance (CRMA) – all of which are global certifications. In 2021, he completed an executive program, "Journey to the Boardroom," conducted by the Harvard Business Publishing Corporate Learning in collaboration with Ernst & Young.

ANTONIO S. ABACAN, JR.
Independent Director
Filipino, 83 years old

Mr. Antonio S. Abacan Jr. became a member of the Board of Directors effective July 29, 2025. He is the Chairperson of the Corporate Governance Committee (CGCom) and Nomination, Compensation and Remunerations Committee (NCRC), and a member of the Audit Committee (AuditCom) and Related Party Transactions Committee (RPTCom).

He is likewise currently an Independent Director of COSCO Capital, Inc., Primex Realty Corporation, and San Miguel Food and Beverage, Inc

Director Abacan was appointed as Member of the Monetary Board of the Bangko Sentral ng Pilipinas from July 4, 2017 to July 2, 2023. Before being appointed thereto, he already had a long and noteworthy history in the Banking and Finance Industry of the Philippines. He was President, Chairman and Senior Adviser of Metropolitan Bank & Trust Company; President and Director of Metrobank Card Corporation, the Philippine Savings Bank, and Data Serv Corporation; and President and Adviser of GT Capital Holdings. He was Chairman of the Board of Directors of several institutions such as First Metro Investment Corporation, Philippine Charter Insurance, Toyota Financial Services (Phils.), Inc., Sumisho Motor Finance Corporation, Manila Doctors Hospital, Orix Metro Leasing and Finance Corporation, Manila Tytana Colleges, among many others. He was also Director for Banking, Finance and Taxation of the Philippine Chamber of Commerce & Industry; Governor of Makati Commercial Estate Association (MACEA); President of DARE Philippines Association, Inc., and Senior Adviser of Metrobank Foundation.

Director Abacan has made his mark in the industry as proven by his personal achievements. In recognition of his outstanding contributions in banking, he was conferred "The Outstanding Filipino" award in 2008 by Philippine Jaycee Senate. He was a Communications and Leadership Awardee by Toastmaster International in 1999 and a CEO Excel Awardee by the International Association of Business Communicators in 2006. He was recognized by Mapua Institute of Technology, Meycauayan College and Far Eastern University as the Outstanding Alumnus for the years 1987, 1988, and 2007, respectively. His long line of achievements also includes being a recipient of the Ulirang Ama Award in 1998 (National Father's Day & Mother's Day Foundation), Outstanding Bulakeno 1999 (Dangal ng Lipi Awards), and Huwarang Anak ng Bulacan 2011 (Club Bulakeno, Inc.).

Director Abacan obtained his Bachelor of Science degree in Business Administration Major in Banking & Finance at Mapua Institute of Technology and Major in Accounting at Far Eastern University. Additionally, he attended an Executive Program at the Graduate School of Business, Stanford University and earned his Doctorate Degree in Business Administration (Honoris Causa) at the Philippine Women's University.

RAFAEL G. AYUSTE, JR.
Independent Director
Filipino, 62 years old

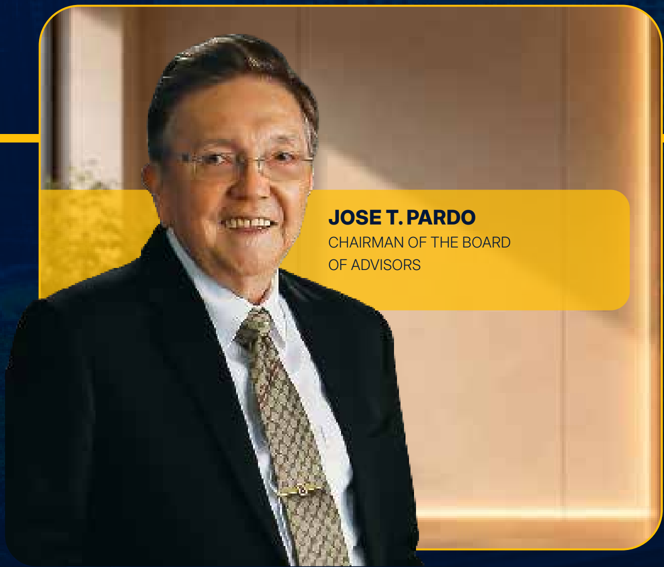
Mr. Rafael G. Ayuste, Jr. became a member of the Board of Directors effective September 30, 2025. He is a member of the Bank's Board Risk Oversight Committee (BROC) and Trust and Investments Committee (TIC).

He is an experience-based member of the Institute of Corporate Directors. He is the Director of the National Reinsurance Corporation of the Philippines, a Philippine Stock Exchange listed company, since 2013. Mr. Ayuste also currently functions both as Director and Corporate Secretary of Trifecta Holdings, Inc., Diviprov Development Corporation, Alliance Realty Enterprises, Inc., Co An and Sons, Inc., and Sirius Arctic Ventures, Inc. He is also the current President and Chief Executive Officer of Pacific Hyperbaric and Regenerative Corporation.

Mr. Ayuste was a four (4) term President and a multi-term Director of the Trust Officers Association of the Philippines (TOAP). Prior to his retirement from BDO Universal Bank, Inc., he was the Senior Vice President and Group Head of the Trust and Investments Group of BDO Unibank, Inc. Prior to this, he was the Senior Vice President of Wealth Advisory and Trust Group of BDO Private Bank, Inc. and First Senior Vice President and Head of the Trust Banking Group of Philippine National Bank from 2009 to 2013. He was also the Vice President and Head of Retail Branch Banking, Citibank Savings, Citibank N.A. Philippines from 2008 to 2009; Senior Vice President/Deputy Group Head of Trust Banking of the Metropolitan Bank and Trust Company through merger with Global Business Bank from 2000 to 2008; Vice President/Head of Securities Distribution of the Banco Santander Philippines, Inc. from 1999 to 2000; Vice President/Head of Trust Division, Security Bank Corporation from 1996 to 1999; Assistant Vice President and Head of Peso and Dollar Trading Desks of Citibank, N.A., Citibank Global Asset Management (CGAM) from 1989 to 1996.

Mr. Ayuste earned his Bachelor of Science degree major in Business Administration from the University of Santo Tomas in 1986. He is a nominee for a Master's degree in Business Administration at De La Salle University in 1992 and an Executive Master's degree in Business Economics at the University of Asia & Pacific in 2005. He has attended various seminars such as Enterprise Risk Management, Financial Risk Management, and Corporate Governance.

ADVISORS



JOSE T. PARDO
CHAIRMAN OF THE BOARD OF ADVISORS

FRANCIS C. CHUA
VICE CHAIRMAN OF THE BOARD OF ADVISORS

AURORA T. CALDERON
BOARD ADVISOR

CECILE L. ANG
BOARD ADVISOR

FERDINAND K. CONSTANTINO
BOARD ADVISOR

EVITA C. CABALLA
CORPORATE SECRETARY

SENIOR **EXECUTIVE TEAM**

MICHELANGELO R. AGUILAR
69, Filipino, President & Chief Executive Officer

FELIPE MARTIN F. TIMBOL
56, Filipino, Executive Vice President &
Treasury Management Group Head

MANUEL A. CASTAÑEDA III
55, Filipino, Executive Vice President &
Corporate Banking Group Head

ANTONIO S. LAQUINDANUM
48, Filipino, Executive Vice President &
Chief Financial Officer

JAY S. VELASCO
53, Filipino, Senior Vice President &
Operations Group Head

GAIL C. BAUTISTA
51, Filipino, Senior Vice President &
Transaction Banking Group Head

MA. KATRINA T. ALBA
57, Filipino, Senior Vice President &
Cards Group Head

GREGORIO M. YARANON JR.
55, Filipino, Senior Vice President &
Chief Compliance Officer

JOSE MARI M. ZERNA
50, Filipino, Senior Vice President & Consumer
Banking Group Head

LOUELLA P. IRA
54, Filipino, Senior Vice President, Legal Services
Division Head & Assistant Corporate Secretary

MARIE SUZANNE A. SISON-SEVILLA
62, Filipino, Senior Vice President, Chief Information Officer & Digital Services Group Head

LUIS MARTIN E. VILLALON
53, Filipino, Senior Vice President & Investment Banking Group Head

JOEL O. LONGALONG
50, Filipino, First Vice President & Chief Audit Executive

DON CARLO P. HERNANDEZ
37, Filipino, First Vice President & Chief Trust Officer

ANNALYN D. DELOS SANTOS
51, First Vice President & Branch Banking Group Head

MARIA ANA P. DELA PAZ
51, Filipino, First Vice President &
Credit Group Head

JEREMY H. REYES
47, Filipino, First Vice President &
Chief Risk Officer

MELANIE P. SANTOS
51, Filipino, First Vice President and Head of the Human
Resource Management and Development Division

FRANCISCO RAYMUND P. GONZALES
54, Filipino, Vice President & Corporate Communications
and Consumer Protection Division Head

SENIOR EXECUTIVE **TEAM PROFILES**

MICHELANGELO R. AGUILAR
69, Filipino, President & Chief Executive Officer

Mr. Aguilar is a veteran in Corporate and Wholesale Banking, Global Markets, and Treasury, with nearly four (4) decades of experience in the banking industry. Before joining BankCom in 2018, he held various positions such as Executive Vice President and Corporate Banking Group Head at Rizal Commercial Banking Corporation (RCBC), and Director of RCBC Leasing and Finance Corporation and RCBC Rental Corporation. He also served as the Managing Director and Head of Origination and Client Coverage and Co-head of the Wholesale Banking Group at Standard Chartered Bank, and previously as Senior Vice President and Treasurer at Solidbank Corporation.

FELIPE MARTIN F. TIMBOL
56, Filipino, Executive Vice President &
Treasury Management Group Head

Mr. Timbol's experience spans over thirty-four (34) years in Treasury Management from different banking institutions. He is a member of the Bank's Board of Trustee and currently serves on the Bankers Association of the Philippines Open Market Committee (OMC), where he chairs the Subcommittee Chairman for TCP and Education. Prior to joining BankCom, he was Vice President and Head of the Liquidity and Fund Management Division and Domestic Fixed Income Trading Division at Rizal Commercial Banking Corporation (RCBC). He also served as Senior Assistant Vice President and Head of the Treasury Fixed Income Dealing Department at EastWest Bank (formerly East West Banking Corporation). He started his career in banking in 1991 at United Coconut Planters Bank.

MANUEL A. CASTAÑEDA, III
55, Filipino, Executive Vice President &
Corporate Banking Group Head

Mr. Castañeda possesses over three (3) decades of extensive experience in Client Coverage, Corporate Banking, Commercial Banking, Transaction Banking, Investment Banking, Remedial Management, and Consumer Banking. He previously led the Global Banking Group at Maybank Philippines and headed the Commercial Banking division at UnionBank of the Philippines, Inc. He also served as the President, CEO, and Director of Producers Savings Bank.

ANTONIO S. LAQUINDANUM
49, Filipino, Executive Vice President & Chief Financial Officer

For over two (2) decades, Mr. Laquindanum has navigated the intricate landscape of the Financial Services Industry. As a seasoned consultant, he worked with established clients across the Philippines, the United States, and Europe during his tenures at Accenture and Ernst & Young LLP. Prior to his current role, he held the position of Chief Financial Officer at Australia and New Zealand Banking Group's Philippine Branch.

JAY S. VELASCO
53, Filipino, Senior Vice President & Operations Group Head

Mr. Velasco brings thirty-two (32) years of banking operations experience. He previously held the position of Chief Operations Officer for Tiaong Rural Bank and PS Bank's Head Office Operations Division Head before joining BankCom in 2009.

MARY ASSUMPTA GAIL C. BAUTISTA
51, Filipino, Senior Vice President & Transaction Banking Group Head

Ms. Bautista has over twenty-eight (28) years of experience in Commercial Banking, Transaction Banking, Sales and Product Management both in the Philippines and Singapore. Prior to joining BankCom, she was a Senior Relationship Manager and Head of Cash Management at Deutsche Bank where she stayed for 11 years. She also served as Head of Cash Management Sales with Equitable PCI Bank and Regional Product Manager for Alliance Banking covering Japan, Korea and Australia for Standard Chartered Bank. She started her banking career with Citibank as a Product Manager and earned her masteral diploma in Asia Pacific Marketing Management at the National University of Singapore.

MA. KATRINA ALBA FELIX
57, Filipino, Senior Vice President & Cards Group Head

Ms. Felix is a seasoned Cards and Financial Services Executive, having twenty-five (25) years of experience in Cards Payment and Financial Technology in various financial institutions. She was the former Country Manager for CC Mobile Financial Services Phil., former President of Finscore Inc., former President and Managing Director of Prudential Financial Services, and Operations Manager (MIS) of Bank of America NT & SA Manila Branch.

GREGORIO M. YARANON, JR.
55, Filipino, Senior Vice President &
Chief Compliance Officer

Mr. Yaranon leads the Compliance, Corporate Governance, Anti-Money Laundering, and Data Protection functions of BankCom. Prior to joining the Bank in 2022, he was the Chief Compliance and Corporate Governance Officer of City Savings Bank; Chief Compliance and Legal Officer of CIMB Bank Philippines; and Chief Compliance Officer of Maybank Philippines, Inc. He brings more than thirty (30) years of banking experience in the areas of Security, Human Resources, Legal, and Compliance.

JOSE MARI M. ZERNA
50, Filipino, Senior Vice President &
Consumer Banking Group Head

Mr. Zerna has more than twenty-seven (27) years of experience in Risk Management, Consumer Banking, and Corporate Banking from various financial institutions. Before joining BankCom in 2010, he was a Financial Applications Specialist at Thomson Reuters, and a Senior Functional Consultant at Misys Banking Systems, Inc., for trading and risk management projects in the Asia Pacific region. Before that, he was a Corporate Banking Officer at ANZ Limited, Manila, and a Corporate Finance Officer at BPI Capital Corporation.

LOUELLA P. IRA
54, Filipino, Senior Vice President, Legal Services Division Head & Assistant Corporate Secretary

Atty. Ira's experience in the financial industry expands to more than twenty-one (21) years. Prior to joining the Bank in 2011, she served as a Legal Officer of Metropolitan Bank & Trust Company and Assistant Corporate Secretary of then Metrobank Card Corporation and as a Legal Officer of Insular Life Assurance Company, Ltd. (formerly Insular Life & Assurance Co.).

MARIE SUZANNE A. SISON-SEVILLA
62, Filipino, Senior Vice President, Chief Information Officer & Digital Services Group Head

Ms. Sevilla's vast experience in Information Technology Management comes from her IT roles in various industries and her early work with IBM Philippines. She was previously the Information Technology Services Division Head of the Bank. Prior to being appointed as Chief Information Officer, she held the position of General Manager of SMITS, Process Synergy, IT Managed Services Inc., and Fiesta Pacific Asia, Inc. She was also the former head of the Information Services Department of Philippine Airlines and Information Technology Department of Bell Telecommunications Philippines Inc.

LUIS MARTIN E. VILLALON
53, Filipino, Senior Vice President & Investment Banking Group Head

Mr. Villalon's expertise in leading Investment Banking comes from more than twenty-one (21) years of experience in various financial institutions. He led an Investment Banking Group Coverage team and was the Deputy Head of Equity Capital Markets at First Metro Investment Corporation before joining BankCom in 2022. He was also a former Investment Banking Director at SB Capital Investment Corporation. He held various Investment Banking, Corporate Banking, and Commercial Banking roles in the New York offices of HSBC and Citibank.

JOEL O. LONGALONG
50, Filipino, First Vice President & Chief Audit Executive

Mr. Longalong has over 20 years of professional experience in internal audit, information technology audit, risk management, governance, and compliance. He joined Bank of Commerce in 2013 and served as Head of IT Audit prior to his appointment as Chief Audit Executive. Before joining the Bank, he served as Head of IT Audit at Asia United Bank. Mr. Longalong is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), and COBIT Foundation-certified professional.

DON CARLO P. HERNANDEZ, CFA
37, Filipino, First Vice President and Chief Trust Officer

Mr. Hernandez is a seasoned Trust banker carrying fifteen (15) years of experience in financial markets and investment management. Prior to joining BankCom, he held the position of Head of Trust in Maybank Philippines, and various capacities in Metrobank's Trust Banking Group, Markets Sales Group, and Treasury Group. He led the transformation of capabilities to expand its reach to global markets and to structure its wealth solutions to cater better to all customer segments from retail to high-net-worth individuals. Mr. Hernandez is a CFA charterholder and a Certified Treasury Professional. He graduated from De La Salle University Manila with a double degree in AB International Studies (European) and BSC Management of Financial Institutions.

ANNALYN D. DELOS SANTOS
51, First Vice President & Branch Banking Group Head

Ms. Delos Santos brings extensive branch banking experience for both Sales and Operations.. Before assuming the Head of the Branch Banking Group for BankCom, she was the Division Head for Metro Manila II Division, became an Area Head for Metro Manila East Area which includes the Main Office Branch, Makati Area and Manila Proper Area (Binondo). She also was a former Top Branch Manager at ExportBank, Security Bank and International Exchange Bank. In IBank, she started as a Sales Officer where she was recognized and became a recipient of the "Record Breaker Award". She also took on the role of Branch Service Officer at Union Bank of the Philippines as her first job after graduating with a Latin honor.

MARIA ANA P. DELA PAZ
51, Filipino, First Vice President & Credit Group Head

Ms. Dela Paz has more than twenty-one (21) years of experience in the banking industry with expertise in Credit. She previously headed Credit Evaluation Department, both retail and corporate, and acted as Credit Committee Secretary at Planters Development Bank.

JEREMY H. REYES
47, Filipino, First Vice President & Chief Risk Officer

With over twenty-three (23) in the banking industry, Mr. Reyes has vast experience in Internal Audit and Risk Management. He was the Quality Assurance Review Department Head under Internal Audit before taking on the role of Chief Risk Officer. Prior to joining the Bank, he previously held the roles of Vice President and Commercial Banking Business Risk and Control Management Head of HSBC and former Deputy Head of Audit of HSBC Savings. Other previous roles were in the areas of Operational Risk, Credit Administration, Internal Control, and Credit Risk.

MELANIE P. SANTOS
51, Filipino, First Vice President and Head of the Human Resource Management and Development Division

Ms. Santos brings with her over 25 years of distinguished HR leadership experience, both in the Philippines and across the ASEAN region.

Prior to joining BankCom, she served as Chief Human Resource Officer at UnionDigital Bank, a subsidiary of UnionBank of the Philippines. She has built a strong track record in talent acquisition, retention, employee training, engagement, and rewards management—consistently driving impactful HR strategies aligned with business goals.

Ms. Santos holds a Bachelor of Science degree in Psychology, and completed her Postgraduate studies in Business Management at the Asian Institute of Management.

FRANCISCO RAYMUND P. GONZALES
54, Filipino, Vice President & Corporate Communications and Consumer Protection Division Head

Mr. Gonzales leads the Bank's Corporate Communications, Consumer Protection, and Environmental, Social, and Governance (ESG) endeavors. With more than twenty-nine (29) years of experience in the banking industry, he has a strong background in Product Management having led the Bank's Product Development team when he joined in 2014, and held key product management positions at China Banking Corporation, and Metropolitan Bank & Trust Company. He also briefly performed as Corporate Planning Officer and as Deal Manager for investment promotions in other banks.

RISK **MANAGEMENT**

RISK PHILOSOPHY AND GUIDING PRINCIPLES

The Bank's goal is to generate steady returns to shareholders' capital. With this objective in mind, the Bank's business principles, strategies, and operations are designed to achieve cash flows in excess of its obligations to its fund providers and stakeholders. To realize this, the Bank takes risks that are inherent in the conduct of its universal banking franchise. Risk-taking presents opportunities to earn more than expected returns, provided that the risk-taking process is intentional, monitored, and controlled. The Bank's risk-taking activities reflect a culture that are guided by the following principles:

- The Bank is in the business of taking risks.
- The Bank takes risks after a deliberate process to identify the risks, to dimension them, and to decide whether to reduce, avoid, accept, or transfer the risk.
- The Bank adopts risk management practices suited to the scope and sophistication of its business and in line with global best practices.
- The Bank's risk management is the concern of everyone.
- The Bank recognizes the independence of risk managers and risk takers from each other.

RISK APPETITE AND STRATEGY

The capital of the Bank, once invested, is already exposed to risks. The risk appetite of the Bank is the type and threshold of risk that it is willing to take or accept in the pursuit of its business objectives. This is based on the Bank's capacity to absorb risks, given its capital, liquidity, borrowing capabilities, or statutory restrictions.

The Risk Appetite Statements of the Bank are either quantitative or qualitative. Risk Appetite Statements are developed by the Bank to provide guidance on the various types of its risk exposures such as credit, market, liquidity, and operational risk.

The Bank's strategy to manage risk may be to reduce, avoid, accept, or transfer the risk. Management is under obligation to exercise reasonable care, skill, and caution when engaging in business to ensure the risk appetite is not exceeded, to maximize the value of capital, and to preserve it when an adverse event occurs. Each and every employee is responsible for implementing and adhering to the Bank's risk appetite while making business decisions daily.

A summary of the types of risks included in the risk appetite and the corresponding quantitative and qualitative measures are as follow:

CREDIT RISK

Credit Assessment

For corporate and business loans, The Bank shall take credit exposure on borrowers/issuers with a favorable credit rating based on internal standards or on assessment of external rating agencies. The Bank shall not take or increase credit exposure on accounts that are adversely rated unless sufficient justification based on risk/reward tradeoff is provided.

For consumer and credit cards portfolio, the Bank shall take credit exposures with acceptable credit scores and within the defined target customer profile.

Asset Quality

The Gross NPL ratio should be at par with industry or better.

Expected Credit Loss

ECL should be within specified targets. Justifications should be provided for calculated ECLs over the target.

Portfolio Segmentation

The Bank shall manage normal exposure to product concentration but will not permit most of its revenues to emanate from a single service offering and will target a sustainable product / revenue mix.

Moderate portfolio industry concentration shall be maintained. Furthermore, exposures to the SMC ecosystem should abide by the limits stipulated in the BSP ceilings on credit accommodations to affiliates and subsidiaries.

MARKET RISK, INTEREST RATE RISK IN THE BANKING BOOK, AND LIQUIDITY RISK

Market Risk

The Bank engages in speculative proprietary trading activities across both FX and interest rate products, focusing on plain vanilla instruments, FX swaps, FX Non-Deliverable Forwards (NDFs), government-issued bonds, exchange-traded futures, and interest rate swaps. To mitigate potential risks associated with these activities, the Bank maintains sufficient capital buffers to absorb trading losses.

Duration

Held for Trading and Held to Collect and Sell portfolios should not exceed maximum tenor and duration limits.

Stop Loss Limits

The aggregate realized and unrealized losses for the month and for the year should not exceed the approved levels, which are based on the target trading gains for the year.

Value at Risk

The maximum one-day loss based on the Value-at-Risk model should remain below the approved amount.

Held to Collect and Sell (HTCS) Management Action Trigger

Full-year aggregate realized and unrealized losses should not exceed the established soft-limit trigger.

IRRBB

To generate net interest income, the Bank strategically allows for repricing mismatches and the existence of asset-liability repricing gaps. However, to manage the associated risks, the Bank maintains potential Net Interest Income (NII) contraction and net asset value fluctuation within pre-approved limits. These limits are directly linked to the Bank's capital adequacy and overall risk absorption capacity, ensuring that income generation activities remain within prudent risk parameters.

Earnings at Risk / Net Interest Income Contraction

The worst-case net interest income contraction in the next 12 months, as quantified by Earnings at Risk, should not exceed the approved amount, which is based on target net interest income for the year.

Repricing Gaps

The timing mismatch between the repricing dates of rate-sensitive assets and rate-sensitive liabilities should not exceed the approved amounts.

Liquidity Risk

The Bank maintains a diversified funding profile, strategically utilizing long-term funds, short-term deposits, and a robust suite of alternative funding sources. This suite includes a sufficient stock of high-quality liquid assets, access to interbank borrowing facilities, and the Bangko Sentral ng Pilipinas (BSP) rediscount window, ensuring funding flexibility and resilience.

Gap Limits (MCO)

Forecasted net outflows from asset maturities minus obligations such as deposit withdrawals should not exceed the approved amounts for each time period. These amounts are based on the Bank's portfolio of High-Quality Liquid Assets and interbank sources.

Deposit Concentration Management Action Trigger

The total deposits held by a deposit client divided by the total deposits should not exceed the approved ratio.

OPERATIONAL AND OTHER RISKS

Operational Losses

The Bank is willing to absorb minimal operational losses per incident or per series of related incidents. **Total operational loss for the year should not exceed a certain percentage of the average operating income before income tax for the past three years.**

Key Personnel Turnover

Attrition rate should not exceed a certain percentage and ensure that a proper succession plan is in place.

Fraud

The Bank has low tolerance to take exposures to both internal and external fraud.

Fines and Penalties

The Bank shall be willing to accept only fines and penalties arising from force majeure or unanticipated systems failure and incidences that resulted in noncompliance with banking laws, rules and regulations and its prudential obligations. The Bank shall be willing to manage normal risk that regulations governing certain bank transactions would change, resulting in the non-attainment of expected results. Total losses from fines and penalties are capped at a pre-determined amount for the year.

Reputational Risk

The Bank will avoid any activities and business lines that could compromise the public's perception of its integrity and professionalism and will proactively manage consumer interests to prevent any legal action. It is also unwilling to accept open or unanswered customer complaints that exceed the set service levels.

Confidentiality of Information Access Risk

The Bank maintains low tolerance for unauthorized access, disclosure, or misuse of confidential or customer information. Access to information assets shall be strictly limited to authorized personnel with a legitimate business need.

Unplanned IT System Downtime

The Bank maintains low tolerance for operational disruptions affecting critical systems that support banking operations. To ensure operational resilience, system availability and incident management processes shall be implemented to minimize service interruptions.

RISK MANAGEMENT OVERSIGHT

The Bank's Board of Directors (BOD), Board Risk Oversight Committee (BROC), and Risk Management Division (RSK) are responsible for setting the overall risk management framework and risk appetite of the Bank. The BOD is the sole arbiter of the risks taken by the organization, with the discretion of determining what manner (strategic direction) and magnitude (risk appetite) of risks are suitable for the organization. The BOD develops both the strategic direction and the risk appetite with inputs provided by Management.

The Board established the BROC to oversee the promotion of a risk management culture within the Bank. The BROC is responsible for establishing and maintaining a sound risk management system. It assists the Board in its risk oversight function by:

- Identifying and evaluating risk exposures;
- Developing risk management strategies;
- Overseeing the risk management framework; and
- Promoting a culture that is conscious of the importance of risk management and capital adequacy.

The Bank considers the understanding and the management of risk as a key part of its business strategy. The RSK is mandated to strengthen the Bank's risk management infrastructure to meet the requirements of its business. The RSK implements the risk management directives of the Board and the BROC by:

- Formulating and recommending policies to manage market, liquidity, credit, operational, information technology, and trust risks arising from the business of the Bank;
- Implementing the risk management framework approved by the BOD;
- Actively promoting a culture of risk awareness and risk management; and
- Coordinating with Finance and Controllership Group on the adequacy of the Bank's capital in absorbing the risks present in the Bank's business.

