

EMPOWERING
COMMUNITIES

WE
FIND
WAYS

BDO Network Bank

2025 ANNUAL REPORT
FINANCIAL SUPPLEMENTS

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Corporate Profile

BDO Network Bank, Inc. (BDONB) operates as the savings bank subsidiary of BDO Unibank, Inc., proudly living out its vision of being a strong community bank that relentlessly brings modern and relevant banking to underserved communities.

BDONB provides a wide range of banking products and services including loans, deposits, insurance, remittances, bills payment, and other banking services through its network of 545 branches and 93 loan offices.

BDONB's capacity to drive financial inclusion is strengthened by its partnership with Singapore-based shareholder Osmanthus Investment Holdings. Drawing on Osmanthus' expertise in scaling growth across emerging Asian markets, the collaboration supports the development of a sustainable business model aimed at broadening financial access nationwide.

Expansion of the Bank's customer touchpoints is an ongoing endeavor. Going beyond the traditional mindset of setting up branches and offices only in big urban areas, BDONB bravely chooses to extend its reach to unbanked and underserved regions to be closer to more and more communities in need of banking services.

The corporate governance practices of BDONB are consistent with that of its parent bank: fairness, accountability, transparency, integrity, and performance. The Bank's operations are handled by a competent team of professional managers and officers. The members of the Board of Directors are composed of professionals with competencies and experience in the fields of banking, accounting and finance, merchandise/marketing, strategy formulation, information technology, risk management, insurance, MSME, remittance, and agri-business.

With the support and guidance of its parent bank, BDONB remains steadfast in its commitment to serve its customers with simple, quick, accessible, relevant, convenient, and affordable financially inclusive solutions.

Community Banking

BDONB is committed to its vision and mission to help communities throughout the country gain access to meaningful and relevant banking. Central to BDONB's purpose is the belief that with the right support, every Filipino can achieve his or her goals in life. The Bank is committed to work together with communities to provide simple banking solutions and tools to help communities thrive. Deepening its presence in far-flung areas, BDONB continues to strengthen its partnerships with communities and remains steadfast in its promise to help more Filipinos reach their dreams.



Our Vision

To be the Philippines' leading bank in serving communities that are unserved or underserved through the promotion of meaningful financial products and services and through responsible financial management.

Our Mission

To be the leading community bank in the Philippines, through:

- A wide and deep presence in progressive communities that are unserved or underserved;
- Responsive, innovative, and quality banking products and services;
- Competent and values-driven professionals with a strong sense of purpose;
- Good governance and the promotion of best management practices; and
- Superior returns that are among the best in the industry



Financial and Operating Highlights

	2025	2024	Change
BALANCE SHEET (in million Php)			
Total Assets	148,511.6	124,052.7	20%
Investment Securities	11,600.8	9,914.5	17%
Liquid Assets	16,796.3	15,053.2	12%
Gross Customer Loans	121,019.0	100,716.1	20%
Deposits	108,128.9	93,787.2	15%
Equity ^{1/}	19,111.6	15,715.2	22%
INCOME STATEMENT (in million Php)			
Net Interest Income	9,444.0	7,483.5	26%
Non-Interest Income	5,522.3	4,558.0	21%
Gross Operating Income	14,966.3	12,041.5	24%
Operating Expenses	11,070.9	9,075.4	22%
Pre-provision Profit	3,895.4	2,966.1	31%
Impairment Losses	1,115.5	1,028.4	8%
Net Profit After Tax	2,035.6	1,192.2	71%
FINANCIAL PERFORMANCE INDICATORS			
Profitability			
Return on Average Common Equity	11.7%	8.4%	3.3%
Return on Average Equity	11.7%	8.4%	3.3%
Return on Average Assets	1.5%	1.1%	0.4%
Margins and Liquidity			
Net Interest Margin	7.4%	6.9%	0.5%
Gross Customer Loans to Deposit Ratio	111.9%	107.4%	4.5%
Liquid Assets to Total Assets	11.3%	12.1%	-0.8%
Cost Efficiency			
Cost to Income Ratio	74.0%	75.4%	-1.4%
Cost to Average Assets Ratio	8.1%	7.8%	0.3%
Asset Quality			
Non Performing Loans (NPL)/Gross Customer Loans	2.7%	2.8%	-0.1%
Non Performing Loans (NPL) Cover	74.4%	78.6%	-4.2%
Capital and Leverage			
Common Equity Tier (CET) 1 Ratio	12.2%	12.0%	0.2%
Tier 1 Capital Ratio	12.2%	12.0%	0.2%
Capital Adequacy Ratio (CAR)	13.1%	12.9%	0.2%
Asset to Equity	8x	8x	
DISTRIBUTION NETWORK AND MANPOWER			
Branches	545	465	17%
Regular Branch	172	171	1%
Branch Lite	373	294	27%
Loan and Other Banking Offices	93	105	-11%
Regular Branch	3	3	0%
Branch Lite	90	102	-12%
ATMs ^{2/}	591	500	18%
Employees	6,119	5,456	12%
Officers	3,742	3,403	10%
Staff	2,377	2,053	16%