The RSK reports to the Board through the BROC and is independent from the risk-taking business units of the Bank. Headed by the Chief Risk Officer, it comprises the following departments:

CREDIT RISK MANAGEMENT

The Credit Risk Management Department (CRM) has four sections, Credit Review, Credit Risk Control, Credit Risk Modelling, and Portfolio Credit Risk, with each focusing on a major segment of the credit risk management process. The CRM is responsible for developing and recommending policies that will aid in the management of credit risk present in the Bank's asset portfolios. The CRM is also in charge of developing, maintaining, and updating the Bank's credit risk models, including the risk rating systems and scorecards. It is the department's duty to monitor credit risk exposures against established limits and report portfolio performance, including significant movements, asset quality, and levels of concentration to the BROC on a timely basis. It is CRM's responsibility to make sure that the Bank is always in compliance with the continuously evolving landscape of credit risk within the banking industry.

As part of the Bank's continuous assessment of the risks extended through its lending units, credit reviews are performed and act as independent and objective assessment of corporate and commercial loan exposures of the Bank. Borrowing accounts are reviewed if loans were granted in accordance with the Bank's credit policy. Loans are assessed on a post-approval basis to check if credit classifications are consistent with internal and regulatory standards and provisions are adequate following the ECL methodology of the Bank. Credit reviews provide assurance that lending portfolio quality is maintained and accounts are properly managed.

The CRM monitors credit exposures on a counterparty and portfolio level to ensure asset quality and concentration risks are within the Bank's risk appetite. Credit risk thresholds consist of regulatory commitments, internal limits, as well as industry benchmarks. Asset quality is measured through the Bank's Internal Credit Risk Rating System (ICRRS) for corporate accounts and scoring models, based on Fair Isaac Corporation (FICO), for consumer loans, including credit cards. These rating systems are monitored and validated on a regular basis.

Concentration risks and large exposures are monitored and reported to the BROC and the Management on a regular basis. Concentrations are identified on a counterparty, industry, product, and country level. Regulatory and internally developed stress tests are also performed to evaluate the Bank's ability to absorb credit losses.

With the advent of PFRS 9, the Bank adopted the Expected Credit Loss (ECL) estimation methodology for impairment. CRM is in charge of developing, maintaining, and updating the ECL models of the Bank. Furthermore, the department estimates the quarterly ECL figures for the Bank.

MARKET AND ASSET-LIABILITY RISK MANAGEMENT

MARKET RISK IN THE TRADING BOOK

The Bank employs an internally developed Value-at-Risk (VAR) model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Market and Asset-Liability Risk Management Department (MRM) simulates the trading book's VAR on a daily basis, and the results are compared against Board-approved limits. In addition to the risk appetite on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, daily, monthly, and full-year losses, and stress testing. These controls provide insight into possible strategies to hedge or mitigate the market risk arising from the trading book.

Key controls are in place to manage Market Risk. Value-at-Risk (VaR) and established VaR limits serve as crucial measures to ensure that potential losses under volatile market conditions remain within acceptable risk tolerance thresholds. Furthermore, stop-loss limits are implemented as a mechanism to control potential trading losses and guarantee the maintenance of sufficient capital buffers, enabling the organization to absorb adverse market movements effectively.

INTEREST RATE RISK IN THE BANKING BOOK

The MRM also regularly monitors the mismatches in the repricing of the Bank's assets and liabilities through the interest rate gap reports to the Asset Liability Management Committee (ALCO) and the BROC. To ensure that the Bank's net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank's risk appetite statements. The Bank also has an internally developed Earnings-at-Risk (EAR) metric for monitoring IRRBB. EAR measures the contraction in the projected NII over the next 12 months, excluding pipeline deals through historical simulation of interest rate benchmarks. Non-maturing fixed-rate deposits or current-savings accounts (CASA) are split into three classifications: 1) stable and core deposits; 2) stable-but-non-core deposits and; 3) non-stable deposits. The volatile or non-stable portion of the NMD/CASA is slotted in the shortest time-bucket (i.e., less than one month). Stable-but-non-core portion is slotted based on an assumed repricing approximation. Stable-and-core portion is slotted in the 3 to 5-year bucket. The IRRBB model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario of the model simulates the impact of interest rate movements on existing loans and deposits. More (less) prepayment is expected if interest rates decline (increase), while more (less) pre-termination is expected if interest rates increase (less). The IRRBB model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario of the model simulates the impact of interest rate movements to existing loans and deposits. More (less) prepayment is expected if interest rates decline (increase), while more (less) pre-termination is expected if interest rates increase (less).

EAR is simulated on a monthly basis and subject to a limit approved by the Board. The report is also accompanied by stress testing with scenarios such as: 1) standard parallel yield curve shifts; 2) BSP-prescribed yield curve shifts; 3) steepening and inversion of the curves; and 4) timing mismatch in assets and liabilities repricing.

Internal Audit conducts a regular validation of the IRRBB models and parameters in addition to the risk-based full scope audit of RSK, which includes a review and evaluation of the processes and controls, including governance and risk management activities.

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g. term loans, housing loans) and to compensate the units that generate funding (e.g. branch deposits). While the Bank is not and does not have intentions to hedge IRRBB via interest rate swaps in the short term, it actively manages the interest rate mismatch by sourcing stable funds to match long-term assets. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

Several key controls are utilized to manage Interest Rate Risk in the Banking Book. To mitigate excessive reliance on short-term funding and ensure the interest rate sensitivity of the balance sheet remains within acceptable boundaries, the Bank employs repricing gap analysis and adheres to established repricing gap limits. Furthermore, Earnings-at-Risk (EaR) and Economic Value of Equity (EVE), along with their respective limits, are utilized to maintain fluctuations in Net Interest Income (NII) and Economic Value of Equity (EVE) within the bank's defined risk appetite. Finally, stress testing, which involves simulating various adverse interest rate shock scenarios, is conducted to evaluate the potential impact of these movements on the bank's earnings and capital positions.

LIQUIDITY RISK

The MRM prepares a Maximum Cumulative Outflow (MCO) report, which estimates projected funding requirements that the Bank will need at specific time horizons, to measure and monitor liquidity risk. The Bank has a set of internal limits on its MCO gaps to ensure sufficient liquidity, and any breach is reported to ALCO and the Board. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors unique to the Bank, market-wide liquidity stress events, and combination of bank-specific and market-wide stress events. A contingency funding plan which covers quantitative and procedural measures is in place and may be applied under different stress scenarios.

Key controls are implemented to ensure robust Liquidity Risk management. In adherence to Basel III liquidity regulations, the Bank maintains a sufficient stock of high-quality liquid assets and holdings of long-term funding to meet both the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) requirements. Furthermore, the Bank utilizes Maximum Cumulative Outflow (MCO) limits and conducts rigorous liquidity stress testing, encompassing bank-specific, market-wide, and combined bank-specific and market-wide scenarios, to ensure its capacity to service deposit withdrawals and other financial obligations under both normal operating conditions and stressed market environments.

OPERATIONAL RISK MANAGEMENT

The Operational Risk Management Department (ORMD) monitors the comprehensiveness and effectiveness of the Bank's internal control systems and oversees their performance to minimize operational risks and detect vulnerabilities while the consequences remain manageable or avoidable. It provides timely assessments of inherent risks—both general and functional—to ensure the operational soundness of the organization as a going concern.

To support management in addressing operational risk exposures, ORMD monitors and evaluates operational incidents and losses to confirm that risk levels remain within the Bank's risk appetite. Any process or control gaps are promptly identified and addressed. The Department also facilitates the implementation of bank-wide Risk and Control Self Assessments (RCSA), a proactive tool for identifying and assessing operational risks and the control mechanisms employed by all units. Complementing the RCSA, ORMD works with business units to develop and maintain Key Risk Indicators (KRI), which enable early detection of heightened risk or breaches of acceptable thresholds. These indicators trigger corrective actions and prevent further deterioration. On a monthly basis, ORMD reports significant incidents, losses, and the results of RCSA and KRI monitoring to senior management and the BROC.

As part of its mandate, ORMD provides operational risk management training and advisory services to business units. It strengthens risk management capabilities through policy formulation and conducts risk assessments of new or revised products and services to ensure adequate procedures and controls are embedded prior to implementation. The Department also delivers regular in-house training programs and issues advisories to enhance employee awareness of risks and controls.

INFORMATION TECHNOLOGY RISK MANAGEMENT

The Information Technology Risk Management Department (ITRM), under the leadership of the Chief Information Security Officer (CISO), manages the identification, assessment, and mitigation of information technology and information security risks within the Bank. Its core responsibility is ensuring that technology-related risks are effectively managed in alignment with the Bank's overall operational, regulatory, and risk management objectives.

ITRMD regularly assesses the Bank's infrastructure, networks, applications, and systems to proactively identify vulnerabilities and mitigate potential threats. Through these activities, the Department aims to minimize the likelihood and the impact of cybersecurity incidents, system failures, and other technology-related disruptions.

In support of the Bank's information security objectives, ITRMD also helps protect the confidentiality, integrity, and availability of the Bank's information assets through governance, risk assessment, security awareness initiatives, and security assurance activities.

While ITRMD operates within the Bank's broader Operational Risk Management framework and remains aligned with enterprise-wide risk management principles, the increasing reliance on technology, evolving cyber threat landscape, and growing complexity of technology and information security risks have led to its establishment as a distinct and dedicated function within the Bank.

Key risk indicators monitored by ITRM include system downtime, cybersecurity incidents, security vulnerabilities, data integrity concerns, and disaster recovery readiness.

BUSINESS CONTINUITY MANAGEMENT

The Business Continuity Management (BCM) Department is responsible for facilitating the regular testing, updating, and execution of the Bank's Business Continuity Plan. Its activity follows the BCM life cycle recommended by regulators, which helps ensure that the Bank's critical processes and applications are identified and adequate preparations for various threats or disruptions are addressed. BCM works closely with each business unit for the assessment and development of their unit's Business Continuity Plan. Further, BCM maintains constant coordination and communication with each unit for awareness and updates on developing events.

TRUST RISK MANAGEMENT

Trust Risk Management (TRM) ensures the proper management of risks faced in the business operations of the Trust Services Group (TSG). The TRM, through the regular review, development and enhancement of policies and procedures in accordance with the risk management framework of the Bank, ensures that controls are effective, compliant with existing laws and regulations, and relevant to the ever-evolving trust business. It is responsible for overseeing the implementation of approved strategies and for ensuring that controls are in place relative to its business activities that will limit fiduciary risks and reinforce compliance with laws and regulations.

ANTI-MONEY LAUNDERING GOVERNANCE AND CULTURE

The Bank is committed to complying with the requirements of the Anti-Money Laundering (AML) Law, rules, and regulations as embodied in its Money Laundering and Terrorist Financing Prevention Program (MTPP). The MTPP which is regularly updated annually or as the need arises to reflect the constantly evolving regulations, the emerging money laundering/terrorist financing/proliferations financing risks, and global best practices. The MTPP covers AML/CTF/CPF policies and information such as:

- CUSTOMER ONBOARDING
- CUSTOMER RISK ASSESSMENT AND DUE DILIGENCE
- HANDLING AND MONITORING OF CLIENTS AND THEIR TRANSACTIONS
- COVERED AND SUSPICIOUS TRANSACTIONS REPORTING
- RECORD-KEEPING
- AML/CTF TRAINING
- AML SYSTEM

While the Compliance Division monitors its implementation, the Bank's oversight board and management level committees, the Corporate Governance Committee, and AML Committee, respectively, are tasked to oversee the effective implementation of the Bank's compliance with money laundering, terrorist financing, and proliferations financing prevention program and policies. This supports the Bank's mission of maintaining high ethical standards in the conduct of its business and ensures that it does not become a conduit for dirty money or a victim of money laundering crime.

While the Compliance Division monitors its implementation, the Bank's oversight board and management level committees, the Corporate Governance Committee, and AML Committee, respectively, are tasked to oversee the effective implementation of the Bank's compliance with money laundering, terrorist financing, and proliferations financing prevention program and policies. This supports the Bank's mission of maintaining high ethical standards in the conduct of its business and ensures that it does not become a conduit for dirty money or a victim of money laundering crime.

Identification of compliance risks enables the Bank to establish measures to mitigate such risks. Through the conduct of independent testing of branches and head office units, the Bank is able to identify the segment in the operational process where money laundering, terrorist financing, and proliferations financing risks are higher. Based on the testing results, the Bank implements improvements in the processes and segregate responsibilities among the units/personnel involved. Testing results are monitored until corrected and reported to the oversight committees to enable them to have an accurate assessment of the effectiveness and efficiency of the Bank's money laundering and terrorist financing prevention program.

The Bank seeks to instill a culture of compliance, with Compliance Division as the main driver of the Bank's initiatives to foster AML awareness and discipline. Compliance Division, in partnership with HRMDD, constantly enhances the Bank's training program to equip bank personnel with appropriate and up-to-date knowledge to achieve the Bank's goal of promoting effective implementation of the Anti-Money Laundering, Combating Financing of Terrorism (CFT), and Combating Proliferations Financing (CPF) policies and procedures in the entire organization. The Bank provides training programs that are designed based on the degree of experiences to transactions that pose risks to money laundering/terrorist financing/proliferations financing exposure, with varying focus for new employees, frontline staff and officers, internal audit, senior management, and directors. All employees are also required to undergo annual refresher training which highlights their responsibilities under the MTPP.

The Bank endeavors to create a robust compliance culture where the programs and systems in place are adequate and effective to ensure that any risk associated with money laundering, terrorist financing and proliferation financing is mitigated and thus, ensures that the interest of the Bank, its clients, and other stakeholders is protected.

RISK MEASUREMENT AND REPORTING SYSTEMS

The Bank's capital adequacy is determined by measuring credit, market, and operational risk exposures using standardized or basic approaches as allowed by the BSP. Risk exposures are measured both individually and in aggregate amounts. Risk measurements are done by respective risk taking personnel and groups but are independently validated, analyzed, and reported by the RSK. In cases where the risk measurement is performed by the RSK, another independent party, in-house or external, conducts a validation exercise.

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

Quality of credit is measured via risk classifications of accounts using an Internal Credit Risk Rating System that incorporates the BSP risk classifications of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowances for losses, including changes thereon, when necessary. All risk information is processed, analyzed, and consolidated for proper reporting to the BOD through the BROC, TIC, AuditCom, Senior Executive Team, and various management committees of the Bank.

Actual and estimated risk exposures and losses at Treasury, Corporate and Consumer Banking, Operations, and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and backtesting results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, status of legal cases, service level of major information technology systems, and ATMs.

The RSK streamlined the reporting of the enterprise-wide risk profile of the Bank through the periodic presentation and publication of the Risk Dashboard. This provides a readily available snapshot that highlights risk concerns encompassing the major business risk areas: Market, Asset and Liability, Credit, Corporate, Commercial and Consumer Lending, Operations, Information Technology, and Trust.

RISK EXPOSURES AND ASSESSMENTS

(as reported to the Bangko Sentral ng Pilipinas)

RISK-WEIGHTED ASSETS

Bank of Commerce's risk-weighted assets at the end of 2025 totaled Php 206.58 billion.

RISK-WEIGHTED ASSETS	2025	2024
CREDIT RISK	185,951	160,364
On Balance Sheet	171,726	145,625
Commitments	14,197	14,679
Counterparty Risk- Weighted Assets in the Trading Book	28	60
Contingencies	-	-
Deduction: GLLP (in excess to 1% of Credit Risk-Weighted Assets)	-	-
MARKET RISK	3,451	1,512
On Balance Sheet	2,328	1,385
On Balance Sheet	1,123	127
OPERATIONAL RISK	17,177	14,407
TOTAL RISK-WEIGHTED ASSETS	**206,579**	**176,283**

** Amounts in Millions*

CREDIT RISK

The Bank considers credit risk as the possibility of loss arising from the customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted. The Bank uses the standardized approach in calculating its credit risk-weighted exposure. The straightforward nature of this approach enables the Bank to utilize a wider differentiation of risk weights and a wider recognition of risk mitigation techniques without taking in excessive complexity in the process.

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

STANDARDIZED CREDIT RISK WEIGHTS

CREDIT ASSESSMENT	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to bb-	B+ to B-	Below B-	Unrated
Sovereigns	0%	0%	20%	50%	100%	100%	150%	100%
Multilateral Developement Banks	0%	20%	50%	50%	100%	100%	150%	100%
Banks other than MDBs	20%	20%	50%	50%	100%	100%	150%	100%
Interbank Call Loans	-	-	-	20%	-	-	-	-
Local Government Units	20%	20%	50%	50%	100%	100%	150%	100%
Government Corporations	20%	20%	50%	100%	100%	150%	150%	100%
Corporations other than GCs	20%	20%	50%	100%	100%	150%	150%	100%
Housing Loans	-	-	-	50%	100%	150%	150%	100%
Micro, Small and Medium Enterprise Qualified Portfolio	-	-	-	75%	-	-	-	-
Defaulted Exposure: Housing Loans	-	-	-	100%	-	-	-	-
Defaulted Exposure: Others	-	-	-	150%	-	-	-	-
Real and Other Properties Acquired	-	-	-	150%	-	-	-	-
All Other Assets	-	-	-	100%	-	-	-	-

Credit risk-weighted assets as of December 31, 2025 and 2024 as reported to BSP follows (amount in thousands):

	2025	2024
Risk Weighted On Balance Sheet	171,726,320	145,625,466
Risk Weighted Off Balance Sheet	14,196,633	14,678,692
Counterparty Risk-Weighted Assets in the Trading Book	27,247	59,407
Deduction: GLLP (in excess to 1% of credit Risk-Weighted Assets	-	-
CREDIT RISK	**185,950,200**	**160,363,565**

The Bank's credit risk-weighted exposures arising from on-balance sheet assets amounting to Php 171.7 billion contribute 92.35% of the credit exposures of the Bank. Credit risk-weighted off-balance sheet assets and counterparty risk-weighted assets in the trading book make up the remainder. The off-balance sheet assets, consisting of direct credit substitutes, e.g., guarantees and financial standby letter of credit, and transaction and trade-related contingencies, are weighted at 100%, 50%, and 20%, respectively.

The Bank's credit exposures are risk weighted based on third-party credit assessment of the individual exposure as obtained from third-party credit assessment institutions recognized by BSP. In the calculation of risk-weighted assets in both the banking and trading books, the Bank utilizes the disclosed ratings from Standard & Poor's, Moody's, Fitch Ratings, and Philratings, whenever available. In cases where there are two or more ratings which correspond to different risk weights, the higher of the two lowest risk weights is used. For peso-denominated exposures to the Philippine National Government.

The breakdown of risk-weighted on-balance sheet assets follows (amounts in millions):

DECEMBER 31, 2025

CREDIT ASSESSMENT	EXPOSURES, NET OF SPECIFIC PROVISIONS	EXPOSURES COVERED BY CREDIT RISK MITIGATION (CRM), GROSS OF MATERIALITY THRESHOLD	EXPOSURES NOT COVERED BY CRM	RISK WEIGHTS						
				0%	20%	50%	75%	100%	150%	TOTAL
Cash on Hand	3,549.485	-	3,549.485	3,549.485	-	-	-	-	-	3,549.485
Due from Bangko Sentral ng Pilipinas (BSP)	18,055.745	-	18,055.745	18,055.745	-	-	-	-	-	18,055.745
Due from Other Banks	4,106.129	-	4,106.129	-	657.724	3,057.615	-	390.790	-	4,106.129
Financial Assets at FVOCI	35,329.776	-	35,329.776	34,504.944	-	779.129	-	45.703	-	35,329.776
Investment Securities at Amortized Cost	41,813.019	-	41,813.019	32,663.097	5,305.834	1,949.851	-	1,894.236	-	41,813.019
Loans and Receivables	161,319.978	4,709.019	156,610.959	-	147.781	5,687.071	-	149,239.411	1,536.697	156,610.959
Loans and Receivables Arising from Repurchase Agreements	5,501.011	-	5,501.011	5,501.011	-	-	-	-	-	5,501.011
Sales Contract Receivables	229.167	-	229.167	-	-	-	-	-	-	229.167
Real and Other Properties Acquired (ROPA)	2,727.330	-	2,727.330	-	-	-	-	-	2,727.330	2,727.330
Total Exposures Excluding Other Assets	272,631.639	4,709.019	267,922.620	94,274.282	6,111.339	11,473.66	-	151,738.085	4,325.248	267,922.620
Other Assets	6,541.262	-	6,541.262	-	-	-	-	6,541.262	-	6,541.262
Total Exposures, Including Other Assets	279,172.901	4,709.019	274,463.882	94,274.282	6,111.339	11,473.66	-	158,279.347	4,325.248	274,463.882
Total Risk-Weighted On-Balance Sheet Assets not covered by CRM	-	-	-	-	1,222.268	5,736.833	-	158,279.347	6,487.873	171,726.320
Total Risk-Weighted On-Balance Sheet Assets Covered by CRM	-	-	-	-	-	-	-	-	-	-
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS	**-**	**-**	**-**	**-**	**1,222.268**	**5,736.833**	**-**	**158,279.347**	**6,487.873**	**171,726.320**

DECEMBER 31, 2024

CREDIT ASSESSMENT	EXPOSURES, NET OF SPECIFIC PROVISIONS	EXPOSURES COVERED BY CREDIT RISK MITIGATION (CRM), GROSS OF MATERIALITY THRESHOLD	EXPOSURES NOT COVERED BY CRM	RISK WEIGHTS						
				0%	20%	50%	75%	100%	150%	TOTAL
Cash on Hand	4,244.124		4,244.124	4,244.124	-	-	-	-	-	4,244.124
Due from Bangko Sentral ng Pilipinas (BSP)	47,934.224		47,934.224	47,934.224	-	-	-	-	-	47,934.224
Due from Other Banks	7,268.217		7,268.217	-	947.973	6,003.149	-	317.095	-	7,268.217
Financial Assets at FVOCI	19,353.640		19,353.640	18,587.735	-	727.014	-	38.891	-	19.353.640
Investment Securities at Amortized Cost	37,015.035		37,015.035	32,867.578	283.758	1,979.420	-	1,884.279	-	37,015.035
Loans and Receivables	135,210.786	4,878.547	130,332.238	-	140.715	4,796.936	-	124,854.468	540.121	130,332.238
Loans and Receivables Arising from Repurchase Agreements	-			-	-	-	-	-	-	-
Sales Contract Receivables	283.480		283.480	-	-	-	-	234.069	49.411	283.480
Real and Other Properties Acquired (ROPA)	2,534.098		2,534.098	-	-	-	-	-	2,534.098	2,534.098
Total Exposures Excluding Other Assets	253,843.603	4,878.547	248,965.056	103,633.660	1,372.446	13,506.518	-	127,328.801	3,123.630	248,965.056
Other Assets	6,583.471		6,583.471	-	-	-	-	6,583.471	-	6,583.471
Total Exposures, Including Other Assets	260,427.074	4,878.547	255,548.527	103,633.660	1,372.446	13,506.518	-	133,912.272	3,123.630	255,548.527
Total Risk-Weighted On-Balance Sheet Assets not covered by CRM					274.489	6,753.259	-	133,912.272	4,685.446	145,625.466
Total Risk-Weighted On-Balance Sheet Assets Covered by CRM			-	-	-					-
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS	**-**	**-**	**-**	**-**	**274.489**	**6,753.259**	**-**	**133,912.272**	**4,685.446**	**145,625.466**

Under this approach, the Bank assigns a specific risk weight to each asset and multiplies it by the credit risk exposure. The risk weights are based on the ratings provided by an External Credit Assessment Institution recognized by the BSP. For the end of 2025, the credit risk exposures of the Bank include Php 274.46 billion in balance sheet exposure.

All exposures arising from balance sheet items are net of provisions set aside to absorb credit losses:

ON-BALANCE SHEET ITEMS ASSESSED WEIGHT FOR CREDIT RISK	2025	2024
Cash on Hand	3,549	4,244
Due from Bangko Sentral ng Pilipinas (BSP)	18,056	47,934
Due from Other Banks	4,106	7,268
Financial Assets at FVOCI	35,330	19,354
Investment Securities at Amortized Cost	41,813	37,015
Loans and Receivables	156,611	130,332
Loans and Receivables Arising from Repurchase Agreements	5,501	-
Sales Contract Receivables	229	283
Real and Other Properties Acquired (ROPA)	2,727	2,534
Total Exposures Excluding Other Assets	267,923	248,965
Other Assets	6,541	6,583
TOTAL ON-BALANCE SHEET ITEMS ASSESSED WEIGHT FOR CREDIT RISK	**274,464**	**255,548**

**Amount in millions*

	2025	2024
Total Assets	285,231	263,914
General Loan Loss Provision	228	407
Deduction		
Total Exposures Excluding Other Assets	272,632	253,844
Financial Assets Held for Training	5,170	2,876
Deferred Tax Asset	458	449
Other Intangible Assets	587	502
Other Equity Investments in Non-Financial Allied Undertakings and Non-Allied Undertakings	34	35
Significant Minority Instruments	-	-
Reciprocal Equity Investments	37	33
Accumulated Market Gains/Losses on AFS	-	-
Total Carrying Amount of Securitization Exposures	-	-
TOTAL OTHER ASSETS	**6542**	**6,583**

**Amount in millions*

The Bank considers credit risk mitigation as a means to lower its exposure to credit risk. The Bank may use a number of techniques to mitigate the credit risk to which they are exposed. Exposures may be covered by eligible mitigants such as: Cash on deposit with the Bank, Gold, Debt obligations issued by the Philippine National Government or the BSP, Debt Securities issued by central governments and central banks of foreign countries as well as Multilateral Development Banks with at least investment grade external credit ratings, other debt securities with external credit ratings of at least BBB- or its equivalent, unrated senior debt securities issued by Banks with an issuer rating of at least BBB- or its equivalent, or with other debt issues of the same seniority with a rating of at least BBB- or its equivalent, equities included in the main index of an organized exchange, and investments in Unit Investment Trust Funds and the Asian Bond Fund duly approved by the BSP.

With regard to the Bank's on-balance sheet assets, the Bank uses loans collateralized by hold-out deposit agreement as eligible credit risk mitigant (CRM). Credit derivatives are currently not used as credit protection. The documentation used in collateralized transactions has been reviewed to be legally enforceable in all relevant jurisdictions. At the end of 2025, Php 4.71 billion in credit risk exposures carried mitigation in the form of qualified collateral from third parties.

DECEMBER 31, 2025

	GUARANTEED PORTION	TOTAL EXPOSURES COVERED BY CRM	0%	20%	TOTAL	TOTAL EXPOSURES COVERED BY CRM, GROSS OF MATERIALITY THRESHOLD
Loans and Receivables Private Corporations	4,483.817	4,483.817	4,483.817		4,483.817	4,483.817
Loans to Individual for Consumption and Other Purposes	225.202	225.202	225.202		225.202	225.202
Total Exposures Covered by CRM	4,709.019	4,709.019	4,709.019		4,709.019	4,709.019
Risk Weighted On-Balance Sheet Assets Covered by CRM						

The Bank uses a credit conversion factor as prescribed by banking regulations to account for the potential credit exposure arising from having committed to extend credit to a customer. The total loan equivalent exposure of the Bank to such commitments at the end of 2025 was Php 14.20 billion.