^{1/} Total capital accounts, inclusive of non-controlling interest and preferred shares.

^{2/} The ATMs deployed in BDO Network Bank, Inc. branches are owned and operated by BDO Unibank, Inc., effective December 2022, pursuant to a Board-approved agreement.

Financial Statements

Statement of Management's Responsibility for Financial Statements

The management of **BDO Network Bank, Inc. (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 and 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, have expressed its opinion on the fairness of presentation upon completion of such audit.



Nestor V. Tan
Chairman of the Board



Jesus Antonio S. Itchon
President



Niezl D. Gilvero
Comptrollership Head

Signed this 27th day of February 2026.

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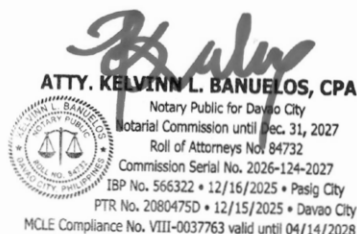
SUBSCRIBED AND SWORN to before me on this _____ day of _____, 2026 affiants exhibiting to me their Competent Evidence of Identity (CEI), as follows:

Name	CEI Number	Date Issued/Place Issued
1. Nestor V. Tan		
2. Jesus Antonio S. Itchon		
3. Niezl D. Gilvero		

WITNESS BY HAND AND SEAL on the day first above-mentioned at DAVAO CITY

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Series of 2026

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Report of Independent Auditors

**THE BOARD OF DIRECTORS AND THE STOCKHOLDERS
BDO NETWORK BANK, INC.
(A SUBSIDIARY OF BDO UNIBANK, INC.)**

BDONB Center, Km. 9, Sasa, Davao City

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (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.

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.

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended December 31, 2025 and 2024 required by the Bangko Sentral ng Pilipinas as disclosed in Note 27 to the financial statements, and the supplementary information for the year ended December 31, 2025 by the Bureau of Internal Revenue as disclosed in Note 28 to the financial statements are presented for purposes of additional analysis and are not required part of the basic financial statements prepared in accordance with PFRS Accounting Standards as adopted from the pronouncements issued. Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO


By: **Yusoph A. Maute**
Partner

CPA Reg. No. 0140306
TIN 415-417-641
PTR No. 10770764, January 6, 2026, Makati City
SEC Group A Accreditation
Partner - No. 140306-SEC (until financial period 2026)
Firm - No. 0002 (until financial period 2030)
BIR AN 08-002551-046-2025 (until November 11, 2028)
BOA/PRC Cert. of Reg. No. 0002/P-018 (until August. 12, 2027)

February 27, 2026

Supplemental Statement of Independent Auditors

**THE BOARD OF DIRECTORS
BDO NETWORK BANK, INC.
(A SUBSIDIARY OF BDO UNIBANK, INC.)**

BDO NB Center, Km. 9, Sasa, Davao City

We have audited the financial statements of BDO Network Bank, Inc. (the Bank) for the year ended December 31, 2025, on which we have rendered the attached report dated February 27, 2026.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Bank has a total number of 125 beneficial stockholders owning 100 or more shares each of the Bank's capital stock as at December 31, 2025.

PUNONGBAYAN & ARAULLO


By: Yusoph A. Maute
Partner

CPA Reg. No. 0140306
TIN 415-417-641
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February 27, 2026

Statements of Financial Position

BDO NETWORK BANK, INC.

(A Subsidiary of BDO Unibank, Inc.)

DECEMBER 31, 2025 AND 2024

(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
<u>RESOURCES</u>			
CASH AND OTHER CASH ITEMS	6	₱ 5,961,887,070	₱ 3,926,624,168
DUE FROM BANGKO SENTRAL NG PILIPINAS	6, 7	135,497,873	121,928,212
DUE FROM OTHER BANKS	6, 8	6,743,425,384	6,117,232,217
INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - Net	9	3,955,469,853	4,887,461,587
INVESTMENT SECURITIES AT AMORTIZED COST - Net	10	7,645,310,259	5,027,004,983
LOANS AND OTHER RECEIVABLES - Net	11	120,067,565,551	99,437,411,953
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	12	2,315,880,295	2,213,259,547
RIGHT-OF-USE ASSETS - Net	13	893,476,028	733,792,901
INVESTMENT PROPERTIES - Net	14	1,264,598	1,269,493
DEFERRED TAX ASSETS	24	222,405,523	147,419,465
PREPAYMENTS AND OTHER RESOURCES - Net	15	<u>569,454,486</u>	<u>1,439,322,118</u>
TOTAL RESOURCES		₱ <u>148,511,636,920</u>	₱ <u>124,052,726,644</u>
<u>LIABILITIES AND EQUITY</u>			
DEPOSIT LIABILITIES	17	108,128,946,924	₱ 93,787,180,624
BILLS PAYABLE	18	16,427,096,352	11,657,100,354
LEASE LIABILITIES	13	978,183,808	805,257,088
ACCRUED EXPENSES AND OTHER LIABILITIES	19	3,726,386,936	2,006,451,528
INCOME TAX PAYABLE		<u>139,380,821</u>	<u>81,566,904</u>
Total Liabilities		129,399,994,841	108,337,556,498
EQUITY	20	<u>19,111,642,079</u>	<u>15,715,170,146</u>
TOTAL LIABILITIES AND EQUITY		₱ <u>148,511,636,920</u>	₱ <u>124,052,726,644</u>

See Notes to Financial Statements.

Statements of Profit or Loss

BDO NETWORK BANK, INC.

(A Subsidiary of BDO Unibank, Inc.)

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(Amounts in Philippine Pesos)