COMMITMENTS TO LEND (LOAN EQUIVALENT EXPOSURE)	2025	2024
Direct Client Substitutes	2,509	2,230
Transaction Related Contingencies	11,481	12,160
Trade Related Contingencies	207	289
Other Commitments	-	-
TOTAL COMMITMENTS TO LEND (LOAN EQUIVALENT EXPOSURE)	**14,197**	**14,679**

**Amount in millions*

MARKET RISK

The Bank measures its exposure to market risk using the standardized approach under the Philippine Banking Regulation. Under this approach, the Bank applied risk weights defined by regulation to outstanding exposures to interest rates and to foreign exchange rates. Total of market risk-weighted assets at the end of 2025 was Php 3.45 billion.

MARKET RISK WEIGHTED ASSETS	2025	2024
Interest Rate Specific to the Issuer of the Debt Instruments	87	132
Interest Rate Risk Attributable to Market Conditions	2,241	1,253
Trade Related Contingencies	1,123	127
TOTAL MARKET RISK WEIGHTED ASSETS	**3,451**	**1,512**

**Amount in millions*

INTEREST RATE RISK IN BANKING BOOKS

The Bank measures IRRBB Pillar 2 capital charge using an internally developed Earnings-at-Risk (EAR). EAR simulates the contraction of the projected NII over the next 12 months based on the mismatches in the repricing of rate sensitive assets and liabilities. The EAR figure is directly deducted from the qualifying capital instead of being incremental to RWA.

INTEREST RATE RISK IN BANKING BOOK	2025	2024
Earnings-At-Risk	(591)	(490)

*Amount in millions

OPERATIONAL RISK

The Bank measures its exposure to operational risk using the basic indicator approach under the Philippine Banking Regulation. The approach utilizes the historical total annual gross income as the measure of risk exposure. Total of operational risk-weighted assets at the end of 2025 was Php 17.18 billion.

OPERATIONAL RISK-WEIGHTED ASSETS	2025	2024
Average Income of the Previous Three Years	9,161	7,684
Capital Charge (15 pct of Average Income)	1,374	1,153
Earnings-At-Risk (Capital Charge times 1.25)	1,718	1,1441
TOTAL OPERATIONAL RISK-WEIGHTED ASSETS (CALIBRATED CAPITAL CHARGE TIMES 10)	17,177	14,407

*Amount in millions

SECURITIZATION STRUCTURES

The Bank's MRT Tranche 3 Note holding is booked as part of Financial Assets at Fair Value Through Profit or Loss (FVPL) upon initial application of PFRS 9 and is measured at fair value. The Note regularly redeems part of its principal every month and is expected to be fully paid on February 7, 2025. The Note's fair value as of December 31, 2025 was zero with a mark-to-market loss of USD 0.06 million (Php 3.73 million).

SECURITIZATION EXPOSURE	2025	2024
MRT Tranche 3	-	30

*Amount in millions

OTHER RISK DISCLOSURES

COMPLIANCE RISK

A strong compliance culture is the Bank's key to better manage compliance risk. This culture thrives upon a common understanding by all persons within the organization that it is a basic responsibility to know and have a working knowledge of the laws, rules, and regulations attendant to his functions. To reinforce this responsibility, units in charge of ensuring compliance with laws and regulations (legal, regulatory, tax) regularly disseminate any new issuances for the understanding of concerned units/ personnel.

Compliance Division provides Business Operating Unit (BOU) guidance on the interpretation and application of BSP rules and regulations and other regulatory issuances with respect to the activities of the Bank. Breaches/ deviations from these regulations are appropriately reported to the Senior Management, Corporate Governance Committee, and the Board for immediate/appropriate resolution.

In order to validate that compliance culture is observed on all aspects of the Bank's business, activities and processes, regular monitoring and assessment of adherence to laws, rules, and regulations are performed. For this purpose, the Bank implements the three-pronged approach in Compliance Testing: the Compliance Self-Assessment performed by the units themselves; the Independent Compliance Testing, a validation exercise performed by the Compliance Division on branches, head office units, and selected products/services; and finally supplemented by validation performed by Internal Audit on all units and branches included in the Annual Audit Plan.

Based on the Bank's Compliance Program where self-assessment is one of the pillars, Deputy Compliance Officers (DCO) are appointed within each of the operating and business units of the Bank to perform periodic self-testing. Using the Compliance Self-Assessment Checklist (CSAC) prepared by Compliance Division, Compliance Self-Assessment is done by the DCOs to check the level of compliance of their respective units with identified laws, rules, and regulations. The result of Compliance Self-Assessment is validated through the Independent Compliance Testing.

The independent compliance testing (ICT) activity helps assess the implementation of the Bank's Compliance Program and to check adherence of Business Units with relevant laws, rules and regulations as well as internal policies. The ICT activity also helps to detect possible areas of non-compliance and recommends corrective actions to mitigate regulatory and operational risks.

The Results of Compliance Self-Assessment and Independent Compliance Testing are reported to the Corporate Governance Committee and appropriate levels of Management. Follow-through is being done until findings/exceptions are fully corrected.

REPUTATIONAL RISK

Reputational risk proceeds from negative public opinion and has the potential to erode the perception of the Bank as a worthy counterparty or investment target. Negative perception on the part of customers, providers of funding, or regulators can adversely affect a bank's ability to maintain existing, or establish new, business relationships, or to continue accessing sources of funding. The impact on reputation of events that may occur in the regular course of business remains a top priority of Senior Management and the Board. Customer complaints are monitored until resolved within set turnaround times. Moreover, products and services are offered to clients in accordance with their needs and risk sophistication.

LEGAL RISK

Legal risk is the risk of loss by the Bank arising from breach or non-compliance with laws, regulations and contractual obligations. This risk arises from failure of internal controls and processes or their inadequacy as well as defectively structured agreements. The Bank's Legal Services Division (LSD) is instrumental in the Bank's legal risk management as it provides legal advice on issues with legal consequences, including those in relation to the Bank's core businesses and human resources management. LSD draws up contracts and agreements between the Bank and its clients and counterparties, ensuring that relevant laws are complied with, Bank interest is duly protected, and identified risks are imparted to responsible units of the Bank. LSD also represents and defends the Bank's interests as well as its directors, officers and employees in courts and other government tribunals.

PENSION RISK

The Bank enlists the assistance of third-party consultants to conduct actuarial evaluation on the condition of the retirement plan once a year in order to address any erosion in the explanatory power or significance of the actuarial models used to project benefit obligations.

Valuation of both the projected benefit obligation and the present value of the plan assets assumes rates of discount, asset return, and compensation growth. These parameters may properly reflect market conditions at the time of measurement but later be non-reflective as market conditions change.

The annual third-party actuarial evaluation of the condition of the retirement plan considers the relevance of the assumption used in valuation and recommends the necessary adjustments to properly reflect the value of plan assets and liabilities. The valuation assumptions last underwent review and adjustment during the actuarial report of December 2025.

MODEL RISK

The Bank contracts external entities to validate internal models used to measure market, asset and liability risks, as well as rating models, for the classification of borrowers' credit risk and estimation of credit losses. Results of these validation exercises are reported to Management, the BROC, and the Audit Committee.

CAPITAL **MANAGEMENT**

The Board recognizes that capital adequacy is the foundation of institutional strength and therefore ensures that Bank of Commerce (the Bank) maintains an adequate level of capital to support business growth and maintain depositor and creditor confidence.

The Bank's capital management framework is designed to ensure that regulatory requirements are met at all times and are cognizant of its own risk profile and target ratios as approved by the Board. In addition, the Bank has an Internal Capital Adequacy Assessment Process (ICAAP) in place, which allows it to assess the capital impact of other risks apart from credit, market, and operational risks.

REGULATORY CAPITAL OVERSIGHT

The Board oversees the deployment of capital funds bank wide, ensuring that the Capital-to-Risk Weighted Assets Ratio (CAR) of the Bank meets or exceeds the minimum regulatory requirements. The following tables exhibit the Bank's capital condition as of December 31, 2025 and 2024:

Amount in Millions	2025	2024
Gross Qualifying Capital	35,156	32,033
Less: Regulatory Deductions	1,116	1,048
TOTAL QUALIFYING CAPITAL	**34,040**	**30,985**
Credit Risk-Weighted Assets	185,950	160,364
Market Risk-Weighted Assets	3,451	1,512
Operational Risk-Weighted Assets	17,177	14,407
TOTAL RISK-WEIGHTED ASSETS	**206,578**	**176,283**
CAPITAL ADEQUACY RATIO		
Regulatory Minimum is 10%	16.48%	17.58%
TIER 1 CAPITAL RATIO		
Regulatory Minimum is 10%	15.72%	16.81%
Common Equity Tier 1 Ratio	13.10%	13.75%

The above ratios represent a measure of capital supply relative to the total risk-weighted assets and are measured against regulatory minimum requirements. The decrease in the CAR ratio was primarily due to the increase in the credit risk weighted amount of loans and receivables (loans granted to private corporations and individuals).

As of December 31, 2025 and 2024, the Bank has complied with the minimum regulatory required capital.

Tier 1 Capital comprised common stock, additional paid-in capital, and retained earnings (deficit). Common equity tier 1 represents ordinary share capital, share premium, and retained earnings (deficit), including cumulative translation adjustment.

Risk-weighted assets are determined based on standardized regulatory approach for credit risk (both on-and-off balance sheet exposures) and market risk, while operational risks are based on Basic Indicator Approach (BIA).

Amount in millions	DECEMBER 31, 2025		DECEMBER 31, 2024	
	RISK-WEIGHTED ASSETS	CAPITAL REQUIREMENTS	RISK-WEIGHTED ASSETS	CAPITAL REQUIREMENTS
Credit Risk	185,951	18,595	160,364	16,036
Market Risk	3,451	345	1,512	151
Operational Risk	17,177	1,718	14,407	1,441
TOTAL	**206,579**	**20,658**	**176,283**	**17,628**

The following tables exhibit the elements of the Bank's Total Qualifying Capital as of December 31, 2025 and 2024:

Amounts in millions	DECEMBER 31, 2025	DECEMBER 31, 2024
Paid-up Common Stock	14,030	14,030
Paid-up Preferred Stock	4,167	4,167
Additional Paid-in Capital	7,229	7,229
Retained Earnings/(Deficit)	8,580	6,209
Other Comprehensive Income	-426	-949
GROSS COMMON EQUITY TIER 1 (CET1) CAPITAL	**33,580**	**30,686**
Appraisal Increment Reserve – Bank Premises	-	-
General Loan Loss Provision	1,576	1,347
GROSS TIER 2 CAPITAL	**1,576**	**1,347**
Less: Regulatory Deductible Adjustments To Qualifying Capital		
Deferred Tax Assets	458	449
Other Intangible Assets	587	502
Other Equity Investments In Non-Financial Allied Undertakings And Non-Allied Undertakings	34	35
Reciprocal Equity Investments	37	33
Securitization Tranches And Structured Products Which Are Rated Below Investment Grade Or Are Unrated	-	30
TOTAL REGULATORY DEDUCTIBLE ADJUSTMENTS TO QUALIFYING CAPITAL	**1,116**	**1,048**
Adjusted CET1 Capital	32,464	29,638
Adjusted Tier 2 Capital, mainly adding back the General Loan Loss Provisions	1,576	1,347
TOTAL QUALIFYING CAPITAL	**34,040**	**30,985**

Components of the regulatory qualifying capital are determined based on the Bangko Sentral ng Pilipinas's (BSP) regulatory accounting policy (RAP), which differs from the capital based on the Philippine Financial Reporting Standards (PFRS) in some respects.

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

	DECEMBER 31, 2025			DECEMBER 31, 2024		
	QUALIFYING CAPITAL 2025	RECONCILING ITEMS 2025	AUDITED FINANCIAL STATEMENTS 2025	QUALIFYING CAPITAL 2025	RECONCILING ITEMS 2025	AUDITED FINANCIAL STATEMENTS 2025
	(in millions)					
Tier 1 capital/Total equity						
Capital stock	18,197	-	18,197	18,197	-	18,197
Paid-in surplus	7,229	-	7,229	7,229	-	7,229
Surplus reserves	451	1,133	1,584	451	718	1,169
Retained earnings (deficit)	8,130	1,661	9,791	5,758	1,743	7,502
Net unrealized losses on financial assets at FVOCI	-	100	100	-	(535)	(535)
Net unrealized losses on AFS securities	(103)	103	-	(588)	588	-
Remeasurement losses on retirement liability	(324)	0	(324)	(357)	25	(332)
Share in other comprehensive loss of associate	(6)	1	(5)	(9)	4	(5)
Cumulative translation adjustment	7	(0)	7	5	(0)	5
Deductions	(1,116)	1,116	-	(1,048)	1,048	-
	32,464	**4,114**	**36,578**	**29,638**	**3,592**	**33,230**
Tier 2 capital						
Revaluation increment on PPE and investment properties	-	-	-	-	-	-
General loan loss provision	1,576	(1,576)	-	1,347	(1,347)	-
	1,576	(1,576)	-	1,347	(1,347)	-
TOTAL QUALIFYING CAPITAL/TOTAL EQUITY	**34,040**	**2,539**	**36,578**	**30,985**	**2,245**	**33,230**

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

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) OVERSIGHT

The Board oversees the ICAAP of the Bank and recognizes the applicability of regulatory changes, such as Basel III, in its ICAAP. The ICAAP enables the Bank to properly understand the risks in its strategic plans and allows it to assess how much capital is required to withstand these risks. Integrating ICAAP into the organization creates a culture of collective responsibility and accountability to preserve and maximize the value of invested capital.

The Bank's management constantly monitors compliance with the minimum regulatory capital requirements, as well as with internal capital requirements, as determined under its ICAAP. Management regularly reports the state of capital adequacy compliance to the Board to enable it to make proper decisions regarding risk and capital.

ICAAP STEERING COMMITTEE

The ICAAP Steering Committee is a management body responsible for overseeing the development of the assessment process and for monitoring the implementation and integration of the ICAAP. The Committee:

- Evaluates the Bank's compliance with mandated minimum capital requirements;
- Oversees the ICAAP to ensure it effectively approximates the Bank's ability to absorb losses;
- Formulates and recommends guidelines, policies, and procedures which enable the Bank to maintain a level of qualified capital appropriate to its risk profile;
- Evaluates the Regulator's findings and recommendations regarding the ICAAP of the Bank and oversees its plans to address the Regulator's findings on ICAAP; and
- Evaluates the Internal and/or External Auditor's Independent review findings and recommendations on the Bank's ICAAP and its plans to resolve the findings.

The ICAAP Report is issued by the ICAAP Committee to the Board annually, conveying the results of the evaluation of the Bank's ICAAP. The 2025 ICAAP Report highlighted the sufficiency of the Bank's compliance with regulatory and internal capital requirements considering the strategic plans from 2025 through 2027, and the sufficiency of Management's Capital Contingency Plan as well as Capital Build-up Program. The Bank's intended primary source of emergency capital would be through issuance of additional Tier 1 capital (common stock), as discussed and approved at the ICAAP Steering Committee and Board levels.

RECENT CAPITAL RELATED EVENTS

JANUARY 6, 2021

The BOD approved the issuance of up to PHP5.5 billion in preferred shares. On August 5, 2021, the Bank issued 41,666,667 Series 1 Preferred Shares to SMC Equivest Corporation at P132.0 per share based on the January 2021 approval. Transaction costs on the issuance of preferred shares amounting to P99.6 million were charged against "Paid-in surplus".

MAY 25, 2021 AND JULY 8,2021

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

OCTOBER 28, 2021 AND NOVEMBER 9 2021

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

FEBRUARY 22, 2022 AND APRIL 29, 2022

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

Even with these recent increases in capital, the Bank continues to evaluate forward-looking capital requirements to support future business expansion and risk-taking strategies. The Board has directed Management to escalate any proposed capital-raising exercise for deliberation and its approval and, accordingly, to pursue the necessary regulatory approvals.

INTERNAL AUDIT DIVISION REPORT

The Internal Audit Division (IAD) is an independent unit of the Bank that conducts objective assurance and consulting activities designed to add value and help improve operations. The Division evaluates the effectiveness of the Bank's risk management, internal controls, and governance processes, providing reasonable assurance that key controls are adequate, effective, and properly implemented. IAD periodically audits all branches, area offices, branch operations control centers, and head office units, systems, applications, and mission-critical projects using a risk-based approach, in accordance with The Institute of Internal Auditors' (IIA) Global Internal Audit Standards.

The IAD has full, free, and unrestricted access to all records, systems, physical properties, and personnel relevant to any engagement. It also has open access to the Board of Directors through the Audit Committee. Functionally, the IAD reports to the Audit Committee through the Chief Audit Executive (CAE), and administratively to the President/Chief Executive Officer. The CAE regularly updates senior management and the Audit Committee on the Division's purpose, authority, responsibilities, activities, and performance, including any significant risk exposures, control issues, fraud risks, or governance concerns.

Based on the 2025 audit and assurance activities, the CAE has assessed the Bank's internal control system, compliance, risk management, and governance processes to be reasonably sound and adequate in addressing strategic, financial, regulatory (including Anti-Money Laundering Act), operational, and fraud-related risks. Overall, the Bank's internal control framework promotes the reliability of financial and management reporting, operational efficiency, system integrity, data security, asset protection, business continuity, and the timely detection and prevention of material errors or irregularities. Most of the units and processes audited in 2025 either maintained or improved their ratings. While some control lapses were noted, these did not have a material impact on the Bank as a whole, and management has committed to corrective actions to address and prevent recurrence.

Common audit exceptions and their root causes were identified and analyzed in collaboration with management. These have been addressed through targeted action plans whose implementation is monitored and reported to the Audit Committee. In support of the Bank's whistleblowing mechanism, the IAD also implemented the Know-Your-Peer (KYP) Survey across all audited head office units and branches in 2025. This anonymous survey, administered to employees during audits, helps identify potential fraud or behavioral issues. Feedback was largely positive, with only minor negative responses—all of which were reviewed and relayed to Management for action.

The Bank continues to improve its internal controls, governance, and risk management processes to address emerging risks. These enhancements were implemented to support the Bank's shift to a publicly listed company and its acquisition of a universal banking license. The Bank has also adapted to new laws, regulatory requirements, technology advancements, competitive pressures, and evolving market dynamics. The management of information technology (IT) risks has been robust, with systems and services thoroughly tested and kept operational—even during restrictive periods such as the quarantine. Strategic initiatives have focused on implementing digital platforms and remote access solutions to ensure business continuity while prioritizing employee health and safety.

The Division made substantial progress in utilizing data analytics tools to improve data profiling and analysis. These tools enabled efficient execution of audit procedures, including the random generation of confirmation letters for selected accounts. Enhancements to data analytics scripts further streamlined sampling and automated tasks that were previously manual. Alongside these tools, the acquisition of audit management software and expanded data analytics capabilities significantly improved audit visibility, documentation, sampling techniques, and overall process effectiveness—reinforcing compliance, risk management, and continuous improvement.

The IAD played an active role in the pre-implementation review of mission critical IT projects. These engagements included monitoring of project progress, validation of deliverables, and early identification and escalation of control gaps. Internal Audit also provided recommendations to project teams and technical working groups, helping facilitate the successful implementation of these systems.

To support the professional development of internal auditors, the Division maintains a structured learning and development program that strengthens technical, analytical, and leadership capabilities. Auditors are encouraged to pursue professional certifications relevant to internal auditing, IT security, governance, and risk management. Staff also leverage on-demand platforms like LinkedIn Learning and Pluralsight to stay current on industry best practices and evolving technologies. This investment in continuing education helps ensure the team remains equipped to evaluate IT infrastructure and security controls, identify vulnerabilities, and contribute to the Bank's overall resilience and compliance posture.

The Division also upholds a strong quality assurance and improvement program. This includes ongoing monitoring through close supervision, peer reviews, and periodic evaluations of adherence to the IIA's Global Internal Audit Standards. The program evaluates audit effectiveness and identifies areas for further improvement. Internal quality assessments are conducted annually, while external assessments are carried out at least every five years by independent, qualified reviewers. The most recent quality reviews affirmed that the IAD "Generally Conforms" to IIA Standards, reflecting a high level of conformance. The external assessor further confirmed that the Division is largely aligned with the Global Internal Audit Standards.

JOINT DECLARATION OF PCEO AND CAE ON THE ADEQUACY AND SOUNDNESS OF INTERNAL CONTROLS AND COMPLIANCE SYSTEM

JOINT ATTESTATION of the
CHIEF EXECUTIVE OFFICER and CHIEF AUDIT EXECUTIVE

In accordance with the *SEC Integrated Annual Corporate Governance Report* (Additional Recommendation to Principle 12: Internal Control System and Risk Management Framework) and based on the assurance activities performed by the Bank's Internal Audit Division and its external auditor for the year 2025, we hereby attest that the Bank's internal controls, compliance, risk management, and governance processes are in place, adequate, and generally effective to address exposures of the Bank to different types of risks. We likewise confirm that the audit scope and coverage are sufficient and risk-based; that Management is aware of its responsibility regarding internal controls, compliance, risk management, and governance processes; and that there is no interference, restriction, or limitation that hindered or prevented the accomplishment of audit engagements and reporting of material and relevant issues to the Audit Committee and the Board of Directors.

This attestation is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Mandaluyong on MAR 3 0 2026.

BANK OF COMMERCE
Registrant

By:

MICHELANGELO R. AGUILAR
President and CEO

JOEL O. LONGALONG
Chief Audit Executive

SUBSCRIBED AND SWORN to before me at Mandaluyong City, Metro Manila this MAR 3 0 2026 affiant(s) exhibiting to me his/her ID/residence certificate, with the following details:

NAME(S)	ID Type and Number	Date/ Place of Issue	Valid Until
Michelangelo R. Aguilar			
Joel O. Longalong			

Doc. No. 79;
Page No. 16;
Book No. 9;
Series of 2026

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ATTY. HILARIO M. DE LEON, JR.
NOTARY PUBLIC until Dec. 31, 2026
Appt. No. 0404-25; For Mandaluyong City
Roll of Attorneys No. 46536
PTR No. 5708488; 01/02/2025; Mandaluyong City
IBP OR No. 501684; 01/07/2025; Rizal (RSM) Chapter
MCLE Compliance No. VII-0031484; 04/04/2024
Unit 908 Cityland Shaw Tower
Shaw Blvd. corner St. Francis St., Mandaluyong City

San Miguel Properties Centre, No. 7 St. Francis Street, Mandaluyong City, Philippines
P.O. Box 002 Mandaluyong CPO 1550 Mandaluyong City • Trunkline (632) 8-982-6000

We think CUSTOMERS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTSAND COMPLIANCE SYSTEM

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

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

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

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

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

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

BENEDICTA DU-BALADAD
Chairperson of the Board

MICHELANGELO R. AGUILAR
President and Chief Executive Officer

ANTONIO S. LAQUINDANUM
Executive Vice President and Chief Financial Officer

Signed this 31st day of March 2026

San Miguel Properties Centre, No. 7 St. Francis Street, Mandaluyong City, Philippines
P.O. Box 002 Mandaluyong CPO 1550 Mandaluyong City • Trunkline (632) 8-982-6000

We think CUSTOMERS

SUBSCRIBED AND SWORN to before me this MAR 3 1 2026, affiants exhibiting their Passport ID as follows:

Names	Identification No.	Place of Issue	Valid Until
Benedicta Du-Baladad	Passpor P95049		
Michelangelo R. Aguilar	Passpor P86929		
Antonio S. Laquindanum	Passpor P75727		

Doc. No. 128
Page No. 27
Book No. 9
Series of 2026

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ATTY. HILARIO M. DE LEON, JR.
NOTARY PUBLIC until Dec. 31, 2026
Appt. No. 0404-25; For Mandaluyong City
Roll of Attorneys No. 46536
PTR No. 5708488; 01/06/2026; Mandaluyong City
IBP OR No. 501684; 01/07/2025; Rizal (RSM) Chapter
MCLE Compliance No. VII-0031464; 04/04/2024
Unit 908 Cityland Shaw Tower
Shaw Blvd. corner St. Francis St., Mandaluyong City

AUDITED **FINANCIAL STATEMENTS**

P&A
Grant Thornton

Financial Statements and
Independent Auditors' Report

Bank of Commerce

December 31, 2025

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

P&A
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Report of Independent Auditors

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7 St. Francis Street
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

Description of the Matter

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

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

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

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

How the Matter was Addressed in the Audit

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

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

- evaluated the appropriateness of the ECL methodologies, key assumptions, and staging criteria applied, including the definition of default, determination of SICR, and allocation of loans exposures to Stage 1, Stage 2, or Stage 3 based on quantitative or qualitative indicators;

- tested the application of the Bank's internal credit risk rating system and the mapping of credit risk ratings to the ECL calculation;

- assessed the completeness and accuracy of data used in the ECL model parameters by reconciling management-prepared datasets to source systems, evaluated portfolio stratification, verified the accuracy of mathematical formulas and computational logic applied in the ECL calculations;

- assessed the result of the Bank's model recalibration, including the enhanced segmentation of corporate loans and segmentation of loss given default for auto loans by security, by evaluating the appropriateness of the updated key model parameters, the use of refreshed macroeconomic variables, and the consistency of the recalibrated parameters with the Bank's recent internal loss experience and PFRS 9 requirements;

- evaluated the application of forward-looking information by assessing the selection of macroeconomic variables, scenarios, and probability weightings, and comparing forecasted indicators with trusted publicly available data;

- tested loss given default assumptions using historical recovery data, collateral values, recovery cash flows, and write-offs experience;

- reconciled and tested exposure at default to underlying loan records, including undrawn commitments, historical drawdown behavior, and loan modifications; and,

- assessed the completeness and appropriateness of financial statement disclosures relating to ECL, including judgments, assumptions and estimation uncertainties.

(b) Core Banking System Migration

Description of the Matter

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

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

How the Matter was Addressed in the Audit

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

- assessed governance and project oversight of the CBS implementation, including system testing, data conversion controls, and the Bank's go-live authorization processes;

- evaluated controls over the data migration, including the extraction, transformation, and loading of data from legacy system, the reconciliation of migrated balances and master file information to source records, and the Bank's resolution of identified discrepancies;

- evaluated IT general controls over access management, user provisioning, and privileged-access restrictions to assess the adequacy of segregation of duties;

- evaluated the continued integrity of financial processing by testing controls for both system migration activities during the transition period to mitigate the risk of inconsistent data processing or reporting errors; and,

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

Other Matter

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

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We remain solely responsible for our audit opinion.

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

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

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

P&A Grant Thornton

Report on Other Legal and Regulatory Requirements

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

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

PUNONGBAYAN & ARAULLO

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

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

March 31, 2026

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

AUDITED **FINANCIAL POSITION**

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

See Notes to the Financial Statements.

STATEMENT OF **INCOME**

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

Forward

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

See Notes to the Financial Statements.

STATEMENT OF **COMPREHENSIVE INCOME**

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

See Notes to the Financial Statements.

STATEMENT OF **CHANGES IN EQUITY**

Years Ended December 31

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

Years Ended December 31

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

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

See Notes to the Financial Statements.

STATEMENT OF **CASH FLOWS**

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

Forward

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

Forward

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

See Notes to the Financial Statements.