	Notes	2025	2024
INTEREST INCOME			
Loans and other receivables	11	₱ 11,461,535,457	₱ 9,625,736,398
Investment securities	9, 10	468,280,682	422,672,387
Deposits with other banks	8	214,441,995	184,896,372
Post-employment defined benefit obligation	23	26,579,706	45,979,133
		<u>12,170,837,840</u>	<u>10,279,284,290</u>
INTEREST EXPENSE			
Deposit liabilities	17	1,811,704,603	1,846,484,734
Bills payable	18	846,005,311	893,290,778
Lease liabilities	13	69,095,473	55,990,856
		<u>2,726,805,387</u>	<u>2,795,766,368</u>
NET INTEREST INCOME		9,444,032,453	7,483,517,922
IMPAIRMENT LOSSES	16	<u>1,115,532,350</u>	<u>1,028,391,069</u>
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		<u>8,328,500,103</u>	<u>6,455,126,853</u>
OTHER INCOME			
Service charges, fees and commissions	2	5,436,075,468	4,463,628,960
Others	22	86,237,827	94,359,995
		<u>5,522,313,295</u>	<u>4,557,988,955</u>
OTHER OPERATING EXPENSES			
Compensation and employee benefits	23	5,590,223,898	4,455,545,041
Taxes and licenses		1,427,963,657	1,196,421,717
Occupancy and equipment-related expenses	12, 13, 14, 15	1,235,927,255	1,128,984,237
Fees and commissions		924,184,688	788,571,390
Security, messengerial and janitorial services		543,526,531	440,288,899
Transportation and travel		494,665,264	435,213,680
Insurance		245,152,115	206,763,436
Communications, telephone and telegraph		174,929,506	76,978,900
Stationery and supplies		137,661,475	121,268,371
Advertising and publicities		114,854,237	91,052,520
Representation and entertainment		39,009,028	36,597,411
Management and other professional fees		27,736,111	27,975,860
Banking fees		26,250,766	20,487,069
Fuel and lubricants		8,307,209	8,857,434
Others		80,539,513	40,394,705
		<u>11,070,931,253</u>	<u>9,075,400,670</u>
PROFIT BEFORE TAX		2,779,882,145	1,937,715,138
TAX EXPENSE	24	<u>744,236,639</u>	<u>745,473,830</u>
NET PROFIT		<u>₱ 2,035,645,506</u>	<u>₱ 1,192,241,308</u>

See Notes to Financial Statements.

Statements of Comprehensive Income

BDO NETWORK BANK, INC.

(A Subsidiary of BDO Unibank, Inc.)

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
NET PROFIT		<u>₱ 2,035,645,506</u>	<u>₱ 1,192,241,308</u>
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of post-employment defined benefit obligation	23	(442,351,266)	(145,749,317)
Tax income	24	<u>110,587,817</u>	<u>36,437,329</u>
		(331,763,449)	(109,311,988)
Item that will be reclassified subsequently to profit or loss -			
Fair value gains on financial assets at fair value through other comprehensive income	9	<u>158,848,532</u>	<u>49,950,112</u>
Other Comprehensive Loss - net of tax		(172,914,917)	(59,361,876)
TOTAL COMPREHENSIVE INCOME		<u>₱ 1,862,730,589</u>	<u>₱ 1,132,879,432</u>

See Notes to Financial Statements.

Statements of Changes in Equity

BDO NETWORK BANK, INC.

(A Subsidiary of BDO Unibank, Inc.)

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(Amounts in Philippine Pesos)

	Note	Capital Stock	Additional Paid-in Capital	Other Reserves	Revaluation Reserves	Surplus	Total
Balance at January 1, 2025		P 5,500,205,600	P 7,064,562,890	P 768,638,739	(P 932,721,840)	P 3,314,484,757	P 15,715,170,146
Issuance of shares during the year	20	399,605,367	1,134,135,977	-	-	-	1,533,741,344
General loan loss appropriation	20	-	-	148,140,423	-	(148,140,423)	-
Appropriation for self-insurance	20	-	-	4,805,818	-	(4,805,818)	-
Total comprehensive income (loss) for the year		-	-	-	(172,914,917)	2,035,645,506	1,862,730,589
Balance at December 31, 2025		P 5,899,810,967	P 8,198,698,867	P 921,584,980	(P 1,105,636,757)	P 5,197,184,022	P 19,111,642,079
Balance at January 1, 2024		P 5,042,198,390					
Issuance of shares during the year	20	458,007,210	1,299,889,502	552,144,531	(P 873,359,964)	P 2,338,737,657	P 12,824,394,002
General loan loss appropriation	20	-	-	-	-	-	1,757,896,712
General loan loss appropriation	20	-	-	212,125,283	-	(212,125,283)	-
Appropriation for self-insurance	20	-	-	4,368,925	-	(4,368,925)	-
Total comprehensive income (loss) for the year		-	-	-	(59,361,876)	1,192,241,308	1,132,879,432
Balance at December 31, 2024		P 5,500,205,600	P 7,064,562,890	P 768,638,739	(P 932,721,840)	P 3,314,484,757	P 15,715,170,146

See Notes to Financial Statements.

Statements of Cash Flows

BDO NETWORK BANK, INC.

(A Subsidiary of BDO Unibank, Inc.)

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(Amounts in Philippine Pesos)

	Notes	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		₱ 2,779,882,145	₱ 1,937,715,138
Adjustments for:			
Impairment losses	16	1,115,532,350	1,028,391,069
Depreciation and amortization	12, 13, 14, 15	662,887,742	582,715,237
Interest amortization on lease liabilities	13	69,095,473	55,990,856
Loss on sale of financial assets at fair value through other comprehensive income (FVOCI)	9, 22	15,559,324	-
Gain on disposal of investment properties	14, 22	(719,999)	(255,236)
Gain on disposal of bank premises, furniture, fixtures and equipment	12, 22	(349,803)	(5,373,908)
Operating profit before changes in operating resources and liabilities		4,641,887,232	3,599,183,156
Increase in loans and other receivables		(21,743,940,373)	(17,054,308,162)
Decrease (increase) in prepayments and other resources		375,598,716	(813,222,090)
Increase in deposit liabilities		14,341,766,300	16,098,443,126
Increase in accrued expenses and other liabilities		2,580,361,241	1,143,325,355
Cash generated from operations		195,673,117	2,973,421,385
Cash paid for income taxes		(650,820,963)	(522,705,819)
Net Cash Generated From (Used in) Operating Activities		(455,147,846)	2,450,715,566
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of financial assets at amortized cost	10	(22,170,605,000)	(4,309,741,000)
Proceeds from maturity of financial assets at amortized cost	10	19,670,605,000	3,259,741,000
Proceeds from maturity and disposal of financial assets at FVOCI	9	2,134,440,676	100,000,000
Acquisitions of financial assets at FVOCI	9	(1,050,146,034)	-
Acquisitions of bank premises, furniture, fixtures and equipment	12	(491,159,253)	(462,569,413)
Acquisitions of software and other intangibles	15	(94,838,903)	(5,183,601)
Proceeds from disposal of bank premises, furniture, fixtures and equipment	12	6,404,193	7,019,651
Proceeds from disposal of investment properties	14	720,000	255,238
Net Cash Used in Investing Activities		(1,994,579,321)	(1,410,478,125)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from bills payable	18	15,325,000,000	7,225,000,000
Repayments of bills payable	18	(10,562,500,000)	(10,469,039,285)
Proceeds from issuance of shares of stock	20	1,533,741,344	1,757,896,712
Interest paid on bills payable	18	(838,509,313)	(893,290,778)
Repayments of lease liabilities	13	(332,979,134)	(288,289,881)
Net Cash From (Used in) Financing Activities		5,124,752,897	(2,667,723,232)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,675,025,730	(1,627,485,791)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	6	3,926,624,168	2,562,500,209
Due from Bangko Sentral ng Pilipinas		121,928,212	1,202,258,989
Due from other banks		6,117,232,217	8,028,511,190
		<u>10,165,784,597</u>	<u>11,793,270,388</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	6	5,961,887,070	3,926,624,168
Due from Bangko Sentral ng Pilipinas		135,497,873	121,928,212
Due from other banks		6,743,425,384	6,117,232,217
		<u>₱ 12,840,810,327</u>	<u>₱ 10,165,784,597</u>

Supplemental Information on Non-Cash Financing Activities:

- On December 10, 2025, the Bank issued shares with a total subscription value of P1,919.1 million. Of this amount, P1,000 million was received in cash during the year and P533.7 million was sourced from the reclassification of previously collected deposits for future subscription, while the remaining unpaid portion of P385.3 million was recognized as subscription receivable (see Note 20).
- In 2025 and 2024, the Bank recognized right-of-use assets amounting to P422.4 million and P313.7 million, respectively, and lease liabilities amounting to P436.8 million and P328.6 million, respectively (see Note 13).