NOTES TO THE **FINANCIAL STATEMENTS**

1. Reporting Entity

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

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

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

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

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

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

2. Basis of Preparation

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

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

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

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

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

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

3. Material Accounting Policies

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

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

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

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

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

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

Financial Instruments - Initial Recognition

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

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

- *Initial Recognition of Financial Instruments*
  All financial instruments, whether financial assets or liabilities, are initially measured at fair value. Except for financial assets and liabilities valued at FVPL, initial measurement includes transaction costs.

Financial Instruments - Classification and Subsequent Measurement

Financial Assets

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

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

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

Business Model Assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;

- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

SPPI Test

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

For purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

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

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

(i) Financial Assets at FVPL

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

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

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

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

(ii) Financial Assets at Amortized Cost
The Bank measures debt financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included under "Interest income" account in the statements of income. Gains and losses are recognized in the statements of income when the financial asset is derecognized, modified or impaired, as well as through the amortization process. The losses arising from expected credit losses (ECL) is recognized under "Provision for credit and impairment losses" account, while reversals of ECL are recognized under "Reversal of credit and impairment losses" account. The two accounts are netted off in the statements of income. The effects of revaluation on foreign-currency denominated financial assets are recognized under "Foreign exchange gains - net" account in the statements of income.

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

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

(iii) Financial Assets at FVOCI

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

  - the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

  - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

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

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

  Equity securities designated at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in OCI under "Net unrealized gains (losses) on financial assets at FVOCI" account in the equity section of the statements of financial position. Dividends earned on holding equity securities designated at FVOCI are recognized in the statements of income as "Miscellaneous income" when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in OCI is reclassified to "Retained earnings" account in the equity section of the statements of financial position. Equity securities designated at FVOCI are not subject to impairment assessment.

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

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

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

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

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

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

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

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

Financial liabilities are not reclassified.

<u>Modifications of Financial Assets and Financial Liabilities</u>
Financial Assets
If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in the statements of income and expenses as part of the gain or loss on derecognition.

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

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

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

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

(a) Changes in contractual terms that have a direct impact on the contractual cash flows. For example: changes to limit, tenor (maturity), interest rate, currency, or introduction or removal of features that give rise to cash flows other than payments of principal and interest on the principal amount outstanding;

(b) Changes in contractual terms that do not have a direct impact on the contractual cash flows. For example: changes in security, collateral or other credit enhancements that change the credit risk associated with the loan.

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

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

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

Financial Liabilities

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

Impairment of Financial Assets

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

Expected Credit Loss Methodology

The Bank measures ECL in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. PFRS 9 requires a loss allowance to be recognized at an amount equal to either the 12-month ECL or lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date.

Staging Assessment

For non-impaired financial instruments:

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

- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have objective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

For credit-impaired financial instruments:

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

Definition of "Default" and "Cure"

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

Credit Risk at Initial Recognition

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

Significant Increase in Credit Risk

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

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

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

ECL Parameters and Methodologies

ECL is a function of the following credit risk parameters:

(a) Probability of Default (PD)

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

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

(b) Loss Given Default (LGD)

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

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

(c) Exposure at Default (EAD)

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

Forward-looking Information

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

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

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

Restructured Loans

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

Write-offs

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

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

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

'Day 1' Difference

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

Offsetting

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

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

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

Cash and Cash Equivalents

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

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

Repurchase and Reverse Repurchase Agreements

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

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

Financial Guarantees and Undrawn Loan Commitments

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

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

Investment in an Associate

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

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

Other Properties Acquired

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

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

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

An item of other properties acquired is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Intangible Assets

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

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

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

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

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

<u>Impairment of Investment in an Associate and Non-financial Assets</u>
Investment in an Associate, Property, Equipment and Right-of-Use Assets, Investment Properties, Other Properties Acquired and Intangible Assets under "Other Assets"
At each reporting date, the Bank assesses whether there is any indication of impairment on investment in an associate, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount.

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

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

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

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

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

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

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

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

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

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

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

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

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.

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

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

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

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

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

Revenue Recognition

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

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

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

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

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

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

Revenues Within the Scope of PFRS 15

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

Service Charges and Penalties

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

Fees and Commissions

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

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

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

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

Discounts Earned and Awards Revenue on Credit Cards

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

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

Other Income

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

Revenues Outside the Scope of PFRS 15

Interest Income

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Equity</u>
"Capital Stock" is recorded at par for all shares issued and outstanding.

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

"Retained Earnings" represents the accumulated earnings of the Bank.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. These reflect uncertainty related to income taxes, if there is any.

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

Provisions

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

Contingent Assets and Liabilities

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

Related Parties

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

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

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

Events After the Reporting Date

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

Fiduciary Activities

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

Amendments to Standards Issued but Not Yet Adopted

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

Effective January 1, 2026

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

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

- *Amendments to Contracts Referencing Nature-dependent Electricity (Amendments to PFRS 9 and PFRS 7)*

- *Annual Improvements to PFRS Accounting Standards – Volume 11*

  - *Gain or Loss on Derecognition (Amendments to PFRS 7).* The amendments update the old reference to 'inputs that were not based on observable market data' with 'unobservable inputs', aligned with PFRS 13 Fair Value Measurement.

  - *Introduction, Disclosure of Difference Between Fair Value and Transaction Price, and Credit Risk Disclosures (Amendments to Guidance on implementing PFRS 7).* The amendments:

    - clarify that the implementation guidance does not cover all disclosure requirements in PFRS 7;
    - align the wording on deferred differences between fair value and transaction price with PFRS 7, PFRS 9 and PFRS 13; and,
    - simplify the credit risk disclosure wording to clarify that the illustration of purchased or originated credit-impaired financial assets.

- *Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9).* The amendments:

  - clarify that when a lessee has determined a lease liability is extinguished in accordance with PFRS 9, the resulting difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss; and
  - replaced the term 'their transaction price (as defined in IFRS 15)' with 'the amount determined by applying IFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that's unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.

- *Cost Method (Amendments to PAS 7 Statement of Cash Flows).* The amendments replaced the term 'cost method' with 'at cost' given the definition of 'cost method' has previously been removed from PFRS Accounting Standards.

Effective January 1, 2027

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

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

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

4. Critical Judgments and Estimates

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

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

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

a) Leases

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

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

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

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

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

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

b) Business Model Assessment

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

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

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

The Bank assesses the performance of each business model by considering the activities undertaken by the business models, placing the appropriate key performance indicators and monitoring the frequency of sales activities. PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers facts and circumstances present to assess whether an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a hold-to-collect business model and whether the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

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

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

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

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

d) *Functional Currency*

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

- the currency that mainly influences sales prices for financial instruments and services;
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

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

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

e) *Provisions and Contingencies*

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

<u>Estimates</u>

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

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

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

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

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

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

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

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

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

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

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

(ii) Fair Value of Financial Instruments

Where the fair values of financial assets and liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(iii) Fair Value of Investment Properties

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

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

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

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

a) significant underperformance relative to expected historical or projected future operating results;

b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and

c) significant negative industry or economic trends.

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

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

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

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

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

(vi) Recognition of Deferred Tax Assets

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

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

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

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

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

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

(viii) Contingencies

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

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

5. Financial Risk Management Objectives and Policies

Introduction

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

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

Risk Management Structure

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

Board of Directors

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

Executive Committee (Excom)

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

Corporate Governance Committee

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

Related Party Transactions Committee (RPTCom)

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

Audit Committee

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

Board Risk Oversight Committee (BROC)

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

Risk Management Division (RSK)

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

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

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

Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee (ICAAPcom)
The ICAAPcom is responsible for managing the Bank's ICAAP to ensure that mandated minimum capital requirements are met and that capital levels are sufficient to cover the Bank's risk exposures driven by its strategic plans.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	December 31, 2025		December 31, 2024	
	Maximum Exposure		Maximum Exposure	
	Before Collateral	After Financial Effect of Collateral or Credit Enhancement	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	P123,988,336,755	P119,156,334,545	P102,122,054,012	P95,440,642,042
Agri-agra loans	13,290,586,952	13,099,636,806	13,570,344,236	13,566,502,013
Housing loans	12,230,064,280	7,127,635,584	9,479,963,651	6,625,490,914
Auto loans	6,032,585,960	3,691,257,400	4,817,361,550	4,555,858,290
Bills purchased, import bills and trust receipts	1,531,079,655	1,531,079,655	1,177,712,704	1,177,712,704
Direct advances	282,612,834	11,488,460	293,010,557	5,844,940
Others	2,696,555,631	2,696,555,631	2,301,332,860	2,301,172,355
	159,881,822,067	147,314,278,081	133,761,799,569	123,673,123,258
Sales contract receivables	225,420,385	-	278,434,248	-
	P160,107,242,452	P147,314,278,081	P134,040,233,817	P123,673,123,258

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

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

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

	December 31, 2025			
	Maximum Exposure			
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	Expected Credit Loss
Receivables from customers:				
Term loans	P678,163,855	P14,022,793	P664,141,062	P321,461,564
Agri-agra loans	313,031,389	41,744,572	271,286,817	203,967,261
Housing loans	265,332,824	175,372,054	89,959,970	48,464,794
Auto loans	545,905,215	408,090,587	137,814,628	281,060,199
Bills purchased, import bills and trust receipts	10,878,153	-	10,878,153	10,878,153
Direct advances	89,412,393	14,943,109	74,469,284	79,509,284
Others*	357,801,746	183,896	357,617,850	262,660,357
	2,260,524,775	654,357,011	1,606,167,764	1,200,001,582
Sales contract receivables	97,261,064	43,648,057	53,613,007	54,049,487
	P2,357,785,839	P698,005,068	P1,659,780,771	P1,254,051,069

	December 31, 2024			
	Maximum Exposure			
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	Expected Credit Loss
Receivables from customers:				
Term loans	P680,676,644	P18,051,343	P662,625,301	P304,787,316
Agri-agra loans	138,284,306	-	138,284,306	138,284,306
Housing loans	284,138,121	125,120,332	159,017,789	73,501,172
Auto loans	336,290,190	276,422,326	60,867,864	243,410,847
Bills purchased, import bills and trust receipts	45,926,838	-	45,926,838	45,926,838
Direct advances	69,569,282	-	69,569,282	69,569,282
Others*	304,187,793	183,895	304,003,898	226,824,514
	1,858,973,174	418,777,896	1,440,195,278	1,102,284,275
Sales contract receivables	90,873,179	37,260,172	53,613,007	53,965,608
	P1,949,846,353	P456,038,068	P1,493,808,285	P1,156,249,883

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

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

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

The main types of collaterals obtained are as follows:

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

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

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

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

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

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

Section	Maximum Points	Section Rating
Financial Condition	240	40%
Industry Analysis	210	30%
Management Quality	150	30%
TOTAL	**600**	**100%**

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

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

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

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

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

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

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

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

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

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

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

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

Group Affiliation:

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

(b) If the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.

(c) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.

(d) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.

(e) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

FRF:

(a) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.

(b) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

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

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

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

	December 31, 2025										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P46,610,848	P -	P -	P1,367,723	P259,479	P -	P -	P48,238,050	P -	P1,291,175	P49,529,225
Standard grade	73,572,330	-	-	165,234	9,686	10,490,472	-	84,237,722	-	570,406	84,808,128
Subject to scoring and unrated	-	11,762,451	5,581,212	-	-	-	2,585,303	19,928,966	173,610	788,383	20,890,959
	120,183,178	11,762,451	5,581,212	1,532,957	269,165	10,490,472	2,585,303	152,404,738	173,610	2,649,964	155,228,312
Stage 2											
Neither past due nor impaired:											
Standard grade	2,947,810	-	-	-	-	2,792,525	-	5,740,335	-	45,838	5,786,173
Substandard grade	710,000	-	-	-	603	-	-	710,603	-	1,968	712,571
Past due but not impaired	-	255,708	206,384	-	3,053	-	105,419	570,584	10,439	48,378	629,381
Impaired	37,500	-	-	-	-	-	-	37,500	-	-	37,500
	3,695,310	255,708	206,384	-	3,656	2,792,525	105,419	7,059,002	10,439	96,184	7,165,625
Stage 3											
Impaired	678,164	265,332	545,905	10,878	89,413	313,031	357,802	2,260,525	97,261	891,459	3,249,245
	678,164	265,332	545,905	10,878	89,413	313,031	357,802	2,260,525	97,261	891,459	3,249,245
	P124,556,652	P12,283,491	P6,333,501	P1,543,835	P362,234	P13,596,028	P3,048,524	P161,724,265	P281,310	P3,637,607	P165,643,182

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

	December 31, 2024										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P31,219,537	P -	P -	P559,000	P287,264	P1,303,843	P -	P33,369,644	P -	P935,085	P34,304,729
Standard grade	68,496,710	-	20,751	622,537	4,928	12,144,771	-	81,289,697	-	551,839	81,841,536
Subject to scoring and unrated	-	9,105,032	4,647,760	-	-	-	2,213,384	15,966,176	238,950	959,902	17,165,028
	99,716,247	9,105,032	4,668,511	1,181,537	292,192	13,448,614	2,213,384	130,625,517	238,950	2,446,826	133,311,293
Stage 2											
Neither past due nor impaired:											
Standard grade	1,537,683	-	-	-	-	-	-	1,537,683	-	2,697	1,540,380
Substandard grade	810,000	-	-	-	962	170,000	-	980,962	-	14,632	995,594
Past due but not impaired	-	175,498	71,241	-	-	-	88,332	335,071	5,042	30,800	370,913
Impaired	75,000	-	-	-	-	-	-	75,000	-	423	75,423
	2,422,683	175,498	71,241	-	962	170,000	88,332	2,928,716	5,042	48,552	2,982,310
Stage 3											
Impaired	680,577	284,138	336,290	45,927	69,569	138,284	304,188	1,858,973	90,873	837,498	2,787,344
	680,577	284,138	336,290	45,927	69,569	138,284	304,188	1,858,973	90,873	837,498	2,787,344
	P102,819,507	P9,564,668	P5,076,042	P1,227,464	P362,723	P13,756,898	P2,605,904	P135,413,206	P334,865	P3,332,876	P139,080,947

**Comprised of benefit loans, salary loans and credit cards.*
***Comprised of accrued interest receivables, accounts receivables and RCOCI*

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

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

**Comprised of unused credit card lines.*

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

**Comprised of unused credit card lines.*

Sensitivity of ECL to Future Economic Conditions

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

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

**These variables have a negative relationship with default*

	December 31, 2024			
	Change in MEV		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEV	Impact of 1% Decrease in MEV
Corporate MEV				
Out-of-period Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 3 months	1%	1%	-0.07%	0.08%
Lag 5 of the annual change of the Overseas Filipino Personal Remittance*				
Month-end Philippine Stock Exchange index*				
Out-of-period Consumer Expectations Survey Quarterly*				
6-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				
Auto MEV				
Annual change of monthly Overseas Filipino personal remittance (in Mn USD): Lagged over 3 months*	1%	1%	-0.16%	0.17%
Annual change of the quarterly Unemployment Rate: Lagged over 12-month				
Annual change of value of production index (VAPI) of key manufacturing enterprises by industry [2018 = 100, growth rates in percent for periods indicated]: Lagged over 3 months*				
Housing MEV				
3-month lag of the annual change of (Gross NPL/Total Loans)	1%	1%	0.03%	-0.03%
Lagged over 21 months variable of the Consumer Expectations Survey next 12 months (rate)*				
6-month lag of the annual change of the current prices of the Exports of Goods and Services*				
Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 2-month				
Salary MEV				
A 6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)	1%	1%	-0.72%	0.77%
Out-of-Pattern variable of the month-end Philippine Stock Exchange index: Lagged 3 month*				
Consumer Expectations Survey next 3months (rate)*				
6-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				

**These variables have a negative relationship with default*

Loans with Renegotiated Terms

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

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

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

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

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

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

Unrated derivatives pertain to warrants
***Accounts are neither past due nor impaired and carried at Stage 1*
****Accounts are impaired and carried at Stage 3*

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

	December 31, 2025			
	1 - 30 Days	31 - 60 Days	61 - 90 Days	Total
Receivable from customers (gross):				
Housing loans	P23,469,104	P170,632,758	P61,605,978	P255,707,840
Auto loans	-	125,214,584	81,169,807	206,384,391
Direct advances	-	3,053,081	-	3,053,081
Others	52,063,070	51,146,731	2,209,160	105,418,961
Sales contract receivables	-	2,594,483	7,844,600	10,439,083
Other receivables*	355,892	29,365,885	18,657,106	48,378,883
	P75,888,066	P382,007,502	P171,486,651	P629,382,219

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

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

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

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

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

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

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

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

	December 31, 2025								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-maturity	Total
Resources									
Cash and COCI	P3,549	P -	P -	P -	P -	P -	P -	P -	P3,549
Due from BSP	8,979	1,166	1,691	1,404	397	318	3	4,106	18,064
Due from other banks	4,087	-	-	-	-	-	-	19	4,106
Interbank loans receivable	8,647	-	-	-	-	-	-	-	8,647
Financial assets at FVPL	436	389	1,212	1,871	1,226	-	-	37	5,170
Financial assets at FVOCI	185	201	2,361	5,303	26,753	-	-	46	34,839
Investment securities at Amortized Cost (AC)	5,291	4,012	3,900	-	10,553	6,134	10,276	1,261	41,427
Loans - net	4,828	24,516	13,806	14,083	34,836	26,370	36,801	4,664	159,899
Other resources	4,450	1,912	139	27	280	147	524	5,062	12,540
	P37,449	P32,196	P23,097	P22,688	P74,043	P32,969	P47,604	P16,195	P286,231
Liabilities and Equity									
Deposit liabilities	P60,294	P37,966	P30,161	P4,191	P446	P56	P10	P90,210	P223,314
Demand deposits	11,230	11,649	3,979	1,941	-	-	-	61,274	90,073
Savings deposits	7,341	4,096	434	647	-	-	-	38,936	51,443
Time deposits	41,723	22,212	26,748	1,603	446	56	10	-	91,799
Bonds payable	-	-	-	-	7,093	10,007	-	(119)	17,881
Other liabilities	5,494	230	-	-	284	-	-	3,092	9,100
	65,788	38,194	30,161	4,191	8,723	10,063	10	93,163	250,303
Capital funds	-	-	-	-	-	-	-	34,928	34,928
	P65,788	P38,194	P30,161	P4,191	P8,723	P10,063	P10	P128,111	P286,231
On-book gap	(P28,339)	(P6,008)	(P7,064)	P18,497	P65,320	P22,906	P47,594	(P112,916)	P -
Contingent resources	P1,260	P -	P -	P -	P -	P -	P -	P -	P1,260
Contingent liabilities	10,146	1,729	107	4,111	2,106	-	-	83,261	101,619
Off-book gap	(P8,886)	(P1,729)	(P107)	(P4,111)	(P2,106)	P -	P -	(P83,261)	(P100,359)
Cumulative total gap	(P37,225)	(P7,737)	(P7,241)	P14,386	P63,136	P22,906	P47,594	(P196,177)	(P100,359)

	December 31, 2024								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-maturity	Total
Resources									
Cash and COCI	P4,344	P -	P -	P -	P -	P -	P -	P -	P4,344
Due from BSP	37,062	1,076	1,996	2,250	200	33	6	5,322	47,913
Due from other banks	7,267	-	-	-	-	-	-	1	7,268
Interbank loans receivable	-	139	-	-	-	-	-	-	139
Financial assets at FVPL	892	459	946	477	138	-	-	64	2,976
Financial assets at FVOCI	283	308	1,674	3,195	13,518	-	-	38	19,074
Investment securities at AC	500	324	284	5,018	14,579	8,021	8,009	1,278	38,673
Loans - net	4,998	24,935	17,388	14,605	25,782	16,980	26,130	2,945	133,763
Other resources	1,438	1,569	113	2	55	188	7	8,612	11,984
	P56,684	P28,868	P22,181	P26,147	P54,340	P25,202	P34,232	P18,260	P263,914
Liabilities and Equity									
Deposit liabilities	P58,771	P30,779	P31,872	P9,351	P610	P77	P14	P80,534	P212,008
Demand deposits	7,610	7,506	2,048	1,777	-	-	-	45,021	63,962
Savings deposits	5,818	3,773	9	-	-	-	-	35,513	45,213
Time deposits	45,343	19,500	29,815	2,545	610	77	14	-	97,904
Long-term negotiable certificates	-	-	-	5,029	-	-	-	-	5,029
Bonds payable	-	-	-	6,534	-	-	-	-	6,534
Other liabilities	10,752	332	-	-	214	-	-	2,448	13,746
	69,523	31,111	31,872	15,885	834	77	14	82,982	232,298
Capital funds	-	-	-	-	-	-	-	31,626	31,626
	P69,523	P31,111	P31,872	P15,885	P834	P77	P14	P114,608	P263,914
On-book gap	(P12,839)	(P2,243)	(P9,691)	P10,262	P53,516	P25,125	P34,218	(P96,348)	P -
Contingent resources	P3,149	P289	P -	P -	P -	P -	P -	P -	P3,438
Contingent liabilities	12,661	907	125	-	4,505	-	-	90,546	108,744
Off-book gap	(P9,512)	(P618)	(P125)	P -	(P4,505)	P -	P -	(P90,546)	(P105,306)
Cumulative total gap	(P22,351)	(P2,861)	(P9,816)	P10,262	P49,011	P25,125	P34,218	(P186,894)	(P105,306)

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

Analysis of Financial Liabilities by Remaining Contractual Maturities

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

	December 31, 2025					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Deposit liabilities:						
Demand	P80,872,538	P -	P -	P -	P -	P80,872,538
Savings	51,493,569	66,082,133	956,140	7,578	-	118,539,420
Time	40,836	23,646,583	1,033,380	207,666	-	24,928,465
Financial liabilities at FVPL	-	2,085	-	-	-	2,085
Bonds payable	-	278,709	848,653	19,802,877	-	20,930,239
Manager's checks	-	1,797,803	-	-	-	1,797,803
Accrued interest and other expenses*	-	887,039	-	-	-	887,039
Lease liabilities	-	44,179	211,871	480,708	25,793	762,551
Other liabilities**	-	3,839,687	887,491	312,044	-	5,039,132
Total Undiscounted Financial Liabilities	P131,606,943	P98,578,218	P3,937,445	P20,810,873	P25,793	P252,959,272

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable and ECL on off-balance sheet exposures*

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

**amounts exclude accruals of employee and other benefits, taxes payable and rent*
***amounts exclude withholding tax payable and ECL on off-balance sheet exposures*

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

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

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

Interest Rate Risk in the Banking Book

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

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

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

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

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

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

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

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

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

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

	December 31, 2025								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P3,549	P3,549
Due from BSP	7,619	-	-	-	-	-	-	10,535	18,054
Due from other banks	-	-	-	-	-	-	-	4,108	4,108
Interbank loans receivable	5,647	-	-	-	-	-	-	-	5,647
Financial assets at FVPL	-	-	-	-	-	-	-	5,170	5,170
Financial assets at FVOCI	184	200	2,343	6,286	25,882	-	-	(56)	34,839
Investment securities at AC	5,288	4,029	3,901	-	11,380	6,270	10,861	(302)	41,427
Loans - net	40,964	30,326	13,496	10,893	22,486	16,485	21,167	4,082	159,899
Other resources	153	11	-	-	-	-	-	12,376	12,540
	P59,755	P34,565	P19,740	P16,178	P60,748	P22,755	P32,028	P39,461	P285,231
Liabilities and Equity									
Deposit liabilities:	P104,252	P14,156	P18,380	P625	P143	P95,758	P -	P -	P233,314
Demand deposits	19,820	-	8,979	-	-	51,274	-	-	80,073
Savings deposits	8,646	-	8,360	-	-	34,437	-	-	51,443
Time deposits	75,786	14,156	1,041	625	143	47	-	-	91,798
Bonds payable	-	-	-	-	7,993	10,007	-	(119)	17,881
Other liabilities	-	-	-	-	-	-	-	9,108	9,108
	104,252	14,156	18,380	625	8,136	95,765	-	8,989	250,303
Capital funds	-	-	-	-	-	-	-	34,928	34,928
	P104,252	P14,156	P18,380	P625	P8,136	P95,765	P -	P43,917	P285,231
On-book gap	(P44,497)	P20,410	P1,360	P15,553	P52,612	(P73,010)	P32,028	(P4,456)	P -
Contingent resources	P -	P -	P -	P -	P -	P -	P -	P1,260	P1,260
Contingent liabilities	-	-	-	-	-	-	-	101,619	101,619
Off-book gap	P -	P -	P -	P -	P -	P -	P -	(P100,359)	(P100,359)
Cumulative total gap	(P44,497)	P20,410	P1,360	P15,553	P52,612	(P73,010)	P32,028	(P104,815)	(P100,359)

	December 31, 2024								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P4,244	P4,244
Due from BSP	34,589	-	-	-	-	-	-	13,324	47,913
Due from other banks	-	-	-	-	-	-	-	7,268	7,268
Interbank loans receivable	-	159	-	-	-	-	-	-	159
Financial assets at FVPL	-	-	-	-	-	-	-	2,876	2,876
Financial assets at FVOCI	288	373	1,703	3,285	13,992	-	-	(547)	19,674
Investment securities at AC	500	324	693	5,750	15,112	6,053	6,589	(338)	38,673
Loans - net	41,408	26,992	14,791	14,712	11,460	17,078	6,020	2,302	133,763
Other resources	216	18	-	-	-	-	-	11,732	11,964
	P77,001	P27,844	P17,177	P23,727	P40,564	P23,131	P12,609	P40,861	P263,914
Liabilities and Equity									
Deposit liabilities	P96,039	P12,188	P17,208	P5,778	P207	P80,590	P -	P -	P212,008
Demand deposits	11,518	-	7,323	-	-	45,021	-	-	63,862
Savings deposits	1,348	-	8,451	-	-	35,514	-	-	45,313
Time deposits	83,173	12,188	1,434	347	207	55	-	-	97,804
Long-term negotiable certificates	-	-	-	5,029	-	-	-	-	5,029
Bonds payable	-	-	-	6,534	-	-	-	-	6,534
Other liabilities	-	-	-	-	-	-	-	13,746	13,748
	96,039	12,188	17,208	12,318	207	80,590	-	13,746	232,298
Capital funds	-	-	-	-	-	-	-	31,626	31,626
	P96,039	P12,188	P17,208	P12,318	P207	P80,590	P -	P45,372	P263,914
On-book gap	(P19,038)	P15,656	(P31)	P11,417	P40,357	(P57,459)	P12,609	(P4,511)	P -
Contingent resources	P -	P -	P -	P -	P -	P -	P -	P3,438	P3,438
Contingent liabilities	-	-	-	-	-	-	-	108,744	108,744
Off-book gap	P -	P -	P -	P -	P -	P -	P -	(P105,306)	(P105,306)
Cumulative total gap	(P19,038)	P15,656	(P31)	P11,417	P40,357	(P57,459)	P12,609	(P109,817)	(P105,306)

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

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

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

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

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

Market Risk

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

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

Market Price Risk in the Trading Book

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

Value-at-Risk Methodology

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

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

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

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

Currency Risk

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

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

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

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

	December 31, 2025			
	USD	Euro	Others	Total
Assets				
Cash	$53	$318	$1,148	$1,519
Due from other banks	3,372	234	408	4,014
Financial assets at FVPL	-	5,769	-	5,769
Loans and receivables	1,551	76	-	1,627
Other assets	20,985	-	-	20,985
Total Assets	25,961	6,397	1,556	33,914
Liabilities				
Deposit liabilities	-	597	8	605
Other liabilities	689	56	8	753
Total Liabilities	689	653	16	1,358
Net Exposure	$25,272	$5,744	$1,540	$32,556
Amount in thousands PHP	P1,485,741	P337,690	P90,537	P1,913,967