See Notes to Financial Statements.

Notes to Financial Statements

BDO NETWORK BANK, INC.

(Subsidiary of BDO Unibank, Inc.)

DECEMBER 31, 2025 AND 2024

(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operation

BDO Network Bank, Inc. (the Bank) was organized from the consolidation of two rural banks, namely, One Network Rural Bank, Inc. (ONRBI) and Rural Bank of New Corella (Davao del Norte), Inc. (RBNCI). The Bank was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on July 14, 2011 to engage in and carry on the business of a rural bank as provided in the Rural Banks Act of 1992. The Bank started its commercial operations on September 1, 2011.

On April 18, 2012, a plan of merger was made and entered into by the Bank with Rural Bank of San Enrique (Iloilo), Inc. (RBSEI) doing business under the name and style of Banco San Enrique (a Rural Bank). On April 12, 2013, the SEC approved the merger of the Bank with RBSEI, with the former as the surviving entity.

On July 20, 2015, BDO Unibank, Inc. (BDO or the Parent Bank), with the approval of the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP), successfully acquired 99.59% of the Bank's outstanding capital stock making the Bank a member then of the BDO Group.

On September 29, 2018, the Parent Bank entered into an agreement with Osmanthus Investment Holdings Pte. Ltd. (Singapore)(Osmanthus), whereby the latter will acquire 15.00% ownership interest in the Bank. On May 16, 2019 and January 8, 2021, the latter acquired 10.00% and 5.00% ownership interest in the Bank, respectively.

On February 4, 2019, the Bank entered into an asset sale and purchase agreement with Rural Bank of Pandi (Bulacan), Inc. (RBPI) wherein the Bank purchased the recorded gross loan receivables, and assume the recorded deposit liabilities of RBPI. The purchase was completed on October 31, 2019.

On July 31, 2019, the SEC approved the Bank's application to change its corporate name from One Network Bank, Inc. (A Rural Bank of BDO) to BDO Network Bank, Inc.

On June 30, 2021, the Board of Directors (BOD) of the Bank approved its conversion from a rural bank to a thrift bank. This was ratified by the shareholders on August 13, 2021, approved by the BSP on January 20, 2022 and by the SEC on December 27, 2024. The Certificate of Authority to operate as a thrift bank was issued by the BSP on February 5, 2025, while commencement date to operate as a thrift bank was on May 5, 2025.

On December 10, 2025, the Bank issued 5,000,000 common shares for a total subscription value of P1,919.1 million, of which P385.3 million remains unpaid as of December 31, 2025 (see Note 20). As of December 31, 2025 and 2024, BDO is the beneficial owner of 85.86% and 84.92%, respectively, of the Bank's total issued and outstanding capital.

As a banking institution, the Bank's operations are regulated and supervised by the BSP. In this regard, the Bank is required to comply with the rules and regulations of the BSP such as those relating to maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. The Bank is subject to the provisions of the General Banking Law of 2000 or Republic Act (RA) No. 8791.

The registered head office of the Bank is located at BDONB Center, Km. 9, Sasa, Davao City. The Bank has the widest private sector banking network in Mindanao and the widest rural banking network in the country with its 545 branches and 92 loan processing offices as of December 31, 2025, as compared to 465 branches and 104 loan processing offices as of December 31, 2024. The Parent Bank's principal office address is at BDO Corporate Center, 7899 Makati Avenue, Makati City while the temporary business address is at BDO Towers Valero, 8741 Paseo de Roxas Street, Salcedo Village, Makati City effective October 30, 2021 until further notice.

The Bank offers a complete array of products and services. It offers Deposit products (e.g., Savings Accounts - Young Pera Savers, ATM and Payroll Accounts, Kabayan Savings, and Optimum Savings; Checking Account; and, Time Deposit Account), has remained tolerant to micro deposits given the affordable opening requirements, and has also grown to include big banking financial product packages. The Bank likewise offers Loan Products for appropriate and timely credit for personal consumption as well as need-based cash flow financing packages that not only nurture small businesses in the countryside but also provide credit lines that cater to client's needs. Other services include convenient, quick and affordable collection and payment services bringing modern, value-added services closer to Bank's clientele, big and small.

1.2 Approval of Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2025 (including the comparative financial statements as of and for the year ended December 31, 2024) were authorized for issue by the BOD of the Bank on February 27, 2026.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that have been used in the preparation of these financial statements are summarized in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC), from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Bank presents the statement of comprehensive income separate from the statement of profit or loss.

The Bank presents a third statement of financial position as of the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates.

2.2 Adoption of New and Amended PFRS Accounting Standards

(a) Effective in 2025 that are Relevant to the Bank

The Bank adopted for the first time amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*, which are mandatorily effective for annual periods beginning on or after January 1, 2025. 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 enables users of financial statements to understand the impact of a currency not being exchangeable. The amendments had no significant impact on the financial statements of the Bank.

(b) *Effective Subsequent to 2025 but not Adopted Early*

There are new standards and amendments to existing standards effective for annual periods subsequent to 2025, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise indicated, none of these are expected to have significant impact on the Bank's financial statements:

- (i) PFRS 9 and PFRS 7 (*Amendments*), *Financial Instruments*, and *Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026).
- (ii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 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. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

2.3 Financial Instruments

(a) *Financial Assets*

(i) *Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described as follows.

Financial Assets at Amortized Cost

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent "solely payments of principal and interest" (SPPI). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(c)].

The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Investment Securities at Amortized Cost, Loans and Other Receivables and Security deposits (presented as part of Prepayments and Other Resources).

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks. Loans and other receivables also include receivables from customers and other receivables.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Bank for trading or as mandatorily required to be classified as FVTPL. The Bank has no equity instruments as at the reporting periods.

(ii) Effective Interest Rate Method and Interest Income

Interest income on financial assets measured at amortized cost and all interest-bearing debt financial assets classified as at FVOCI, is recognized using the effective interest rate (EIR) method.

The EIR is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortized through interest and similar income in the statement of profit or loss.

The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and/or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition [see Note 2.3(a)(iii)], interest income is calculated by applying the EIR to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted EIR to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(iii) Impairment of Financial Assets

The Bank assesses expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI.

The Bank considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments for which they are measured as 12-month ECL:

- debt securities that are identified to have ‘low credit risk’ at the reporting date; and,
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as ‘Stage 1’ financial instruments). Unless there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as ‘Stage 2’ financial instruments). ‘Stage 2’ financial instruments also include those loan accounts and facilities where the credit risk has improved and have been reclassified from ‘Stage 3’. A lifetime ECL shall be recognized for ‘Stage 3’ financial instruments, which include financial instruments that are subsequently credit-impaired, as well as purchased or originated credit-impaired (POCI) assets.

The Bank’s definition of credit risk and information on how credit risk is mitigated by the Bank are disclosed in Note 4.3.

Measurement of ECL

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Bank’s detailed ECL measurement as determined by the management is disclosed in Note 4.3.5.

(iv) *Derecognition of Financial Assets*

Modification of Loans

When the Bank renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- whether any substantial new terms are introduced that will affect the risk profile of the loan;
- significant extension of the loan term when the borrower is not in financial difficulty;

- significant change in the interest rate;
- change in the currency the loan is denominated in; and/or,
- insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a “new” asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred.

However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized in profit or loss as either gain or loss on derecognition of financial assets.

As to the impact on ECL measurement, the expected fair value of the “new” asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss.

(b) Financial Liabilities

Financial liabilities, which include deposit liabilities, bills payable, and accrued expenses and other liabilities (except tax-related payables and post-employment defined benefit obligation), are recognized when the Bank becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss under the caption Interest Expense in the statement of profit or loss.