	December 31, 2024			
	USD	Euro	Others	Total
Assets				
Cash	$ -	$33	$1,838	$1,871
Due from other banks	179	407	284	870
Interbank loans	4,699	-	-	4,699
Loans and receivables	1,582	-	-	1,582
Total Assets	6,460	440	2,122	9,022
Liabilities				
Deposit liabilities	-	817	8	825
Other liabilities	1,468	78	16	1,562
Total Liabilities	1,468	895	24	2,387
Net Exposure	$4,992	($455)	$2,098	$6,635
Amount in thousands PHP	P288,762	(P26,319)	P121,359	P383,802

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

	Philippine Peso Appreciates by	**Effect on Profit before Tax (In Millions)**	**Philippine Peso Depreciates by**	**Effect on Profit before Tax (In Millions)**
December 31, 2025				
Currency:				
USD	P1.00	(P25.27)	(P1.00)	P25.27
Euro	0.50	(2.87)	(0.50)	2.87
Others	0.40	(0.62)	(0.40)	0.62

	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2024				
Currency:				
USD	P1.00	(P4.99)	(P1.00)	P4.99
Euro	0.50	0.23	(0.50)	(0.23)
Others	0.40	(0.84)	(0.40)	0.84

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

Equity Price Risk

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

6. Categories and Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

	December 31, 2025				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	P5,132,998	P4,560,287	P572,711	P -	P5,132,998
Derivative assets	36,710	-	36,710	-	36,710
Financial assets at FVOCI:					
Government securities	34,793,434	15,314,787	19,478,647	-	34,793,434
Equity securities	224,877	500	-	224,377	224,877
	P40,188,019	P19,875,574	P20,088,068	P224,377	P40,188,019
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	P2,095	P -	P2,095	P -	P2,095
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	P39,475,179	P23,056,328	P16,337,158	P -	P39,393,486
Private debt securities	1,895,896	-	1,806,596	-	1,806,596
Loans and receivables:					
Receivables from customers	159,964,965	-	-	161,509,318	161,509,318
Less unearned interest	83,143	-	-	83,143	83,143
	159,881,822	-	-	161,426,175	161,426,175
Sales contract receivables	226,420	-	-	235,932	235,932
	201,479,317	23,056,328	18,143,754	161,662,107	202,862,189
Non-financial Assets					
Investment properties	4,115,809	-	-	11,087,389	11,087,389
	P205,595,126	P23,056,328	P18,143,754	P172,749,496	P213,949,578
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	P24,826,278	P -	P24,817,534	P -	P24,817,534
Bonds payable	17,881,001	-	18,077,148	-	18,077,148
	P42,707,279	P -	P42,894,682	P -	P42,894,682

	December 31, 2024				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	P2,782,361	P2,240,777	P541,584	P -	P2,782,361
Derivative assets	63,717	-	63,717	-	63,717
Private debt securities	29,556	-	-	29,556	29,556
Financial assets at FVOCI:					
Government securities	19,036,827	4,092,577	14,944,250	-	19,036,827
Equity securities	41,807	2,400	-	39,407	41,807
	P21,954,268	P6,335,754	P15,549,551	P68,963	P21,954,268
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities	P45,214	P -	P45,214	P -	P45,214
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost:					
Government securities	P34,461,471	P6,544,301	P26,949,415	P -	P33,493,716
Private debt securities	2,150,197	265,575	1,715,331	-	1,980,906
Loans and receivables:					
Receivables from customers	133,329,858	-	-	136,682,790	136,682,790
Less unearned interest	67,958	-	-	67,358	67,358
	133,261,900	-	-	136,615,432	136,615,432
Sales contract receivables	278,434	-	-	291,899	291,899
	170,651,902	6,809,876	28,664,746	136,907,331	172,381,953
Non-financial Assets					
Investment properties	3,992,770	-	-	10,656,651	10,656,651
	P174,644,672	P6,809,876	P28,664,746	P147,563,982	P183,038,584
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities:					
Time	P17,916,073	P -	P17,898,536	P -	P17,898,536
Long-term negotiable certificates	5,029,420	-	5,029,420	-	5,029,420
Bonds payable	6,534,448	-	6,569,750	-	6,569,750
	P29,479,941	P -	P29,497,706	P -	P29,497,706

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

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

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

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

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

7. Segment Reporting

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

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

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

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

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

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

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

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

	December 31, 2025					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,787	P9,170	(P2,840)	P1,355	P306	P10,778
Intersegment	(2,447)	(7,497)	9,172	(1,061)	1,833	-
Net interest income	340	1,673	6,332	294	2,139	10,778
Non-interest income	348	52	67	96	1,267	1,830
Total revenues	688	1,725	6,399	390	3,406	12,608
Compensation and fringe benefits	29	38	588	86	2,296	3,037
General and administrative expenses	87	20	1,268	48	1,835	3,258
Taxes and licenses	295	423	445	79	(119)	1,123
Total expenses	411	481	2,301	213	4,012	7,418
Income (losses) before provision for credit losses and income tax expense	P277	P1,244	P4,098	P177	(P606)	P5,190
Provision for credit and impairment losses						P382
Share in net loss of an associate						1
Income tax expense						1,267
Net income						P3,540
Other Segment Information						
Capital expenditures	P9	P2	P60	P5	P145	P230
Depreciation and amortization	P5	P5	P168	P8	P691	P817
Statement of Financial Position						
Total assets	P95,290	P142,711	P58,286	P19,251	P11,406	P286,854
Total liabilities	29,466	203	215,464	61	5,081	250,275

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

	December 31, 2024					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Financial Position						
Total assets	P96,833	P121,696	P21,561	P15,249	P10,101	P265,440
Total liabilities	9,284	353	211,233	160	11,180	232,210

	December 31, 2023					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P2,908	P7,049	(P2,707)	P958	P88	P8,296
Intersegment	(2,269)	(5,723)	7,021	(662)	1,633	-
Net interest income	639	1,326	4,314	296	1,721	8,296
Non-interest income	140	73	96	52	1,318	1,679
Total revenues	779	1,399	4,410	348	3,039	9,975
Compensation and fringe benefits	23	33	668	77	1,468	2,269
General and administrative expenses	137	17	1,078	47	1,548	2,827
Taxes and licenses	197	314	426	60	67	1,063
Total expenses	357	364	2,171	184	3,083	6,159
Income (losses) before provision for credit losses and income tax expense	P422	P1,035	P2,239	P164	(P44)	P3,816
Provision for credit and impairment losses						P79
Share in net loss of an associate						1
Income tax expense						934
Net income						P2,802
Other Segment Information						
Capital expenditures	P6	P8	P156	P3	P226	P399
Depreciation and amortization	P4	P4	P59	P7	P492	P566

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

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

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

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

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

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

Interest income on SPURA and interbank loans receivable follows:

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

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

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

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

Financial assets at FVPL consist of:

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

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

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

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

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

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

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

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

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

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

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

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

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

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

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

Net Unrealized Gains (Losses) on Financial Assets at FVOCI
The movements of net unrealized gains (losses) on financial assets at FVOCI follow:

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

11. Investment Securities at Amortized Cost

This account consists of:

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

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

12. Loans and Receivables

This account consists of:

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

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

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

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

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

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

Interest Income on Loans and Receivables

This account consists of:

	2025	2024	2023
Receivables from customers:			
Term loans	**P8,135,209,931**	P6,865,178,084	P6,145,776,140
Agri-agra loans	**953,314,815**	1,117,870,332	817,533,328
Housing loans	**788,335,878**	640,753,034	566,980,066
Auto loans	**469,255,291**	361,304,335	297,279,192
Bills purchased, import bills and trust receipts	**15,939,870**	6,355,704	1,704,583
Direct advances	**12,824,904**	14,761,046	18,960,417
Others	**437,427,849**	407,824,691	371,451,465
	10,812,308,538	9,404,047,226	8,219,685,191
Sales contract receivable	**21,403,439**	24,489,114	24,987,312
	P10,833,711,977	P9,428,536,340	P8,244,672,503

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

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

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

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

13. Investment in an Associate

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

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

The following table shows the summarized financial information of BIC:

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

** Based on 2023 and 2024 audited financial statements*
*** Based on 2025 unaudited financial information*

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

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

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

	Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
		December 31, 2025					
Cost							
Balance at January 1		P41,569,530	P916,658,743	P1,800,262,411	P967,274,612	P1,189,658,500	P5,014,213,886
Additions		-	19,835,052	256,837,339	43,855,007	259,651,210	580,178,509
Disposals		-	-	(257,920,231)	-	(215,684,283)	(473,604,514)
Balance at December 31		41,569,530	935,893,795	1,899,169,599	1,011,129,619	1,233,625,427	5,120,787,871
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	337,136,916	1,217,869,920	877,836,382	576,256,178	3,008,851,396
Depreciation and amortization		-	26,311,166	207,590,624	42,618,012	236,452,434	512,963,236
Disposals		-	-	(207,860,160)	-	(215,149,248)	(423,012,251)
Balance at December 31		-	363,448,082	1,217,327,441	920,454,394	597,572,364	3,099,802,281
Allowance for impairment losses	17	5,022,885	239,593	-	-	-	5,262,478
Net Book Value at December 31		P36,546,745	P572,206,120	P681,842,059	P90,675,225	P635,453,063	P2,016,723,212

	Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
		December 31, 2024					
Cost							
Balance at January 1		P41,569,530	P901,766,207	P1,818,004,202	P911,431,842	P1,136,772,123	P4,810,144,504
Additions		-	14,292,536	378,345,203	55,842,770	292,902,837	739,183,906
Reclassification	16	-	-	739,187	-	-	739,187
Disposals		-	-	(396,297,271)	-	(239,816,460)	(626,853,721)
Balance at December 31		41,569,530	916,658,743	1,800,262,411	967,274,612	1,189,858,500	5,014,213,896
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	311,880,204	1,367,864,198	843,074,600	590,777,074	3,113,696,076
Depreciation and amortization		-	25,256,712	201,590,608	34,761,782	214,740,831	476,257,933
Disposals		-	-	(351,842,946)	-	(229,259,727)	(581,102,673)
Balance at December 31		-	337,136,916	1,217,599,928	877,836,382	576,258,178	3,008,851,396
Allowance for impairment losses	17	5,022,885	239,593	-	-	-	5,262,478
Net Book Value at December 31		P36,546,745	P578,882,234	P582,642,481	P89,438,230	P612,790,322	P2,000,100,022

	Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
		December 31, 2023					
Cost							
Balance at January 1		P41,508,630	P875,249,388	P1,628,976,165	P690,880,848	P1,035,535,118	P4,451,600,941
Additions		-	26,018,819	308,787,324	41,590,202	313,175,715	779,665,120
Disposals		-	-	(109,180,787)	-	(211,938,773)	(321,107,560)
Balance at December 31		41,508,630	901,268,207	1,818,584,702	811,471,042	1,136,772,120	4,010,144,584
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	288,718,154	1,208,086,343	621,224,328	602,102,604	3,020,122,429
Depreciation and amortization		-	23,178,050	129,588,429	21,990,272	200,613,240	369,301,981
Disposals		-	-	(60,799,574)	-	(211,938,773)	(272,738,344)
Balance at December 31		-	311,898,204	1,267,954,198	643,214,600	590,777,074	3,113,886,076
Allowance for impairment losses	17	5,032,885	239,593	-	-	-	5,262,478
Net Book Value at December 31		P36,546,745	P580,848,410	P550,650,504	P68,257,242	P545,995,046	P1,791,195,060

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

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

15. Investment Properties

The movements in investment properties follow:

	Note	Land	Buildings	Total
		December 31, 2025		
Balance at January 1		**P3,317,361,448**	**P1,839,539,046**	**P5,156,900,494**
Additions		**197,932,502**	**327,186,355**	**525,118,857**
Disposals		**(149,702,267)**	**(295,446,330)**	**(445,148,597)**
Balance at December 31		**3,365,591,683**	**1,871,279,071**	**5,236,870,754**
Less Accumulated Depreciation				
Balance at January 1		**-**	**972,800,408**	**972,800,408**
Depreciation		**-**	**122,978,687**	**122,978,687**
Disposal		**-**	**(168,852,085)**	**(168,852,085)**
Balance at December 31		**-**	**926,927,010**	**926,927,010**
Less Allowance for Impairment Losses	*17*	**187,279,626**	**6,854,810**	**194,134,436**
		P3,178,312,057	**P937,497,251**	**P4,115,809,308**

	Note	Land	Buildings	Total
		December 31, 2024		
Balance at January 1		P3,404,733,373	P1,397,867,451	P4,802,600,824
Additions		30,560,377	472,491,298	503,051,675
Disposals		(111,002,630)	(30,819,703)	(141,822,333)
Write-off		(6,929,672)	-	(6,929,672)
Balance at December 31		3,317,361,448	1,839,539,046	5,156,900,494
Less Accumulated Depreciation				
Balance at January 1		-	876,516,450	876,516,450
Depreciation		-	116,089,583	116,089,583
Disposal		-	(19,805,625)	(19,805,625)
Write-off		-	-	-
Balance at December 31		-	972,800,408	972,800,408
Less Allowance for Impairment Losses	*17*	186,597,978	4,731,948	191,329,926
		P3,130,763,470	P862,006,690	P3,992,770,160

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

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

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

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

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

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

16. Other Assets

This account consists of:

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

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

Miscellaneous Assets - TRB

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

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

Intangible Assets

Intangible assets consist of:

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

net of accumulated amortization

Movements in software costs follow:

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

Other Properties Acquired

Movements in the other properties acquired follow:

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

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

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

17. Allowance for Credit and Impairment Losses

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

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

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

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

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

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

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

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

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

	December 31, 2025										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2025	P288,888	P3,579	P7,850	P3,825	P106	P43,368	P59,441	P407,057	P2,389	P11,654	P421,100
Provision for credit and impairment losses	(1,049)	13,171	40,356	8,929	9,946	220,892	11,621	303,766	(385)	7,249	310,620
Transfer from Stage 1	(151,236)	(12,861)	(42,832)	(10,877)	(9,970)	(251,371)	(3,606)	(482,652)	(267)	(10,415)	(493,334)
Transfer from Stage 2	-	69	50	-	-	-	11	130	4	2	136
Transfer from Stage 3	-	17	-	-	-	-	3	20	5	-	25
Foreign exchange differences	134	-	-	-	-	(77)	28	85	-	(1)	84
	136,737	3,976	5,424	1,877	82	12,812	67,499	228,406	1,736	8,489	238,631
Stage 2											
ECL Loans, January 1, 2025	103,798	7,604	7,420	-	37	4,901	18,306	142,066	66	26,454	168,576
Provision for credit and impairment losses	(59,239)	(2,728)	(3,623)	-	(37)	(8,798)	3,968	(70,457)	(30)	16,288	(54,199)
Transfer from Stage 1	145,558	7,361	13,843	-	30	178,662	404	345,858	98	3,421	349,377
Transfer from Stage 2	-	(3,291)	(3,209)	-	-	-	(883)	(7,383)	(23)	(3,665)	(11,071)
Transfer from Stage 3	-	40	-	-	-	-	11	51	4	2	57
Foreign exchange differences	-	-	-	-	-	3,897	3	3,900	-	37	3,937
	190,117	8,986	14,431	-	30	178,662	21,809	414,035	104	42,537	456,676
Stage 3											
ECL Loans, January 1, 2025	304,767	73,501	243,411	45,927	69,569	138,284	226,625	1,102,284	53,986	1,121,240	2,277,510
Provision for credit and impairment losses	10,654	(40,898)	40,546	(629)	-	(7,026)	106,704	109,351	(115)	36,500	146,746
Transfer from Stage 1	5,670	5,500	20,909	10,077	9,940	72,709	3,101	136,794	169	6,994	143,957
Transfer from Stage 2	-	3,222	3,159	-	-	-	872	7,253	19	3,663	10,935
Transfer from Stage 3	-	(57)	-	-	-	-	(14)	(71)	(9)	(2)	(82)
Movement due to foreclosure/settlement	-	(747)	(33,018)	-	-	-	-	(33,765)	-	(3,528)	(37,293)
Write-off	(628)	(55)	(2,027)	(46,037)	-	-	(74,878)	(123,625)	-	(502)	(124,127)
Foreign exchange differences	991	-	-	740	-	-	60	1,771	-	1,731	3,502
	321,452	40,466	281,060	10,878	79,509	203,967	262,660	1,200,002	54,050	1,166,096	2,420,148
Total											
ECL Loans, January 1, 2025	697,453	84,684	258,681	49,752	69,712	186,553	304,572	1,651,407	56,430	1,159,348	2,867,185
Provision for credit and impairment losses	(49,624)	(30,455)	77,279	8,300	9,909	205,068	122,193	342,670	(540)	60,037	402,167
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(747)	(33,018)	-	-	-	-	(33,765)	-	(3,528)	(37,293)
Write-off	(628)	(55)	(2,027)	(46,037)	-	-	(74,878)	(123,625)	-	(502)	(124,127)
Foreign exchange differences	1,115	-	-	740	-	3,820	81	5,756	-	1,767	7,523
	P648,316	P53,427	P300,915	P12,755	P79,621	P395,441	P351,968	P1,842,443	P55,890	P1,217,122	P3,116,456

*Comprised of benefit loans, salary loans and credit cards.
**Comprised of accrued interest receivables, accounts receivables and RCOCI

	December 31, 2024										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2024	P190,471	P7,863	P3,948	P2,202	P107	P16,848	P39,707	P261,147	P2,825	P5,111	P269,083
Provision for credit and impairment losses	234,694	5,969	16,503	1,623	36	31,006	24,693	314,504	(363)	9,109	323,250
Transfer from Stage 1	(136,935)	(10,510)	(12,750)	-	(37)	(4,901)	(4,988)	(170,151)	(124)	(2,580)	(172,855)
Transfer from Stage 2	-	136	58	-	-	-	26	220	26	4	250
Transfer from Stage 3	-	120	1	-	-	-	1	122	25	1	148
Foreign exchange differences	699	1	-	-	-	414	102	1,215	-	9	1,224
	288,889	3,579	7,850	3,825	106	43,368	59,441	407,057	2,389	11,654	421,100
Stage 2											
ECL Loans, January 1, 2024	132,854	17,282	4,122	-	29	76	17,461	171,824	52	23,606	195,482
Provision for credit and impairment losses	(9,137)	(13,084)	(2,547)	-	(29)	(76)	(155)	(25,028)	(18)	4,531	(20,515)
Transfer from Stage 1	85,013	5,542	6,919	-	37	4,901	1,377	103,789	52	1,091	104,922
Transfer from Stage 2	(104,932)	(2,603)	(1,118)	-	-	-	(430)	(109,083)	(35)	(2,786)	(111,804)
Transfer from Stage 3	-	367	44	-	-	-	22	433	4	8	445
Foreign exchange differences	-	-	-	-	-	-	31	31	-	14	45
	103,798	7,504	7,420	-	37	4,901	18,306	142,066	55	26,454	168,575
Stage 3											
ECL Loans, January 1, 2024	407,680	172,340	232,543	89,470	121,242	185,709	186,626	1,395,809	54,151	1,105,475	2,555,235
Provision for credit and impairment losses	(94,399)	(101,281)	20,431	(12,679)	-	(47,424)	76,388	(158,964)	(217)	25,318	(133,863)
Transfer from Stage 1	51,952	4,968	6,831	-	-	-	3,611	68,362	72	1,499	67,933
Transfer from Stage 2	104,932	2,367	1,060	-	-	-	404	108,763	9	2,782	111,554
Transfer from Stage 3	-	(487)	(45)	-	-	-	(23)	(555)	(29)	(9)	(590)
Movement due to foreclosure/settlement	-	(4,523)	(16,409)	-	-	-	-	(20,932)	-	(2,852)	(23,784)
Write-off	(168,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Foreign exchange differences	2,941	117	-	2,259	-	-	134	5,451	-	4,565	10,016
	304,767	73,501	243,411	45,927	69,569	138,284	226,825	1,102,284	53,986	1,121,240	2,277,510
Total											
ECL Loans, January 1, 2024	731,005	197,485	240,613	91,672	121,378	202,633	243,784	1,828,580	57,028	1,134,192	3,019,800
Provision for credit and impairment losses	131,148	(108,396)	34,477	(11,056)	7	(16,494)	100,826	130,512	(598)	38,958	168,872
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(4,523)	(16,409)	-	-	-	-	(20,932)	-	(2,852)	(23,784)
Write-off	(168,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Foreign exchange differences	3,639	118	-	2,259	-	414	287	6,697	-	4,588	11,285
	P697,453	P84,684	P258,681	P49,752	P69,712	P186,553	P304,572	P1,651,407	P56,430	P1,159,348	P2,867,185

*Comprised of benefit loans, salary loans and credit cards.
**Comprised of accrued interest receivables, accounts receivables and RCOCI

December 31, 2023

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2023	P180,639	P18,421	P35,735	P2,958	P120	P5,126	P57,970	P300,969	P2,632	P6,360	P309,961
Provision for credit and impairment losses	41,590	11,126	(25,378)	4,267	16	66,261	(15,618)	82,362	266	777	83,405
Transfer from Stage 1	(31,878)	(22,190)	(6,572)	(5,023)	(29)	(54,499)	(2,743)	(122,932)	(108)	(2,040)	(125,080)
Transfer from Stage 2	214	306	161	-	-	-	15	696	9	12	717
Transfer from Stage 3	-	200	2	-	-	-	3	205	26	3	234
Foreign exchange differences	(95)	-	-	-	-	(39)	(19)	(153)	-	(1)	(154)
	190,471	7,863	3,948	2,202	107	16,849	39,707	261,147	2,825	5,111	269,083
Stage 2											
ECL Loans, January 1, 2023	82,939	9,121	26,246	-	288	6,904	13,361	138,857	39	20,702	159,598
Provision for credit and impairment losses	50,129	(658)	(20,901)	-	(288)	124,381	3,572	156,237	(26)	6,945	163,156
Transfer from Stage 1	-	11,620	3,158	-	29	49	968	15,824	49	527	16,400
Transfer from Stage 2	(214)	(4,625)	(4,499)	-	-	(131,258)	(461)	(140,947)	(12)	(4,610)	(145,569)
Transfer from Stage 3	-	1,724	108	-	-	-	24	1,856	2	44	1,902
Foreign exchange differences	-	-	-	-	-	-	(3)	(3)	-	(2)	(5)
	132,854	17,282	4,122	-	29	76	17,461	171,824	52	23,606	195,482
Stage 3											
ECL Loans, January 1, 2023	465,840	144,276	341,880	90,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Provision for credit and impairment losses	(36,546)	20,845	(107,031)	-	-	(17,663)	38,990	(101,805)	(181)	(31,153)	(133,939)
Transfer from Stage 1	31,878	10,670	3,414	6,023	-	64,460	1,776	107,108	69	1,513	108,690
Transfer from Stage 2	-	4,219	4,320	-	-	131,258	446	140,251	3	4,598	144,852
Transfer from Stage 3	-	(1,924)	(110)	-	-	-	(27)	(2,061)	(28)	(47)	(2,136)
Movement due to foreclosure/settlement	(9,590)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(491)	(24)	-	(351)	-	-	(166)	(1,032)	-	(713)	(1,745)
	407,690	172,340	232,543	88,470	121,242	185,708	186,626	1,395,009	54,151	1,105,475	2,555,236
Total											
ECL Loans, January 1, 2023	729,426	171,818	403,849	91,132	133,413	29,693	683,416	2,242,547	56,969	1,161,078	3,460,595
Provision for credit and impairment losses	55,172	31,113	(153,310)	4,267	(270)	172,979	27,043	136,994	59	(23,431)	113,622
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	(9,590)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(586)	(24)	-	(351)	-	(39)	(188)	(1,188)	-	(716)	(1,904)
	P731,005	P197,485	P240,813	P91,672	P121,378	P202,633	P243,794	P1,828,580	P57,028	P1,134,192	P3,019,800

*Comprised of benefit loans, salary loans and credit cards

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

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

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

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

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

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

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

	December 31, 2025										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2025	P99,716,247	P9,105,032	P4,668,511	P1,181,537	P292,192	P13,448,614	P2,213,384	P130,626,517	P238,950	P2,446,826	P133,311,293
New assets purchased or originated	71,845,599	4,035,180	2,785,924	1,546,933	229,675	6,523,960	635,655	87,603,246	70,333	1,363,427	89,057,006
Assets derecognized or repaid	(43,765,799)	(255,101)	(328,671)	(1,181,537)	(203,478)	(5,989,935)	(192,268)	(51,916,790)	(13,728)	(1,180,710)	(53,111,228)
Transfer from Stage 1	(2,972,570)	(286,487)	(440,036)	(10,877)	(23,500)	(2,974,299)	(23,855)	(6,731,624)	(26,686)	(232,648)	(6,990,958)
Transfer from Stage 2	-	52,638	10,335	-	-	-	950	64,123	397	761	65,281
Transfer from Stage 3	-	9,632	-	-	-	-	260	10,092	506	151	10,749
Other movements***	(4,640,399)	(898,843)	(1,114,851)	(3,099)	(25,724)	(517,887)	(49,023)	(7,249,826)	(96,162)	232,157	(7,113,831)
	120,183,178	11,762,451	5,581,212	1,532,957	269,165	10,490,472	2,585,303	152,404,738	173,610	2,649,964	155,228,312
Stage 2											
Gross carrying amount, January 1, 2025	2,422,583	175,498	71,241	-	962	170,000	88,332	2,928,716	5,042	48,552	2,982,310
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(1,537,583)	(12,093)	(29,269)	-	(962)	(170,000)	(4,465)	(1,756,272)	(1,550)	(38,387)	(1,796,209)
Transfer from Stage 1	2,947,810	208,918	198,627	-	3,656	2,792,626	15,523	6,168,059	9,837	93,026	6,270,922
Transfer from Stage 2	-	(99,777)	(24,662)	-	-	-	(3,029)	(127,468)	(2,310)	(6,677)	(136,455)
Transfer from Stage 3	-	1,195	-	-	-	-	66	1,251	440	41	1,732
Other movements***	(137,500)	(17,233)	(10,553)	-	-	-	9,002	(156,284)	(1,020)	(1,371)	(158,675)
	3,695,310	255,708	206,384	-	3,656	2,792,626	105,419	7,059,002	10,439	96,184	7,165,626
Stage 3											
Gross carrying amount, January 1, 2025	600,577	204,130	336,290	45,927	69,569	130,204	304,188	1,050,973	90,873	1,129,076	3,070,922
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(4,233)	(126,861)	(41,664)	-	-	(7,027)	(3,961)	(183,746)	(9,762)	(90,547)	(283,045)
Transfer from Stage 1	24,700	77,569	240,409	10,077	19,844	181,774	8,332	562,565	16,849	139,522	720,036
Transfer from Stage 2	-	48,939	14,327	-	-	-	2,079	63,345	1,913	4,916	70,174
Transfer from Stage 3	-	(11,027)	-	-	-	-	(316)	(11,343)	(946)	(192)	(12,481)
Write-off	(628)	(55)	(2,027)	(46,037)	-	-	(74,878)	(123,625)	-	(502)	(124,127)
Other movements***	(22,312)	(5,371)	(1,430)	111	-	-	122,358	93,356	(2,676)	664	91,344
	578,164	266,332	545,906	10,078	89,413	313,801	357,602	2,260,526	97,261	1,183,037	3,540,823
Total											
Gross carrying amount, January 1, 2025	102,019,507	9,504,660	5,076,042	1,227,464	362,723	13,756,890	P2,605,904	135,413,206	334,865	3,624,454	139,372,525
New assets purchased or originated	71,845,599	4,035,180	2,785,924	1,546,933	229,675	6,523,960	635,655	87,603,246	70,333	1,363,427	89,057,006
Assets derecognized or repaid	(45,307,715)	(394,055)	(399,604)	(1,181,537)	(204,440)	(6,166,963)	(200,694)	(53,856,808)	(24,030)	(1,309,644)	(55,169,482)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(628)	(55)	(2,027)	(46,037)			(74,878)	(123,625)	-	(502)	(124,127)
Other movements***	(4,800,211)	(921,447)	(1,126,834)	(2,988)	(25,724)	(517,887)	82,337	(7,312,754)	(99,858)	231,450	(7,181,162)
	P124,556,552	P12,283,491	P6,333,501	P1,543,835	P362,234	P13,596,028	P3,048,524	P161,724,266	P281,310	P3,929,185	P165,934,760

*Comprised of benefit loans, salary loans and credit cards.
**Comprised of accrued interest receivables, accounts receivables and RCOCI
***Includes movements in outstanding balances and foreign exchange differences

	December 31, 2024										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2024	P80,214,449	P7,739,774	P3,723,011	P961,229	P452,422	P11,409,607	P1,985,562	P106,506,254	P292,515	P1,640,714	P108,409,483
New assets purchased or originated	59,559,389	2,388,821	2,421,148	355,889	225,095	6,530,101	567,081	72,047,134	94,525	1,357,801	73,499,460
Assets derecognized or repaid	(31,549,209)	(251,313)	(376,513)	(202,662)	(353,032)	(4,020,500)	(183,636)	(36,936,765)	(31,905)	(551,149)	(37,519,819)
Transfer from Stage 1	(2,430,734)	(173,749)	(80,710)	-	(982)	(170,000)	(17,030)	(2,895,000)	(11,050)	(135,010)	(3,032,876)
Transfer from Stage 2	-	77,518	6,490	-	-	-	2,171	88,179	2,542	1,177	91,898
Transfer from Stage 3	-	59,114	166	-	-	-	172	59,451	2,470	478	62,399
Other movements***	(6,074,856)	(734,934)	(1,019,072)	67,191	(31,331)	(390,594)	(140,128)	(8,313,736)	(30,330)	133,823	(8,270,452)
	99,716,247	9,105,032	4,668,511	1,181,537	292,192	13,449,614	2,213,384	130,625,517	238,950	2,446,826	133,311,290
Stage 2											
Gross carrying amount, January 1, 2024	538,543	171,144	46,914	-	1,674	6,231	89,814	853,320	5,171	30,438	888,929
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(1,840)	(17,002)	(17,768)	-	(1,674)	(6,231)	(3,368)	(47,883)	(370)	(20,511)	(68,514)
Transfer from Stage 1	2,346,192	129,081	65,797	-	952	170,000	9,770	2,720,802	4,659	46,932	2,772,402
Transfer from Stage 2	(420,157)	(101,184)	(12,858)	-	-	-	(3,073)	(537,070)	(3,461)	(4,488)	(544,987)
Transfer from Stage 3	-	8,605	298	-	-	-	93	8,996	373	170	9,546
Other movements***	(40,256)	(14,145)	(11,344)	-	-	-	(3,904)	(69,549)	(1,399)	(4,017)	(75,965)
	2,422,080	175,499	71,241	-	952	170,000	89,332	2,928,716	5,042	48,552	2,982,310
Stage 3											
Gross carrying amount, January 1, 2024	443,880	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	1,118,730	3,207,565
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(93,882)	(244,931)	(36,830)	(12,679)	-	-	(1,803)	(378,006)	(13,118)	(85,317)	(466,040)
Transfer from Stage 1	87,542	45,667	22,921	-	-	-	8,068	164,198	7,190	88,896	260,274
Transfer from Stage 2	420,157	23,665	4,166	-	-	-	902	448,891	909	3,289	453,089
Transfer from Stage 3	-	(67,719)	(453)	-	-	-	(266)	(68,447)	(2,843)	(654)	(71,944)
Write-off	(198,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Other movements***	(18,801)	(15,854)	(5,207)	2,259	-	(47,424)	83,853	(1,174)	(2,140)	280	(3,034)
	660,577	284,139	336,290	45,927	69,569	138,284	304,188	1,859,973	90,873	1,126,076	3,076,922
Total											
Gross carrying amount, January 1, 2024	81,196,872	8,454,227	4,120,628	1,050,699	575,338	11,681,546	2,328,224	109,407,534	398,561	2,789,882	112,565,977
New assets purchased or originated	59,559,389	2,388,821	2,421,148	355,889	225,095	6,530,101	567,081	72,047,134	94,525	1,357,801	73,499,460
Assets derecognized or repaid	(31,634,511)	(513,245)	(430,111)	(215,241)	(354,706)	(4,026,731)	(188,807)	(37,363,453)	(45,343)	(637,577)	(38,046,373)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(198,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Other movements***	(6,133,914)	(764,934)	(1,035,823)	69,440	(31,331)	(428,018)	(80,179)	(8,384,559)	(102,878)	129,886	(8,357,551)
	P102,819,507	P9,564,869	P5,076,042	P1,227,464	P362,723	P13,756,898	P2,605,904	P136,413,206	P334,865	P3,624,454	P139,372,526

Comprised of benefit loans, salary loans and credit cards.
***Comprised of accrued interest receivables, accounts receivables and RCOCI*
****Includes movements in outstanding balances and foreign exchange differences*

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

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

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

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

18. Deposit Liabilities

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

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

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

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

Interest expense on deposit liabilities follows:

	2025	2024	2023
Demand	**P179,625,107**	P86,483,830	P67,813,429
Savings	**2,048,288,457**	2,504,250,516	2,174,301,309
Time	**639,678,671**	646,617,783	502,742,516
LTNCTD	**161,570,118**	226,323,900	226,323,900
	P3,029,162,353	P3,465,676,029	P2,971,181,154

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

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

19. Bills Payable

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

Interest expense consists of:

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

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

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

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

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

20. Bonds Payable

This account consists of the following fixed rate peso bonds:

Issue Date	Maturity Date	Interest Rate	Face Value	Outstanding Balance 2025	Outstanding Balance 2024
February 19, 2025	February 19, 2027	6.1942%	P10,006,850,000	**P9,952,138,980**	P -
February 19, 2025	May 19, 2030	6.3494%	7,993,150,000	**7,928,861,891**	-
May 16, 2024	November 16, 2025	6.5635%	6,669,750,000	-	6,534,447,698
				P17,881,000,871	P6,534,447,698

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

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

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

21. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

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

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

22. Other Liabilities

This account consists of:

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

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

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

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

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

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

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

23. Maturity Profile of Assets and Liabilities

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

		2025			2024		
	Note	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Assets - gross							
COCI		P3,549,405	P -	P3,549,405	P4,244,134	P -	P4,244,134
Due from BSP	18	18,098,269	-	18,098,269	47,919,928	-	47,919,928
Due from other banks		2,105,471	-	2,105,471	3,819,901	-	3,819,901
Interbank loans receivable and SPURA	8	7,648,541	-	7,648,541	3,587,840	-	3,587,840
Financial assets at FVPL	9						
Government securities held-for-trading		5,132,088	-	5,132,088	2,702,361	-	2,702,361
Derivative assets		7,316	29,395	36,711	34,795	28,922	63,717
Private debt securities		-	-	-	29,606	-	29,606
Financial assets at FVOCI	10						
Government securities		401,120	34,382,314	34,783,434	-	19,036,827	19,036,827
Equity securities		-	224,677	224,677	-	41,007	41,007
Investment securities at amortized cost - gross	11						
Government securities		13,631,000	25,847,659	39,478,659	6,882,006	27,583,479	34,465,485
Private debt securities		-	1,896,106	1,896,106	266,382	1,894,050	2,160,432
Loans and receivables - gross	12						
Receivable from customers							
Term loans		35,312,458	89,244,194	124,556,652	47,179,354	60,640,143	107,819,497
Agri-agra loans		3,385,308	10,200,720	13,586,028	6,132,221	7,624,835	13,757,056
Housing loans		552,496	11,731,875	12,284,371	481,442	9,083,278	9,564,720
Auto loans		904,754	5,430,742	6,335,496	579,843	4,499,179	5,079,022
Bills purchased, import bills and trust receipts		1,543,835	-	1,543,835	1,227,484	-	1,227,484
Direct advances		318,792	45,608	364,400	272,180	91,830	364,010
Others		2,376,744	750,682	3,127,426	1,976,583	880,212	2,856,795
Accrued interest receivable		2,181,671	-	2,181,671	1,753,888	-	1,753,888
Accounts receivable		1,452,597	-	1,452,597	1,573,806	-	1,573,806
Unquoted debt securities		291,879	-	291,879	291,879	-	291,879
Sales contract receivables		114,232	187,078	301,310	98,954	235,911	334,865
RCOCI		3,336	-	3,336	5,152	-	5,152
		96,880,921	180,060,730	276,941,651	126,138,386	131,443,473	257,581,859
Non-financial Assets - gross							
Investment in associate	13	-	75,395	75,395	-	75,395	75,395
Property and equipment	14	-	6,120,769	6,120,769	-	6,014,214	6,014,214
Investment properties	15	-	5,236,671	5,236,671	-	5,150,900	5,150,900
Deferred tax assets	32	-	289,708	289,708	-	447,021	447,021
Other assets	16	3,257,060	7,006,841	10,263,901	2,926,600	5,841,303	8,767,903
		3,257,060	17,729,381	20,987,325	2,926,600	17,534,833	20,461,433
		P100,138,791	P197,779,091	P299,908,882	P129,064,986	P148,978,106	P278,043,091
Less:							
Allowance for credit and impairment losses	17			P7,767,215			P7,519,444
Accumulated depreciation and amortization	14, 15, 16			5,166,848			4,881,035
Unearned interest	12			83,143			87,358
Accumulated equity in net loss	13			36,046			35,837
Total				P286,853,632			P265,440,087

		2025			2024		
	Note	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Liabilities							
Deposit liabilities	18						
Demand		P80,072,536	P -	P80,072,536	P83,961,972	P -	P83,961,972
Savings		119,409,209	7,000	119,416,209	126,100,433	-	126,100,433
Time		24,827,351	198,927	25,026,278	17,637,099	278,974	17,916,073
LTNCTD		-	-	-	6,009,420	-	6,009,420
Financial liabilities at FVPL	9	2,085	-	2,085	45,214	-	45,214
Bonds payable	20	-	17,881,001	17,881,001	6,534,448	-	6,534,448
Manager's checks		1,797,003	-	1,797,003	1,414,003	-	1,414,003
Accrued interest and other expenses*	21	887,040	-	887,040	748,724	-	748,724
Other liabilities**	22	4,950,039	772,028	5,722,067	10,119,072	763,147	10,882,219
		230,745,156	18,858,956	249,604,112	230,590,594	1,042,121	231,632,715
Non-financial Liabilities							
Accrued taxes and other expense payable	21	462,748	-	462,748	349,419	-	349,419
Other liabilities	22	208,635	-	208,635	227,876	-	227,876
		671,383	-	671,383	577,295	-	577,295
		P231,416,539	P18,858,956	P250,275,495	P231,167,889	P1,042,121	P232,210,010

*amounts exclude accruals of employee and other benefits, taxes payable and rent
**amounts exclude withholding tax payable and ECL of loan commitments and financial guarantees

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

24. Capital

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash Dividend

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

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

Equity Restructuring

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Has positive retained earnings as of the preceding quarter and has complied with the requirements on the declaration of dividends as provided in the MORB;

- Has CET1 of more than the total required (minimum CET1 ratio of 6.0% plus CCB of 2.5% plus CcyB at the rate determined by the MB) before distribution; and

- Has complied with the minimum capital ratios (CET1 ratio of 6.0%, Tier 1 ratio of 7.5% and 10.0% CAR) after the distribution.

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

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

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

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

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

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

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

a) non-performing assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning;

b) accounting for investment properties.

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

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

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

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

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

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

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

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

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

25. Surplus Reserve

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

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

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

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

26. Interest Income on Debt Securities

This account consists of:

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

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

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

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

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

27. Service Charges, Fees and Commissions

Service Charges, Fees and Commissions - Income
This account consists of:

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

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

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

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

Service Fees and Commissions - Expenses
This account consists of:

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

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

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

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

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

29. Employee Benefits

Compensation and Fringe Benefits

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

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

Retirement Plan

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

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

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

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

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

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

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

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

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

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

	Defined Benefits Obligation			Fair Value of Plan Assets			Net Retirement Benefit Liability (Asset)		
	2025	2024	2023	2025	2024	2023	2025	2024	2023
Balance at January 1	**P1,422,454**	P1,343,134	P1,027,808	**(P1,849,744)**	(P1,218,994)	(P1,100,754)	**(P427,290)**	P124,140	(P73,146)
Included in Profit or Loss									
Current service cost	**124,583**	128,795	94,990	**-**	-	-	**124,583**	128,795	94,990
Interest expense (income)	**86,770**	81,331	77,110	**(112,824)**	(74,237)	(80,347)	**(26,054)**	7,094	(3,237)
	211,353	210,126	172,100	**(112,824)**	(74,237)	(80,347)	**98,529**	135,889	91,753
Included in OCI									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	**(34,686)**	-	167,475	**-**	-	-	**(34,686)**	-	167,475
Demographic assumptions	**-**	(50,935)	-				**-**	(50,935)	-
Experience adjustment	**23,148**	29,700	81,345	**-**	-	-	**23,148**	29,700	81,345
Return on plan assets excluding interest income	**-**	-	-	**3,664**	(12,811)	39,176	**3,664**	(12,811)	39,176
	(11,538)	(21,235)	248,820	**3,664**	(12,811)	39,176	**(7,874)**	(34,046)	287,996
Others									
Contributions paid by the employer	**-**	-	-	**-**	(653,273)	(108,481)	**-**	(653,273)	(108,481)
Benefits paid	**(94,523)**	(109,571)	(105,401)	**94,523**	109,571	105,401	**-**	-	-
	(94,523)	(109,571)	(105,401)	**94,523**	(543,702)	(3,080)	**-**	(653,273)	(108,481)
Balance at December 31	**P1,527,746**	P1,422,454	P1,343,134	**(P1,864,381)**	(P1,849,744)	(P1,218,994)	**(P336,635)**	(P427,290)	P124,140

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30. Rent and Utilities

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

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

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

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

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

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

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

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

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

	December 31, 2024						
	Within 1 Year	2 Years	3 Years	4 Years	5 Years	Over 5 Years	Total
Lease payments	P231,879	P196,171	P154,953	P100,318	P34,413	P25,710	P743,444
Finance charges	34,437	23,239	13,383	5,984	2,320	2,490	81,853
Net amount	P197,442	P172,932	P141,570	P94,334	P32,093	P23,220	P661,591

The table below shows the amounts recognized in the statements of income in 2025, 2024 and 2023 related to leases under PFRS 16 (amounts in millions).

	2025	2024	2023
Interest on lease liabilities	**P42.7**	P39.2	P32.8
Expenses relating to short-term leases	**67.4**	78.2	70.0
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	**13.3**	15.7	12.0

Total cash outflow for leases recognized in 2025, 2024 and 2023 amounted to P347.7 million, P340.3 million, and P320.1 million, respectively.

Bank as Lessor
The Bank leases out its commercial properties for office space. The Bank has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Bank on its commercial properties (shown under "Miscellaneous" in the statements of income) for the years ended December 31, 2025, 2024, and 2023 were P0.9 million, P0.4 million, and P1.6 million, respectively, and includes rental income on investment properties (Note 15). The Bank also recognized income from the use of safety deposit boxes amounted to P2.9 million in 2025 and 2024 and P3.0 million in 2023 (see Note 31).

As at December 31, 2025 and 2024, the Bank has no future rental receivables under non-cancellable operating lease.

31. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Note	2025	2024	2023
Passed-on GRT		**P44,775,453**	P30,904,732	P50,377,835
Recovery from charged-off assets		**18,069,044**	23,887,421	71,119,179
Rent income	*15, 30*	**3,789,098**	3,384,031	4,602,172
Dividend income	*10*	**2,661,396**	3,855,229	5,604,161
Others		**62,776,203**	40,543,606	13,573,035
		P132,071,194	P102,575,019	P145,276,382

Others include excess chattel fees.

Miscellaneous Expenses
This account consists of:

	Note	2025	2024	2023
Marketing		**P87,723,257**	P104,522,119	P103,566,171
Communications		**86,621,455**	68,901,123	79,890,227
Supervision and examination fee		**78,078,923**	74,970,716	83,011,437
Management fee on deposits		**50,103,058**	37,808,330	31,354,437
Forms and supplies		**46,689,310**	47,167,702	51,808,966
Messengerial services		**43,804,615**	40,360,550	39,440,243
Fines and penalties		**43,502,070**	584,538	3,372,381
Transportation and travel		**32,349,244**	32,538,500	42,598,156
Membership dues		**27,384,772**	22,817,813	27,594,750
Royalty fees		**18,135,430**	7,846,214	5,600,000
Litigation and acquired assets-related expenses	*15*	**15,862,955**	39,850,996	27,984,321
Bank charges		**13,686,060**	12,183,312	10,889,575
Others		**19,805,530**	8,533,669	12,682,319
		P563,746,679	P498,085,582	P519,792,983

Others include other provisions and postage.

32. Income and Other Taxes

Income and other taxes are comprised of RBU and FCDU taxes which are discussed as follows:

Regular Banking Unit
Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented under "Taxes and licenses" account in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income tax expense includes corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On May 29, 2025, R.A. No. 12214, *Capital Markets Efficiency Promotion Act* (CMEPA Law), was signed into law and took effect on July 1, 2025. The following are key amendments to the National Internal Revenue Code (NIRC) of 1997 introduced by CMEPA:

- Interest income by individuals and corporations, except non-residents, from depository banks under the expanded foreign currency deposit system shall be subject to 20% final tax.
- Interest income from long-term deposits and investments with maturity period of not less than five (5) years of individuals shall be subject to 20% final tax.

- Capital gains from the sale, exchange or other disposition of shares of stock in a domestic or foreign corporation not traded in a local or foreign stock exchange shall be subject to 15% capital gains tax (CGT), regardless of the classification and status of the seller. For non-resident foreign corporations, only capital gains from sale, exchange or other dispositions of shares of stocks of a domestic corporation, not traded in a local or foreign stock exchange, shall be subject to 15% CGT.
- For domestic shares traded through a local stock exchange, the stock transaction tax (STT) rate shall be reduced from 0.6% to 0.1%. Similarly, shares in a foreign corporation sold or disposed of through a local stock exchange are subject to the same STT, in lieu of CGT.
- Gains derived from the sale, exchange, or retirement of bonds, debentures, or other certificates of indebtedness, including those with a maturity period of more than 5 years, are now subject to income tax. Any tax exemption and preferential rate on financial instruments issued or transacted prior to July 1, 2025, shall be subject to the prevailing rate at the time of issuance for the remaining maturity of the relevant agreement.
- The documentary stamp tax on the original issuance of shares has been reduced from 1.0% to 0.75% of the par value of such shares of stock.
- Deposit substitutes shall exclude reverse repurchase agreements entered into by and between the BSP and any authorized agent bank, certificates of assignment or participation, and similar instruments with recourse.

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises Act* (CREATE Law), was signed into law and took effect on April 11, 2021. The following are certain provisions of the NIRC of 1997 that were amended and relevant to the Bank:

- Regular corporate income tax rate is decreased from 30.0% to 25.0% starting July 1, 2020;
- Minimum corporate income tax rate is decreased from 2.0% to 1.0% starting July 1, 2020 until June 30, 2023;
- The allowable deduction for interest expense shall be reduced by 20.0% of interest income subjected to final tax, instead of the previous 33.0%; and
- The imposition of 10.0% tax on improperly accumulated retained earnings is repealed.

The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a 3-year period from the year of incurrence.

In 2011, the BIR issued RR 4-2011, *Proper Allocation of Costs and Expenses amongst income earning of banks and Other Financial Institutions for Income Tax Reporting Purposes*, which requires banks to allocate and claim as deduction only those costs and expenses attributable to RBU to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related with or incurred for the operations FCDU are not allowed as deduction from the RBU's taxable income. In computing for the amount allowable as deduction from RBU operations, all costs and expenses should be allocated between the RBU and FCDU by specific identification and by allocation. In a Decision dated December 1, 2021, the Supreme Court declared RR 4-2011 void for having issue ultra vires. It ruled that RR 4-2011 unduly contravened and expanded the provisions of the Tax Code. The Supreme Court Decision became final and executory on June 7, 2022, and was recorded in the Book of Entries of Judgement.

Foreign Currency Deposit Unit
RA No. 9294, the existing applicable tax regulation governing the taxation of FCDU, provides, among others, the following:

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.
- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and
- Effective July 1, 2025, interest income derived by resident individual or corporation on deposits with FCDUs and OBUs, formerly taxed at 15.0%, shall be subject to 20.0% final tax.

Income tax expense consists of:

	2025	2024	2023
Current:			
Final	**P868,442,978**	P773,895,471	P728,807,543
RCIT	**401,057,925**	6,155,999	93,876,511
Tax benefit	**(43,060,009)**	-	(25,186,431)
MCIT	**-**	110,350,681	-
	1,226,440,894	890,402,151	797,497,623
Deferred	**40,816,783**	27,366,145	136,393,568
	P1,267,257,677	P917,768,296	P933,891,191

The amount of tax benefit relates to MCIT of prior periods that was used to reduce current tax payable.

The amount of deferred income tax relates to the origination and reversal of temporary differences.

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in the statements of income follows:

	2025	2024	2023
Income before income tax expense	**P4,807,127,076**	P3,942,707,406	P3,736,110,366
Income tax at statutory rate	**P1,201,781,769**	P985,676,852	P934,027,592
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	**306,964,747**	219,014,569	192,649,750
Tax paid income	**(156,998,855)**	(207,327,724)	(157,558,235)
Nontaxable income	**(57,575,598)**	(38,977,837)	(62,716,480)
FCDU income	**(24,671,161)**	(5,487,915)	(25,552,958)
Changes in unrecognized deferred tax assets	**(10,636,556)**	(10,502,984)	59,498,560
Others	**8,393,331**	(24,626,665)	(6,457,038)
Effective income tax	**P1,267,257,677**	P917,768,296	P933,891,191

The components of net deferred tax assets and deferred tax liabilities in the statements of financial position follow:

	Beginning Balance (January 1, 2025 Tax Effect)	**Amount (Charged) Credited to Profit or Loss**	**Amount Recognized in OCI**	**Ending Balance (December 31, 2025 Tax Effect)**
Deferred tax assets:				
Allowance for credit and impairment losses	**P582,624,786**	**P27,347,228**	**P -**	**P609,972,014**
Accumulated depreciation on foreclosed properties	**243,200,102**	**(11,468,349)**	**-**	**231,731,753**
Accrued employee benefits and other expenses	**140,933,002**	**43,066,229**	**-**	**183,999,231**
Lease liabilities	**165,397,736**	**5,336,146**	**-**	**170,733,882**
Unamortized past service cost	**142,862,686**	**(18,243,993)**	**-**	**124,618,693**
Unrealized loss on foreclosed properties	**54,505,252**	**(2,530,822)**	**-**	**51,974,430**
Accrued rent expense	**1,277,370**	**412,160**	**-**	**1,689,530**
Excess of MCIT over RCIT	**43,060,009**	**(43,060,009)**	**-**	**-**
	1,353,860,943	**857,590**	**-**	**1,354,718,533**
Deferred tax liabilities:				
Unrealized gain on foreclosed properties	**(470,720,160)**	**28,471,280**	**-**	**(442,248,880)**
Retirement benefits	**(189,740,856)**	**24,632,218**	**-**	**(165,108,637)**
Right-of-use asset	**(153,197,581)**	**(5,665,685)**	**-**	**(158,863,266)**
Unrealized gain on financial assets at FVOCI	**(1,309,831)**	**-**	**(136,437,696)**	**(137,747,527)**
Unrealized foreign exchange gain	**(74,150,382)**	**(50,514,565)**	**-**	**(124,664,947)**
Unamortized bond transaction cost	**-**	**(29,749,792)**	**-**	**(29,749,792)**
Unrealized gain on financial assets at FVPL	**(2,722,760)**	**(12,542,530)**	**-**	**(15,265,290)**
Gain on investment properties sold under installments	**(14,998,830)**	**3,694,699**	**-**	**(11,304,131)**
	(906,840,399)	**(41,674,373)**	**(136,437,696)**	**(1,084,952,468)**
Net Deferred Tax Assets (Liabilities)	**P447,020,544**	**(P40,816,783)**	**(P136,437,696)**	**P269,766,065**

	Beginning Balance (January 1, 2024 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2024 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P594,762,020	(P12,137,234)	P -	P582,624,786
Accumulated depreciation on foreclosed properties	219,129,112	24,070,990	-	243,200,102
Lease liabilities	148,341,109	17,056,627	-	165,397,736
Accrued employee benefits and other expenses	164,455,579	(23,522,577)	-	140,933,002
Unamortized past service cost	-	142,862,686	-	142,862,686
Unrealized loss on foreclosed properties	60,706,237	(6,200,985)	-	54,505,252
Excess of MCIT over RCIT	-	43,060,009	-	43,060,009
Accrued rent expense	1,036,852	240,518	-	1,277,370
	1,188,510,909	165,350,034	-	1,353,860,943
Deferred tax liabilities:				
Unrealized gain on foreclosed properties	(436,144,626)	(34,575,534)	-	(470,720,160)
Retirement benefits	(59,094,849)	(129,646,007)	-	(189,740,856)
Right-of-use asset	(136,498,762)	(16,698,819)	-	(153,197,581)
Unrealized foreign exchange gain	(62,036,775)	(12,113,607)	-	(74,150,382)
Gain on investment properties sold under installments	(18,239,378)	3,240,548	-	(14,998,830)
Unrealized gain on financial assets at FVPL	-	(2,722,760)	-	(2,722,760)
Unrealized gain on financial assets at FVOCI	(363,597)	-	(946,234)	(1,309,831)
	(712,177,986)	(192,716,179)	(946,234)	(906,840,399)
Net Deferred Tax Assets (Liabilities)	P475,332,923	(P27,366,145)	(P946,234)	P447,020,544

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Bank did not set up deferred tax assets on the following temporary differences:

	2025		2024		2023	
	Deductible Temporary Differences	**Deferred Tax Assets**	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses*	**P2,713,851,814**	**P678,462,954**	P2,750,836,400	P687,708,600	P2,826,827,838	P706,656,960
Unrealized loss on financial assets at FVPL	**-**	**-**	-	-	4,023,006	1,005,952
Others	**24,906,372**	**6,226,343**	30,476,810	7,619,203	168,557,986	42,139,497
Deferred tax items not recognized in profit or loss	**2,738,758,086**	**684,689,247**	2,781,313,210	695,325,803	2,999,209,630	749,802,409
Remeasurement losses on retirement asset	**323,799,559**	**80,949,890**	331,673,141	82,918,285	365,718,897	91,429,724
Unrealized loss on financial assets at FVOCI	**165,757,255**	**41,439,314**	133,169	33,292	-	-
Deferred tax items not recognized in OCI	**489,556,814**	**122,389,204**	331,806,310	82,951,577	365,718,897	91,429,724
	P3,228,313,900	**P807,078,451**	P3,113,119,520	P778,277,380	P3,364,928,527	P841,232,133

***Includes allowances on miscellaneous assets-TRS, accounts receivables, and accounts that are not credit-impaired**

As at December 31, 2025 and 2024, the Bank has no carryforward NOLCO.

Details of the Bank's RBU excess MCIT over RCIT as at December 31, 2025 follow:

Inception Year	Amount	Applied	Balance	Expiry Year
2024	P43,060,009	P43,060,009	P -	2027

33. Related Party Transactions

The Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed 30.0% of their respective total loans, other accommodations and guarantees. Loans, other credit accommodations, and guarantees granted by the Bank to its DOSRI for the purpose of project finance, shall be exempted from the 30.0% unsecured individual ceiling during the project gestation phase provided that the Bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

The details of significant related party transactions of the Bank follow (amounts in thousands):

		Amount/Volume			Outstanding Balance		
Category	**Note**	**2025**	2024	2023	**2025**	2024	**Nature, Terms and Conditions**
Investors							
Lease	30	**P4,119**	P147	P158	**P16,158**	P -	Fixed monthly lease payments with no variable lease component, and renewable upon mutual agreement
Trust income	27	**809**	795	665	**469**	568	Retirement plan managed and administered by the Bank's Trust Services Group under an Investment Management Account (IMA) Agreement
Deposit liabilities	18	**-**	-	-	**303,299**	271,077	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Deposits		**23,711,231**	15,631,179	9,515,594	**-**	-	
Withdrawals		**23,208,147**	15,456,917	9,363,788	**-**	-	
Accrued interest payable	21	**1,666**	3,298	2,235	**418**	171	Interest expense and accrued interest payable on deposits
Associate							
Investment in an associate	13	**841**	611	783	**33,421**	34,433	24.26% equity interests in BIC which is a stockholder of the Bank and share in net loss of BIC
Other Related Parties							
Investment securities at amortized cost	11	**-**	-	-	**-**	P266,346	Long-term bonds with interest rates ranging from 6.5% to 8.1% with maturity in 2025
Maturities		**266,390**	76,770	36,570	**-**	-	Matured bond had interest rates ranging from 6.5% to 8.1%
Loans and receivables - net:	12						
Receivables from customers:		**-**	-	-	**67,662,032**	52,543,906	Term, housing, auto, salary and personal loans with interest rates ranging from 4.8% to 21.6% and with maturity of less than 1 year to 20 years; Collateral includes real estate mortgage, unregistered chattel mortgage, hold-out on deposit, assignment of contract and concession agreement, continuing surety agreement, and pledge agreement on shares
Availments		**150,268,861**	139,453,828	111,576,878	**-**	-	
Settlements		**142,811,666**	123,122,822	100,198,842	**-**	-	
Accrued interest receivables:		**-**	-	-	**474,517**	340,694	Accrued interest receivables on loans and long-term bonds
Interest income		**5,278,670**	3,787,163	2,875,183	**-**	-	Interest income on loans and long-term bonds
Deposit liabilities:	18	**-**	-	-	**86,084,609**	77,453,490	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Deposits		**8,755,503,257**	6,995,121,632	6,156,555,651	**-**	-	
Withdrawals		**7,796,122,550**	5,355,876,025	5,038,723,856	**-**	-	
Accrued interest payable	21	**317,940**	965,437	965,603	**59,059**	78,141	Interest expense and accrued interest payable on deposits
Accrued other expenses and other liabilities	21, 22	**276,612**	357,140	319,048	**76,956**	2,945,125	Accrued other expenses include professional fees, per diem of Directors and accruals for rent and utilities; On demand, unsecured and non-interest bearing; Other liabilities consists of accounts payable to Bank's officers; On demand, unsecured and non-interest bearing
Fees and other income	27, 31	**361,185**	406,456	219,010	**-**	-	Loan, underwriting, and investment-related fees and commission income, gain from the cash and installment sale transactions of foreclosed properties and passed-on GRT
Commitments and contingent liabilities	38	**-**	-	-	**23,896,918**	25,465,310	Bank guarantees and outstanding letters of credit in favor of related party and committed credit line

Unless otherwise stated, RPTs disclosed are unsecured and balances are net of allowance

As at December 31, 2025 and 2024, outstanding bills purchased of related parties with contra account in "Other liabilities" amounted to P1.5 billion and P676.9 million, respectively (see Notes 12 and 22).

Other related parties are companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank.

The related party transactions shall be settled in cash.

As at December 31, 2025 and 2024, the allowance for credit losses on outstanding transactions with other related parties amounted to P320.9 million and P337.2 million, respectively. Reversal of provision for credit losses recorded in 2025 on such related party transactions totaled to P16.4 million. Provision for credit losses recorded in 2024 and 2023 on such related party transactions totaled to P126.7 million and P120.8 million, respectively. Such outstanding transactions include investment securities at amortized cost, receivables from customers, and accrued interest receivable under the "Loans and receivables - net" account in the statements of financial position and commitment and contingent liabilities.

<u>Transactions with Retirement Plan</u>
The Bank's retirement plan is managed and administered by the Bank's Trust Services Group which is covered by an Investment Management Account (IMA) Agreement (agency relationship). The fair values of the plan assets are disclosed in Note 29.

The related unaudited financial information on assets/liabilities as at December 31, 2025 and 2024 and income/expense of the funds for the period ended December 31, 2025, 2024 and 2023 follow:

	2025	2024
Investment securities:		
Government and other debt securities	**P1,372,938,428**	P1,185,718,267
Quoted equity securities	**471,059,041**	488,000,625
Unquoted equity securities	**2,600**	2,600
Loans and other receivables	**18,862,550**	128,075,796
Deposits with the bank	**5,656,451**	51,225,145
Total Plan Assets	**P1,868,519,070**	P1,853,022,433
Trust fee payable	**P4,116,892**	P3,232,525
Other liabilities	**21,512**	45,706
Total Plan Liabilities	**4,138,404**	3,278,231
Net Plan Assets	**P1,864,380,666**	P1,849,744,202

Plan Income	2025	2024	2023
Interest income	**P83,566,686**	P60,316,990	P46,133,203
Trading and investment gains (losses) - net	**3,097,811**	11,347,086	(26,652,785)
Dividend income and others	**25,169,908**	19,078,546	28,632,767
	P111,834,405	P90,742,622	P48,113,185
Plan Expense			
Trust fees	**P4,499,323**	P3,493,486	P3,257,172
Provision for (reversal of) credit losses	**(1,595,000)**	(1,882,383)	1,219,179
Other expenses	**1,164,598**	2,107,923	1,980,287
	P4,068,921	P3,719,026	P6,456,638

As at December 31, 2025 and 2024, the retirement plan assets of the Bank include 730,670 shares of the Bank classified under financial assets at FVPL. The shares of the Bank were listed in the PSE on March 31, 2022. As at December 31, 2025 and 2024, the fair market value of the shares amounted to P6.7 million and P4.9 million, respectively. Limitations and restrictions are covered by the IMA Agreement and anything outside the IMA Agreement must be explicitly authorized by the Board of Trustees (BOT).

Interest income on deposit with the Bank amounted to nil, P157,906, and P40,334 in 2025, 2024 and 2023, respectively. Investments are subject to the limitations of the agreement and all other actions pertaining to the fund are to be executed only upon explicit authority by the BOT of the Fund.

The Bank's contribution to its defined benefits retirement plan amounted to nil and P655.3 million in 2025 and 2024, respectively. The Benefits paid out of the Bank's plan assets amounted to P94.5 million and P109.6 million in 2025 and 2024, respectively (see Note 29).

<u>Transactions with Investor</u>
The Bank's Trust Services Group also manages and administers retirement funds of one of the investors under IMA Agreements. The total net assets of these trust accounts amounted to P753.4 million and P407.0 million as at December 31, 2025 and 2024, respectively.

<u>Compensation of Key Management Personnel of the Bank</u>
The compensation of the key management personnel of the Bank follows:

	2025	2024	2023
Short-term employee benefits	**P930,130,876**	P820,006,634	P711,101,785
Post-employment benefits	**31,529,238**	44,843,376	30,278,540
	P961,660,114	P864,850,010	P741,380,325

Director's fees and bonuses in 2025, 2024, and 2023 amounted to P39.9 million, P38.6 million, and P47.3 million, respectively.

34. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001.

The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, or rendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.

b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.

c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).

d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subject to terms and conditions as may be imposed by PDIC.

Settlement of Liabilities of TRB

Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.

b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.

c. Any gain on sale of the dacion properties within the 10-year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expenses incurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

FAA

The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a "White Knight" by agreeing to the terms and conditions of the PSA with TRB, follows:

a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year government securities with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20-year government securities (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB's unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by BSP to be booked as "Miscellaneous assets".

On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP's pertinent regulations on minimum capital requirement.

c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC's written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.

d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within five (5) years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

a. To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;

b. Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year government securities to be purchased to replace the maturing government securities in March 2022 and likewise to be pledged to PDIC; and

c. Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by BSP, which required different treatment under PFRS Accounting Standards. These transactions and their effects are described below:

Assumption of NPAs of TRB
In addition to the provisions of FAA and subsequent to the approval by BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities.

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 16). NPL included under miscellaneous assets comprised TRB's loans amounting to P3.1 billion as at August 31, 2001 which is excluded in the determination of financial ratios, provisioning and computation of CAR based on the agreed term sheet. Also, BSP considered these miscellaneous assets as non-risk assets and are not subject to classification.

Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.3 billion as at December 31, 2025, 2024 and 2023 were charged in full in the period incurred (see Note 16).

35. Notes to Statements of Cash Flows

The following is a summary of noncash activities of the Bank:

	2025	2024	2023
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	**P563,392,624**	P560,787,537	P654,419,110
Additions to ROU assets	**259,651,210**	282,902,827	313,175,775
Additions to PPE on account	**24,040,165**	-	-
Increase in sales contract receivables from sale of investment properties	**47,861,151**	57,832,282	108,020,017

The following table shows the reconciliation analysis of liabilities arising from financing activities for period ended December 31, 2025, 2024 and 2023:

	2025	2024	2023
Beginning balance	**P7,196,038,642**	P8,071,629,499	P7,933,164,363
Additions to lease liabilities	**246,777,776**	278,651,103	307,649,056
Interest accretion	**127,802,601**	84,791,505	68,831,053
Cash flows during the year:			
Proceeds	**22,961,241,094**	19,763,875,764	3,147,150,433
Settlements	**(11,967,292,157)**	(21,001,413,943)	(3,385,165,406)
	10,993,948,937	(1,237,538,179)	(238,014,973)
Other adjustments	**(631,556)**	(1,495,286)	-
Ending balance	**P18,563,936,400**	P7,196,038,642	P8,071,629,499

Other adjustments pertain to reductions to lease liabilities due to pre-termination of lease contracts.

As allowed by PAS 7, short-term borrowings from other banks amounting to P5.1 billion, P13.3 billion, and P3.1 billion in 2025, 2024 and 2023, respectively, are presented in the statements of cash flows on a net basis. In 2025 and 2024, cash proceeds include issuance of bonds payable amounting to P17.8 billion and P6.5 billion, respectively. In 2025 and 2024, cash settlements include settlement of matured bonds amounting to P6.6 billion and P7.5 billion, respectively.

36. Earnings Per Share

Basic earnings per share amounts were computed as follows:

		2025	2024	2023
a.	Net income	**P3,539,869,399**	P3,024,939,110	P2,802,219,175
b.	Dividends on preferred shares*	**286,458,336**	242,916,668	187,916,668
c.	Net income to equity holders of the Bank	**3,253,411,063**	2,782,022,442	2,614,302,507
d.	Weighted average number of outstanding common shares	**1,403,013,920**	1,403,013,920	1,403,013,920
e.	Basic earnings per share (c/d)	**P2.32**	P1.98	P1.86

** potential dividends on preferred shares as these were not assumed to be converted.*

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

	2025	2024	2023
a. Net income to equity holders of the Bank	**P3,539,869,399**	P3,024,939,110	P2,802,219,175
b. Weighted average number of outstanding common shares and dilutive preferred shares:			
Outstanding common shares*	**1,403,013,920**	1,403,013,920	1,403,013,920
Potential common shares from assumed conversion of preferred shares	**416,666,670**	416,666,670	416,666,670
c. Total weighted average common shares	**1,819,680,590**	1,819,680,590	1,819,680,590
d. Diluted earnings per share (a/c)	**P1.95**	P1.66	P1.54

37. Events after the Reporting Date

On February 24, 2026, the BOD approved the proposed increase in the Peso Bond Programme by P30.0 billion from P50.0 billion to P80.0 billion. The proceeds of the increase will be used for general corporate purposes, including refinancing of outstanding bonds.

38. Supplementary Information Required under Section 174 of the MORB

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements to Section 174 of the MORB of the BSP, issued through BSP Circular No. 1074, *Amendment to Regulations on Financial Audit of Banks.*

Financial Performance Indicators

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

	2025	2024	2023
Return on average equity	**10.14%**	9.44%	9.52%
Return on average assets	**1.28%**	1.22%	1.25%
Net interest margin on average earning assets	**4.35%**	4.17%	4.28%

Description of Capital Instruments Issued

- *Common Stock*

  As of December 31, 2025 and 2024, the Bank's common stock amounted to P14.0 billion representing 1,403,013,920 issued common shares.

- *Preferred Stock*

  As of December 31, 2025 and 2024, the Bank's issued and outstanding preferred stock amounted to P4.2 billion representing 416,666,670 preferred shares. These preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders after 5 years from issue date, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of the Bank and subject to the other terms and conditions as may be fixed by the BOD, required under regulations, and to the extent permitted by applicable law.

Significant Credit Exposures

As at December 31, 2025 and 2024, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2025		2024	
	Amount	%	Amount	%
Electricity, gas, steam, and air-conditioning supply	**P45,099,782**	**27.9**	P45,497,015	33.6
Real estate activities	**30,722,470**	**19.0**	25,014,466	18.5
Construction	**13,355,410**	**8.3**	12,386,390	9.1
Manufacturing	**11,753,921**	**7.3**	11,196,631	8.3
Financial and insurance activities	**10,498,327**	**6.5**	7,176,445	5.3
Transportation and storage	**9,117,307**	**5.6**	2,874,147	2.1
Information and communication	**9,086,771**	**5.6**	5,792,384	4.3
Mining and quarrying	**8,306,988**	**5.1**	1,966,730	1.5
Wholesale and retail trade, repair of motor vehicles and motorcycles	**5,738,624**	**3.5**	7,043,723	5.2
Agriculture, forestry and fishing	**3,769,903**	**2.3**	3,671,709	2.8
Accommodation and food service activities	**3,122,000**	**1.9**	3,151,640	2.3
Water supply, sewerage, waste management and remediation activities	**1,254,677**	**0.8**	1,324,212	1.0
Administrative and support service activities	**310,777**	**0.2**	206,588	0.1
Others*	**9,670,451**	**6.0**	7,978,484	5.9
	P161,807,408	**100.0**	P135,480,564	100.0

Others include Professional Activities, Education, Personal Consumption and other various activities

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio or 10.0% of Tier 1 capital.

As at December 31, 2025, the Bank does not have credit concentration in any particular industry that exceeds 30.0% of the total loan portfolio. As at December 31, 2024, the table above includes one industry group (electricity, gas, steam and air-conditioning supply) above the 30.0% of the total loan portfolio. However, the Bank has internal sub-classifications for renewable and non-renewable energy under electricity and power industry with separate limits (for renewable energy- 25.0% of the total loan portfolio, non-renewable energy- 30.0%). Existing exposures as at December 31, 2025 and 2024 for this industry are within the acceptable levels. As at December 31, 2025, existing exposures for renewable energy and non-renewable energy were at 11.9% and 16.0%, respectively, of the total loan portfolio. As at December 31, 2024, existing exposures for renewable energy and non-renewable energy were at 12.0% and 21.6%, respectively, of the total loan portfolio.

As at December 31, 2025, 10.0% of the Tier 1 capital amounted to P3.2 billion and the table in the previous page includes the ten industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Construction, Manufacturing, Financial and insurance activities, Transportation and storage, Information and communication, Mining and quarrying, Wholesale and retail trade, repair of motor vehicles and motorcycles, and Agriculture, forestry and fishing) exceeding this level as of that date.

The table also includes the nine industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Construction, Manufacturing, Financial and insurance activities, repair of motor vehicles and motorcycles, Information and communications, Wholesale and retail trade, Agriculture, forestry and fishing and Accommodation and food service activities) above the 10.0% of Tier 1 capital (P3.0 billion) as at December 31, 2024.

The BROC and CRECOM constantly monitor these credit risk concentrations to ensure these are within the risk appetite of the Bank. Limits are set to allow SET to highlight any possible issues and to actively direct loans to preferred industries when faced with emerging concentration and potential industry decline.

Under BSP Circular No. 941, *Amendments to the Regulations on Past Due and Non-Performing Loans*, loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Breakdown of Total Loans as to Security
As at December 31, 2025 and 2024, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2025		2024	
	Amount	**%**	Amount	%
Loans secured by:				
Real estate	**P14,858,216**	**9.2**	P14,346,526	10.6
Security agreement	**14,393,603**	**8.9**	9,449,395	6.9
Deed of pledge	**10,862,419**	**6.7**	4,552,022	3.4
Deed of assignment	**10,520,115**	**6.5**	1,521,330	1.1
Deposit hold-out	**4,854,176**	**3.0**	4,968,854	3.7
Continuing surety agreement	**4,504,170**	**2.8**	4,761,602	3.5
Chattel	**2,902,114**	**1.8**	2,267,390	1.7
Corporate guaranty	**312,500**	**0.2**	1,079,000	0.8
Others*	**9,087,633**	**5.6**	11,525,917	8.5
	72,294,946	**44.7**	54,472,036	40.2
Unsecured	**89,512,462**	**55.3**	81,008,528	59.8
	P161,807,408	**100.0**	P135,480,564	100.0

**Others include post-dated checks and various collaterals on omnibus loan and security agreement*

Breakdown of Total Loans as to Status
As at December 31, 2025 and 2024, the breakdown of receivables from customers (net of unearned interest income) as to status, is as follows (amounts in thousands):

	December 31, 2025		
	Performing	**Non-performing**	**Total**
Corporate	**P137,498,016**	**P1,065,291**	**P138,563,307**
Consumers	**18,569,602**	**833,337**	**19,402,939**
Credit card	**1,840,080**	**321,331**	**2,161,411**
Others	**1,596,101**	**507**	**1,596,608**
	P159,503,799	**P2,220,466**	**P161,724,265**

	December 31, 2024		
	Performing	Non-performing	Total
Corporate	P116,539,281	P756,163	P117,295,444
Consumers	14,762,658	644,052	15,406,710
Credit card	1,537,700	248,451	1,786,151
Others	879,277	45,624	924,901
	P133,718,916	P1,694,290	P135,413,206

As at December 31, 2025 and 2024, the NPLs of the Bank, as reported to BSP, are as follows (in thousands):

	2025	2024
Gross NPLs	**P2,220,466**	P1,694,290
Less deductions as required by BSP	**1,187,502**	1,027,873
Net NPLs	**P1,032,964**	P666,417

Gross and net NPL ratios of the Bank are 1.33% and 0.62%, respectively, as at December 31, 2025 and 1.25% and 0.49%, respectively, as at December 31, 2024.

As at December 31, 2025 and 2024, restructured loans amounted to P1.0 billion and P0.9 billion, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2025 and 2024, restructured receivables from customers considered as NPLs amounted P852.0 million and P668.2 million, respectively.

Information on Related Party Loans
Except with the prior approval of the MB, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 15% of the total loan portfolio of the bank or 100.0% of net worth whichever is lower provided that in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the ceiling on unsecured loans, other credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every week.

The total outstanding loans, other credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank provided that the unsecured loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed 5.0% of such net worth provided that the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank provided that these subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the lending bank.

The following table shows information on related party loans (amounts in thousands, except percentages):

	2025		2024	
	DOSRI Loans	Related Party Loans (inclusive of DOSRI)	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	P -	P67,949,007	P59	P52,840,911
Percent of DOSRI/Related Party loans to total loans	0.00%	40.60%	0.00%	38.98%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	22.90%	0.00%	26.02%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.01%	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.54%	0.00%	0.26%

Commitments and Contingencies
In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2025 and 2024:

	2025	2024
Contingent assets:		
Future/spot exchange bought	P1,257,580,329	P3,412,855,000
Fixed income securities purchased	2,574,327	25,619,362
	P1,260,154,656	P3,438,474,362
Commitments and contingent liabilities:		
Trust department accounts	P68,650,340,458	P72,409,641,964
Committed credit line	17,379,461,505	15,658,499,835
Unused commercial letters of credit	6,614,545,656	10,207,552,133
Credit card lines	4,427,078,211	3,866,333,335
Outstanding guarantees	2,509,497,648	2,229,592,892
Future/spot exchange sold	1,837,127,054	3,962,382,500
Inward Bills for Collection-Domestic	197,314,203	1,272,590
Retirement obligations	166,555,598	154,519,260
Fixed income securities sold	2,574,326	25,619,362
Late deposits/payments received	632,179	59,173,307
Items held for safekeeping/securities held as collateral	58,653	64,100
	P101,785,185,491	P108,574,651,278

Retirement obligations pertain to the estimated impact of the amendments to the Bank's retirement plan on past service cost, subject to certain conditions.

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments
The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2025 and 2024.

Trust Assets
Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Services Group amounted to P68.7 billion and P72.4 billion based on audit balances as at December 31, 2025 and 2024, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P770.0 million as at December 31, 2025 and 2024, which have been included under "Investment securities at amortized cost" (see Note 11), are deposited with BSP.

39. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in a note to the separate financial statements. The Bank presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

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(044) 796-3797 / (044) 796-3813

METRO MANILA SOUTH AREA

ALABANG
Unit 6 El Molito II Building, Madrigal Avenue corner Alabang-Zapote Road, Ayala Alabang, Muntinlupa City
8-850-8718 / 8-219-0121 / 8-850-1574

BF HOMES
#33 President's Avenue,BF Homes, Paranaque City
7-219-0149/ 8-403-8941 (Fax)

BICUTAN
G/F FilHome Builders Building, #68 Doña Soledad Avenue, Better Living Subdivision, Don Bosco, Paranaque City
7-219-0129 / 8-776-4146 / 8-823-2321

DASMARIÑAS - CAVITE
G/F Veluz-Frances Plaza Building,Aguinaldo Highway,Zone 1, Dasmañas City, Cavite
Manila Line: (02) 8-529-8129 (Fax)
Cavite Line: (046) 416-2335

LAS PIÑAS
G/F Pelayo Alabang-Zapote Road, Manuela Subdivision, Pamplona Tres, Las Pinas City
8-556-1507 / 8-556-1501 / 8-556-1500

NAIA TERMINAL 3
T3 L1-105 Arrival Lobby, NAIA Terminal 3, Barangay 183, Pasay City
8-833-7295

NAIA T3 DEPARTURE BRANCH-LITE
Departure Hall, NAIA Terminal 3, Pasay City

NAIA ROAD - PASAY
Units G02-G03, G/F, CAEMC Commercial Building, NAIA Road, 6-11 Compound, Pildera-1, Barangay 192, Pasay City

IMUS
G/F Lot 3, Block 1, Aguinaldo Highway Anabu I-B Imus City Cavite
(046) 438-8451(Fax)

NINOY AQUINO AVENUE
Unit W & Y No. 707 Columbia Airfreight Complex, Ninoy Aquino Avenue Santo Nino Paranaque City
8-851-2680 / 8-219-0185 / 8-854-4071

SUCAT
#8338 Fortuna II Building, Dr. A. Santos Avenue San Isidro, Paranaque City
8-826-8415 / 0917-8351265 / 8-820-7747 (Fax)

MANILA PROPER AREA

ADUANA
G/F, FEMII Building, A. Soriano Street, Barangay 656, Intramuros, Manila
8-527-2893 / 7-219-0180 / 8-527-2947 (Fax)

ERMITA
#1312 A. Mabini Street Barangay 669 Ermita, Manila
8-525-7330 /8-254-7545

DASMARIÑAS - BINONDO
G/F, 304 STP Building, Dasmarinas corner Marquina Streets, Barangay 291, Binondo, Manila
8-247-1472 / 7-219-0251

JUAN LUNA
#465 MCU Building, Juan Luna Street, Barangay 287, Binondo, Manila
8-241-0407 / 8-241-0234

PEDRO GIL - AGONCILLO
G/F Unit 11 SCG Building,1610 Pedro Gil corner F. Agoncillo Streets, Barangay 693, Malate, Manila

PORT AREA
Ground Floor Mary Bachrach Building, 25th corner Delgado Streets, Barangay 653, Port Area, Manila
8-527-7986

QUIAPO
#609 Sales Street, Barangay 309, Quiapo, Manila
8-733-9326

SOLER
#1004 Reina Regente corner Soler Streets, Barangay 292, Binondo, Manila
8-244-7003 / 8-244-7001 (Fax)

STO. CRISTO
G/F Kim Siu Ching Foundation,471-483 Sto. Cristo St. corner Jaboneros St.,Barangay 281, Binondo, Manila
8-241-4151/ 8-242-0242 (Fax)

TAFT AVENUE
Ground floor, #2270 Endriga Building Taft Avenue Barangay 725 Malate, Manila
8-523-2297 / 8-521-9124 (Fax)

TUTUBAN
G/F, Units LS-CM19 & 20, Center Mall II, Tutuban Center C.M. Recto Avenue, Barangay 248, Binondo, Manila
8-353-0086

UN AVENUE
#429 Victoria Building, United Nations Avenue,Barangay 666, Ermita, Manila
8-524-9935

MAIN OFFICE BRANCH AREA

MAIN OFFICE - SAN MIGUEL
Unit A G/F, #7, San Miguel Properties Centre, Saint Francis Street, Ortigas Center, Wack-Wack Greenhills East , Mandaluyong City
8-635-5517 / 7-219-0213 / 8-633-2430 / 8-633-9296 (Fax)

METRO MANILA EAST AREA

ANTIPOLO
JMK Building,Circumferential Road Cor. P. Oliveros St., San Roque, Antipolo City

FORT BONIFACIO HIGH STREET
G/F, Kensington Place, Burgos Circle, Fort Bonifacio, Taguig City
8-856-1707 / 7-219-0107 / 8-856-1696 (Fax)

BONIFACIO HIGH STREET
G/F Active Fun Building 9th Avenue corner 28th Street, Fort Bonifacio, Taguig City
8-779-8023 / 8-779-8024 / 7-957-9320

CONCEPCION
52 A.M. PACLEB Building, Bayan-Bayanan Ave., Concepcion 1, Marikina City
8-941-0714 / 7-219-0125 / 8-942-0429 (Fax)

EASTWOOD – PETRON
188 E. Rodriguez Jr. Ave. (C-5), Bagumbayan, Quezon City
8-654-0084 / 7-216-9879 / 8-655-1204 (Fax)

GREENHILLS
#7 Eisenhower Tower, Eisenhower Street, Greenhills, San Juan City
8-723-5380 (telefax) / 7-219-0207 / 8-727 - 4936 to 39

MARCOS HIGHWAY
Unit # 10, No. 4, Thaddeus Arcade Gil Fernando Avenue corner Pitpitan Street, San Roque, Marikina City

8-647-7172 / 7-219-2723 / 8-647-7165 (Fax)

MARIKINA
258 JP Rizal Street, Santa Elena, Marikina City
8-646-1808 / 7-219-3453 / 8-646-1802 (Fax)

PASIG
G/F, Renaissance 2000 Tower, Meralco Avenue, San Antonio, Pasig City
8-635-0392 / 7-217-1674 / 8-635-3661 / 8-631-3769 (Fax)

PASIG BOULEVARD
G/F Unit 105 Elements @ Rosemarie Building, Pasig Boulevard cor. Rosemarie Lane, Kapitolyo,Pasig City
8-650-6560 / 7-217-3403 / 8-650-6561 (Fax)

PASIG C5
#100 E. Rodriguez Jr. Ave., C5 Road, Brgy. Ugong, Pasig City
8-722-2896 / 0917-8350678

WACK-WACK PETRON
553 Shaw Boulevard, Wack-Wack Greenhills East, Mandaluyong City
7-738-1984 / 7-217-2180 / 7-738-1985 (Fax)

QUEZON CITY CENTRAL AREA

BROADCAST CITY
Capitol Hills Drive, Balara, Quezon City
8-932-4628 / 7-219-0188 / 8-932-4969

COMMONWEALTH
GF Verde Oro Building,No.535 Commonwealth Avenue, Matandang Balara, Quezon City
8-952-7990 / 7-216-7636 / 8-952-7989

CUBAO
Unit 1 G/F, Harvester Corporate Center, P. Tuazon corner 7th & 8th Avenue, Socorro, Quezon City
8-911-2486 / 7-219-0202 / 8-911-2485

E. RODRIGUEZ
No. 84 Hemady Street, New Manila, Mariana, Quezon City
8-722-2379 / 8-722-2197 / 8-705-1943

DEL MONTE
G/F Bank of Commerce Building, Del Monte Avenue corner D. Tuazon Street, Maharlika, Quezon City
7-219-3786 / 8-743-2541

DILIMAN
Commonwealth Avenue corner Masaya Street, Old Capitol Site, Quezon City
8-927-6074 / 7-219-7093 / 8-920-2324

KATIPUNAN - PETRON
Katipunan Avenue corner Mangyan Road, La Vista, Pansol, Quezon City
8-921-4020 / 7-219-0174 / 8-921-4042

QUEZON AVENUE
#8 Sto. Domingo Church Compound, Biak na Bato Street corner Quezon Avenue, Santo Domingo, Quezon City
8-712-2534 / 8-732-8360

VISAYAS AVENUE
15 Visayas Avenue Extension, Culiat, Quezon City
8-426-4732 / 7-219-0155 / 8-426-4854

WEST AVENUE
#1451 Quezon Avenue corner Examiner Street, West Triangle, Quezon City
8-374-5544 / 7-219-0168 / 8-374-5548

WEST TRIANGLE
1451 Quezon Ave. cor. Examiner St., Quezon City
8-925-1209 / 7-219-0160 / 8-927-4063

FAIRVIEW PETRON
G/F, Petron Station, Commonwealth Avenue, Fairview, Quezon City
8-376-1023 / 8-376-1025

LUZON

NORTH LUZON AREA

BAGUIO
G/F YMCA Baguio Building, Post Office Loop (Upper Session Road), Baguio City
(074) 619-0073 / (074) 619-0072 (Fax)

CANDON
G/F, National Highway, Brgy. San Jose, Candon City, Ilocos Sur
(077) 674-0623 / (077) 644-0288 (Fax)

CARMEN
McArthur Highway, Carmen Rosales, Pangasinan
(075) 582-7365 / (075) 582-7370 (Fax)

CAUAYAN CITY, ISABELA
G/F Majesty Commercial Building, National Highway, Brgy. Fermin, Cauayan City, Isabela
(078) 652-2339 (Telefax)

DAGUPAN
G/F East Gate Plaza Building, A.B. Fernandez Avenue, Brgy. Mayombo, Dagupan City, Pangasinan
(075) 522-8691 / (075) 522-8963 (Fax)

LAOAG
G/F, Rizal corner General Hizon Sts., Brgy. 7-A, Laoag City, Ilocos Norte
(077) 677-2572 / (077) 617-1363 / (077) 617-1603 (Fax)

LA UNION
G/F Northway Plaza, National Highway, Brgy. Sevilla, San Fernando City, La Union
(072) 700-1618 / (072) 242-5683 (Fax)

SANTIAGO CITY, ISABELA
G/F, Oryza Building, Maharlika Highway, Villasis, Santiago City
(078) 305-5360

TUGUEGARAO
Luna corner Burgos St. Centro 6, Tuguegarao City, Cagayan
(078) 844-8041 / (078) 844-8044 (Fax)

URDANETA
G/F The Pentagon Building, McArthur Highway, Brgy. Nancayasan, Urdaneta City, Pangasinan
(075) 656-1017 / (075) 656-1018 (Fax)

VIGAN
G/F Plaza Maestro Commercial Complex, Florentino corner Jacinto Streets, Brgy. 1, Vigan City, Ilocos Sur
(077) 722-2119 / (077) 632-0802 (Fax)

CENTRAL LUZON AREA

ANGELES
McArthur Highway cor. B. Aquino St., Lourdes Sur East, Angeles City
(045) 626-2010 (Fax) / (045) 323-4130 (Fax)

ANGELES NEPOMART
G/F Entec Building, Teresa Ave., NepoMart Complex, Brgy. Cutcut, Angeles City
(045) 497-0551

BALANGA
Paterno St., Poblacion, Balanga City, Bataan
(047) 237-7622 / 047) 237-2366 (Fax)

BALIBAGO
McArthur Highway cor. Victor St., Balibago, Angeles City
(045) 892-0875 / (045) 331-3389 / (045) 625-5586 (Fax)

CABANATUAN
G/F V.P. Building, Maharlika Highway, Brgy. H. Concepcion, Cabanatuan City, Nueva Ecija
(044) 940-1254 / (044) 940-1263 (Fax)

IBA
G/F Trb Building, Ramon Magsaysay Avenue, Brgy. Zone II, Iba, Zambales
(047) 602-1866 / (047) 811-1025 (Fax)

SAN FERNANDO, PAMPANGA
G/F Insular Life Building, McArthur Highway, Brgy. Dolores, San Fernando, Pampanga
(045) 961-1624 / (045) 961-1680 (Fax)

STA. CRUZ
National Road cor. Misola St., Poblacion South,Sta. Cruz, Zambales
(047) 831-1113 (Telefax)

SUBIC FREEPORT
Unit 103-105 Ground Floor Panda 1 Building, Rizal Highway, Subic Bay Freeport Zone 2222, Olongapo City, Zambales
(047) 252-1851 / (047) 252-1863 (Fax)

TARLAC
Unit 110-112 Rising Sun Building, Block 4, Brgy. San Nicolas, McArthur Highway, Tarlac City
(045) 982-5401 / (045) 982-5365 (Fax)

CLARK FREEPORT
Unit 5A, Ground Floor, Clark Center 14, Clark Center, Jose Abad Santos Avenue, Clark Freeport Zone, Mabalacat City, Pampanga
(045) 499-8647 / (045) 308-0516

SINDALAN
Jumbo Jenra McArthur Highway, Brgy Sindalan, San Fernando City
(045) 403-9338 / (045) 409-8108

SOUTH LUZON AREA

BATANGAS – CAEDO
G/F Caedo Commercial Complex, Brgy. Calicanto, Batangas City
(043) 723-6773 / (043) 723-1410 (Fax)

BATANGAS - P. BURGOS
No. 27 P. Burgos St., Batangas City
(043) 723-0275 / (043) 723-0909 (Fax)

CALAMBA
Units 6&7, New Parian Business Center cor. Lawa Road, National Highway, Parian, Calamba City
(049) 502-7922 / (049) 502-8508 (Fax)

CALAPAN
G/F Leona Yap Ong Building, J. P. Rizal Street, Brgy. San Vicente Central, Calapan City, Oriental Mindoro
(043) 288-4496 / (043) 288-4031 (Fax)

LEGAZPI CITY
G/F Diabetes One-Stop Center, LANDCO Business Park, Legazpi City
(052) 742-0691 / (052) 480-6054

LIPA
No. 7 Bank of Commerce Building, C.M. Recto Ave., Brgy. 9, Lipa City
(043) 756-4214 / (043) 756-2558 (Fax)

LUCENA
G/F Bank of Commerce Building, Quezon Avenue corner Lakandula Street, Brgy. 9, Lucena City, Quezon
(042) 710-9691 / (042) 710-9692 (Fax)

NAGA
G/F Romar 1 Building, Elias Angeles Street, Brgy. Dinaga, Naga City, Camarines Sur
Manila Line: (02) 206 - 4080/ (054) 811-8931

PUERTO PRINCESA
J.P. Rizal Avenue, Brgy. Manggahan, Puerto Princesa City, Palawan
(0918) 9623259

SAN PEDRO
G/F Pacita Commercial Complex, National Highway, Brgy. Nueva, San Pedro, Laguna
02-8808-2026 / 02-8808-2002

STA. ROSA
Shop I-A, G/F Paseo 3, Paseo de Sta. Rosa, Sta. Rosa City, Laguna
(0917) 8351948

TANAUAN
G 04 The City Walk No. 2 Pres. Laurel Highway Brgy Darasa, Tanauan City, Batangas
(043) 784-6990 / (043) 784-6994 (Fax)

VISAYAS

EASTERN VISAYAS AREA

CEBU F. CABAHUG
Units 5 & 6 GPH Central, F. Cabahug cor. President Roxas Street, Brgy. Kasambagan, Mabolo, Cebu City
(032) 316-9913 / (032) 342-7144 (Telefax)

CEBU – BANILAD
G/F First Jomica Realty and Development Building, 888 A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu
(032) 231-6704 / (032) 231-6706 (Fax)

CEBU – MAIN
G/F Cebu Woman's Club Building, B. Rodriguez St. corner Osmeña Blvd., Brgy. Sambag II, Cebu City
(032) 253-1951 / (032) 324-9039 / (032) 255-4223 (Fax)

CEBU STO. NIÑO- MAGALLANES
G/F Unit-2, Martina Sugbo Building, P. Burgos cor. Magallanes St., Brgy. Sto Niño, Cebu City
(032) 254-1825 / (032) 316-9925 / (032) 253-3999

CEBU TALISAY
G/F PCJ Building, National Highway, Bulacao, Talisay City, Cebu
(032) 231-6027 / (032) 429-0065

LAPU LAPU
Unit 3-5 AJS Building, Pusok, Lapu-Lapu City
(032) 341-3854 / (032) 316-9927 / (032) 341-3855

MANDAUE
G/F Jy Square Mandaue, A.c. Cortes Avenue, Brgy. Ibabao-Estancia, Mandaue City, Cebu
(032) 346-6901 / (032) 346-6902 (Fax)

MANDAUE NRA
G/F City Time Square Phase II, Mantawe Ave., Brgy.Tipolo, North Reclamation Area, Mandaue City
(032) 268-4693 / (032) 316-9926

ORMOC
G/F H. Serafica Building, Real St., Ormoc City
(053) 561-8523 / (053) 255-4366 (Fax)

TACLOBAN
Door 12-13 RUL Building, Brgy. 15, Justice Romualdez Street, Tacloban City
(053) 832-2866 / 09173281721

TAGBILARAN
G/F Karan's Building, B. Inting St., 2nd District, Brgy. Poblacion II, Tagbilaran City, Bohol (Gulshan Centre)
(038) 411-5400 / (038) 411-3773 (Fax)

WESTERN VISAYAS AREA

BACOLOD - ARANETA
G/F Yusay Arcade, Araneta Street, Brgy. 15, Bacolod City, Negros Occidental.
(034) 433-4667 / (034) 433-2267 (Fax)

BACOLOD - CAPITOL
GR 04 & 05, 888 Chinatown Premier Mall, Cottage Road corner Gatuslao St., Brgy. 8, Bacolod City, Negros Occidental.
(034) 432-3287

BACOLOD - LACSON
Corner 12th and Lacson Streets, Barangay 4, Bacolod City, Negros Occidental
(034) 433-4238 / (034) 433-1139 (Fax)

CATICLAN AIRPORT BRANCH-LITE
Arrival Lobby, Godofredo P. Ramos Airport, Union, Nabas, Aklan

DUMAGUETE
G/F Rusiana Building, North Road, Capitol Area (National Highway), Barangay Daro, Dumaguete City
(035) 225-7668 / (035) 422-6896 (Fax)

ESTANCIA
Clement Street, Poblacion Zone II, Estancia, Iloilo.
(033) 397-0222 / (033) 397-0220 (Fax)

ILOILO – ATRIA
G/F, Unit 1 Stronghold Insurance Building, Donato Pison Avenue, Atria Park Mandurriao District, Brgy. San Rafael, Iloilo City
(033) 501-6013 / (033) 517-0684

ILOILO – IZNART
G/F TCT Building, Iznart Street, Brgy. Danao, Iloilo City.
(033) 335-0710 / (033) 335-0712

ILOILO - J.M. BASA
G/F TTW Building, Corner J.M Basa-Mapa Sts., Brgy. Ortiz, Iloilo City.
(033) 337-8721 / (033) 335-1020 (Fax)

KABANKALAN
Guanzon Street, Brgy. 2, Kabankalan City, Negros Occidental.
(034) 471-2853 / (034) 471-2253 (Fax)

KALIBO
No. 1280 Garcia Building, C. Laserna Street, Brgy. Poblacion, Kalibo, Aklan
(036) 262-5294 / (036) 268-9032 (Fax)

ROXAS CITY
G/F Gaisano Arcade, Arnaldo Boulevard, Brgy. Baybay, Roxas City, Capiz.
(036) 621-0845 / (036) 621-1760

MINDANAO

BUTUAN
G/F Cesia Building, South Montilla Blvd., Butuan City, Agusan del Norte
(085) 815-9633 / (085) 303-6321
+639175062740
+639178568425

CAGAYAN DE ORO – CARMEN
Eric Tan Building, Vamenta Blvd., Carmen, Cagayan de Oro City
(088) 231-4167 (Fax)

CAGAYAN DE ORO – LAPASAN
Suites 6 & 7, Gateway Tower 1, Limketkai Center, Cagayan de Oro City
(088) 856-3991 / (088) 856-3977 (Fax)

CAGAYAN DE ORO – VELEZ
Don A. Velez-Akut Streets, Cagayan de Oro City
(088) 856-4371

DAVAO - CITY HALL
G/F Valgoson's Realty Building, City Hall Drive, Brgy. 2-A, Davao City, Davao del Sur
(082) 226-4074 / (082) 221-2590(Fax)

DAVAO – LANANG
G/F Consuelo Building, Km. 07, Brgy. Lanang, Davao City, Davao del Sur
(082) 234-1042 / (082) 226-2859 (Fax)

DAVAO – RIZAL
G/F CAP Development Center Building, Rizal Street, Brgy. 3-A, Davao City, Davao del Sur
(082) 226-2223 / (082) 222-0904 (Fax)

GENERAL SANTOS
G/F C. Czar & Co. Building, Santiago Blvd., Brgy. East, General Santos City
(083) 552-9375

ILIGAN CITY
G/F Barnuevo Bldg. M. Badelles St. corner De Leon Street, Barangay Poblacion, Iligan City, Lanao del Norte
(063) 224-6488

MARAMAG
G/F TRB Building, Sayre Highway, Brgy. North Poblacion, Maramag, Bukidnon
+63917 516 0606
(02) 8-982-6000 local 7089

PAGADIAN CITY
G/F, F.S. Pajares Avenue, Brgy. Gatas, Pagadian City, Zamboanga del Sur
(062) 925-3399 (Fax)

TAGUM CITY
Unit 104-105, PLJ Bldg., Apokon Road, Magugpo, Tagum City, Davao del Norte
(084) 216-5364 (Fax)

ZAMBOANGA – VETERANS
Cor. Camanchille Road, Veterans Avenue Zamboanga City
(062) 991-2980 (Fax)

ANNEX A - INDIVIDUAL BALANCES OF MATERIAL RELATED PARTY TRANSACTIONS

MATERIAL TRANSACTIONS WITH RELATED PARTY
As of December 31, 2025

Name of Related Party	Outstanding Loan Amount (in PhP)	Off-Balance Sheet Commitments (in USD)	Off-Balance Sheet Commitments (in PhP)
5221 ENTERPRISE - SPS. ROMMEL R. ESCANO AND ANNABELA F. ESCANO		-	10,770,000.00
6SF CORPORATION		-	5,000,000.00
89-S DISTRIBUTION INC.		-	15,000,000.00
8990 HOUSING DEVELOPMENT CORPORATION	2,005,618,928.25		
ABELLANOSA ENTERPRISES - SPS. TITO JR. B & BETTY J. ABELLANOSA		-	24,474,400.00
ADVANTAGE CONCRETE INDUSTRIES CORP. (FORMERLY: ASTURIAS INDUSTRIES, INC.)	4,517,620,000.34		
ANGAT HYDROPOWER CORPORATION	5,633,326,444.17		
APEX MINING CO., INC.	2,192,577,422.80		
ASBD CORPORATION		-	4,183,200.00
ATE ENERGY INTERNATIONAL CO. LTD - PHILIPPINE BRANCH OFFICE	2,363,064,050.00		
BALIWAG LECHON MANOK INC.		-	100,000,000.00
BARACHIEL RTK CORP.		-	10,000,000.00
BALDO CONSTRUCTION AND DEVELOPMENT CORPO	268,550,763.89		
BIG 8 ENTS. & SONS I	133,076,309.82		
BELRON BUSINESS CENTER (BBCI) INC.	50,245,416.67		
BINDY PARTS CORPORATION		-	25,000,000.00
BROILERS CLUB INC.		-	10,350,000.00
C. BAYLE TRUCKING SERVICES - SPS. CICERO G. & NENITA F. BAYLE		-	1,600,000.00
CYLIX TECHNOLOGIES INC.	50,100,000.00		
DAGUMA AGRO-MINERALS	5,920,756,579.00		
DELTA EARTHMOVING, INC.	300,625,000.00		
ENERGY & BUILDING APPLICATIONS TECHNOLOG	51,564,600.38		
FERNWOOD HOLDINGS, INC.	2,518,091,473.09		
GG CONSOLIDATED AND BUSINESS DEVELOPMENT INC.		-	2,000,000.00
CARA ENTERPRISES, INC.		-	3,268,352.00
CART STORE - SPS. AGNES & CHITO OLBIDO		-	5,000,000.00
CFTRI DISTRIBUTION CORPORATION		-	9,200,000.00
CLARK FREEPORT TRADING RESOURCES, INCORPORATED		-	5,000,000.00
CSMOZAR TRADING, INCORPORATED		-	1,523,000.00
CVGM INDUSTRIAL DISTRIBUTION VENTURES, INC.		-	10,000,000.00
DOUBLE A MERCHANDISING - SPS. NERISA L. & ALY A. ARQUILLANO		-	4,663,975.00
D-GMA TRADING - SPS. GUILLERMO G. & MARICEL B. DELGADO		-	10,000,000.00
ECONO-GAS TRADING - SPS. GEORGE P. & GLEMOR GLENN T. UY		-	5,000,000.00
ENA BEVERAGE TRADING - JOSE ENA J. UY		-	6,500,000.00
EPI GENERAL MERCHANDISE - SPS. ERWIN E. & MILDRED M. PALIS		-	20,000,000.00
GERALD MARKETING - GRACE P. ROMANO		-	20,000,000.00
GGM STAR MARKETING INCORPORATED		-	3,223,000.00
GOLDEN RED ANLU INCORPORATED		-	2,585,275.00
GOLRAZ ENTERPRISE, INC.		-	10,000,000.00
GRANDIOSE TRADING - SPS. AGUSTIN S. & JOSEPHINE D. SANTOS		-	3,000,000.00
GREAT BREW MARKETING CORP.		-	5,220,800.00
HGEFC TRADING CORP.		-	6,300,000.00
J.E. MANALO & CO., INC.		-	1,220,736,317.08
JACKIECRIS CORPORATION		-	20,000,000.00
JACM MARKETING - MA. VICTORIA M. EVANGELISTA		-	18,000,000.00
JAPER MARKETING - PERCIVAL G. LLABAN		-	5,000,000.00
JCORRO DISTRIBUTORSHIP INC.		-	5,500,000.00
JRL AMAYA MARKETING INC.		-	17,800,000.00
JUMARC'S TRADING - JULIET A. DURANTE		-	9,506,800.00
KKHK 888 CORPORATION		-	12,100,000.00
KRITZLAND COMMERCIAL - SPS. SAMUEL M. & JEAN S. FLORES		-	10,000,000.00
LIN AI TRADING - SPS. REMY A. & LIN AI GO CHU		-	6,600,000.00
LIQUIGAZ PHILIPPINES CORPORATION	5,027,591,630.24		
LEGAL RESOURCES AND SYSTEMS, INC.	34,143,659.98		
LINSEED FIELD CORPOR	4,919,150,775.57		
MARIVELES POWER GENE	7,508,417,500.00		

MASINLOC POWER CO. L	3,021,093,741.46		
MUROZONO, VICTORIA, SAN MATEO	192,417,597.64		
MAGNO Y LIM CORPORATION		-	6,500,000.00
MANDAL BEVERAGE TRADING - ACHILLES VAL M. MANDAL		-	2,076,600.00
MASINLOC POWER PARTNERS CO. LTD		-	1,302,150.00
MIRACULOUS MEDAL STORE - SPS. SUSAN G. AND ARTHUR R. TANSIONGCO		-	6,502,600.00
MSVZ ENTERPRISES - SPS. SINCLAIRE & MIRA LUCERO		-	14,500,000.00
MYREINA BEVERAGES TRADING - SPS. NOEL T. & MYLA B. SOTELO		-	10,000,000.00
MALITA POWER INC.	1,856,378,995.59		
NORTHERN CEMENT CORP	1,756,183,863.62		
NEW NAIA INFRA CORP.	202,697,711.05		
N.Z.O. ENTERPRISES		-	5,200,000.00
NATCO DEALERSHIP CORPORATION		-	47,526,204.00
NIÑO TAN YAO MERCHANDISING CORPORATION		-	15,000,000.00
NZO DELIVERY SERVICES		-	2,379,456.00
OLONGAPO ELECTRICITY DISTRIBUTION COMPANY, INC.	413,524,599.17		
PANASIA ENERGY, INC.	3,748,919,594.53	-	5,000,000.00
PBY ENTERPRISES - DIVINA F. YLAGAN		-	23,224,200.00
POSITIF CORPORATION	50,263,888.89		
R.T. QUIOGUE CONSTRU	610,399,999.99		
RHAJTEK INDUSTRIAL SYSTEMS AND CONSTRUCT	50,116,667.77		
R & R COURIER SERVICES INC.		-	2,200,000.00
RGEE TRADING - GONIGENDA D. SANTOS		-	1,253,800.00
RICHARD MEAT STALL - SPS. RICHARD & LOVING LEI AMISOLA		-	750,000.00
ROMMEL G DRESSED CHICKEN STALL - SPS. ROMMEL JOHN AND NEKKA ELA AMISOLA		-	750,000.00
RONNEL'S BEVERAGES TRADING - SPS. RONNIE P. & NELLIAM P. GUMBA		-	6,000,000.00
RRIBB GENERAL MERCHANDISE - SPS. CECILLE L. PALANCA & HENRY BERNARDO M. PALANCA		-	10,000,000.00
RUBECK TRADING CORPORATION		-	4,500,000.00
SAMMY'S BEVERAGES DISTRIBUTION - SPS. MILDRED G. & RANDY Y. CUBILLAN		-	14,000,000.00
SELAMI TRADING INC.		-	1,524,400.00
STONE BRIDGE ENTERPRISES - SPS. EDITHA C. & ROLANDO M. JUAN		-	10,000,000.00
SULAWAN POINT DISTRIBUTORS, INC.		-	7,182,000.00
TOMADOR ENTERPRISE - SPS. JEFFERSON & MA. LETICIA LO		-	30,000,000.00
TRADEQUEST RESOURCES MARKETING, INC.		-	18,018,334.00
TRM SALES MARKETING INC.		-	11,000,000.00
VICTORY FOODS ENTERPRISE - SPS. EMMANUEL M. & CIELO A. PACLEB		-	22,000,000.00
XPERT WAREHOUSE MANAGEMENT INC.		-	3,529,928.00
EAGLE CEMENT CORPORATION		$28,264,852.52	1,630,179,857.73
LIMAY POWER INC. (FORMERLY: SMC CONSOLIDATED POWER CORPORATION)		$103,632,498.00	5,966,675,632.45
MALITA POWER INC. (FORMERLY: SAN MIGUEL CONSOLIDATED POWER CORPORATION)		$29,613,905.00	4,584,709,147.49
MARIVELES POWER GENERATION CORPORATION		$40,863,100.00	2,360,082,116.00
MASINLOC POWER PARTNERS CO. LTD		$34,195,850.00	1,952,080,533.00
NORTHERN CEMENT CORPORATION		$5,612,000.00	324,161,310.00
PETRON CORPORATION		$19,234,290.00	1,105,641,921.65
SAN MIGUEL MILLS		$87,000.00	4,966,286.25
GINEBRA SAN MIGUEL, INC.		$1,587,199.20	91,308,449.82
SUAL POWER INC. (FORMERLY: SAN MIGUEL ENERGY CORPORATION)		$6,585,810.10	380,955,601.00
SUAL POWER INC. (FORMERLY: SAN MIGUEL ENERGY CORPORATION)		13,275,606.00	780,472,876.74
SUAL POWER INC. (FORMERLY: SAN MIGUEL ENERGY CORPORATION)			3,517,422,917.78
THE PUREFOODS HORMEL CO. INC		$55,845,240.76	3,201,129,471.15
GINEBRA SAN MIGUEL, INC.		$2,666,850.00	154,539,300.00
SMC SKYWAY STAGE 3 C	1,473,151,901.53		
SMGP BESS POWER INC.	5,444,396,715.47		
SMC SLEX HOLDINGS CO	499,593,866.94		
SMC SLEX INC. (FORME	624,405,063.89		
SMC MASS RAIL TRANSIT 7 INC.	2,905,271,291.96		
SMC NAIAX CORPORATION (FORMERLY: VERTEX TOLLWAYS DEVT. INC.)	1,247,020,838.64		
TOTAL:	**₱ 67,590,356,892.34**	**$341,464,201.58**	**₱ 28,080,350,212.14**

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