2.4 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment (BPFPE), except for land, are carried at acquisition cost or construction cost less subsequent depreciation and amortization and any impairment losses. Land held for administration is stated at cost less any impairment losses.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20-50 years
Furniture, fixtures and equipment	3-15 years

Leasehold improvements are amortized over the term of the lease or useful lives of the improvements of five years, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

2.5 Investment Properties

Investment properties include parcels of land and buildings and related improvements acquired by the Bank from defaulting borrowers not held for sale in the next 12 months. These are initially measured at acquisition cost which comprise the carrying amount of the related loan after adjustments for unamortized premium or discount less allowance for credit losses plus accrued interest and directly attributable costs. Subsequently, investment properties are stated at cost less accumulated depreciation (except for land) and any impairment in value (see Note 2.9).

2.6 Intangible Assets

Intangible assets include software and other intangibles which are accounted for under the cost model.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired and branch licenses at the date of acquisition. Goodwill is classified as intangible asset with indefinite useful life and, thus, not subject to amortization but to an annual test for impairment (see Note 2.9). For the purpose of impairment testing, goodwill is allocated to cash-generating units for the purpose of impairment testing and is subsequently carried at cost less any accumulated impairment losses.

Capitalized costs of software and other intangibles are amortized on a straight-line basis over the estimated useful lives (ranging from three to ten years) as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.9. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software.

2.7 Other Income and Expense Recognition

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenue from Contracts with Customers*. In such case, the Bank first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then applies PFRS 15 to the residual part of the contract.

The Bank earns service fees and commissions in various banking services, which are supported by contracts approved by the parties involved. These revenues are accounted for by the Bank in accordance with PFRS 15.

For other income arising from various banking services which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Service charges, fees and commissions – Revenue is generally recognized when the service has been provided, based on agreed terms and conditions.

- (a) *Service charges on loans* – Service charges are revenues arising primarily from servicing of loans that are recognized at a point in time when the services have been provided are taken up as income based on agreed terms and conditions.
- (b) *Service charges on ATM cash servicing* – are recognized as revenue at a point in time when the ATM cash servicing has been completed.
- (c) *Inter-branch fees* – Revenues arising from processing of deposits and withdrawals from other branches are recognized at a point in time upon crediting of deposits or disbursing of cash for withdrawals.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies:

- (a) *Income from disposal of investment properties* – Income or loss from assets sold is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is reported as part of Other Income in the statement of profit or loss.
- (b) *Recovery from accounts written off* – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is reported as part of Other Income in the statement of profit or loss.

2.8 Leases – Bank as Lessee

Subsequent to initial recognition, the Bank depreciates the right-of-use asset on a straight line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term which is from 1 to 12 years.

The Bank has elected to account for short-term leases (less than 12 months) and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities are presented separately from bank premises, furniture, fixtures and equipment and other liabilities, respectively.

2.9 Impairment of Non-financial Assets

The Bank's bank premises, furniture, fixtures and equipment, right-of-use asset, investment properties, software and other intangibles and goodwill (both presented as part of Prepayments and Other Resources) are subject to impairment testing.

2.10 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits.

The Bank's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory and administered by a trustee bank.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS Accounting Standards requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Application of ECL to Financial Assets at Amortized Cost and Financial Assets at FVOCI

The Bank uses a provision matrix to calculate ECL for all debt instruments carried at amortized cost and FVOCI, together with loan commitments and financial guarantee contracts. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant management judgment is required.

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

(b) Evaluation of Business Model Applied in Managing Financial Instruments

The Bank manages its financial assets based on its pre-defined business models to maintain an adequate level of high quality liquid financial assets to match its expected cash flows, which may arise from customers' withdrawals and loan disbursements to borrowers, and a strategic portfolio of investments consistent with its risk and return appetite.

The Bank manages these portfolio of financial instruments at the portfolio level (i.e., group of financial instruments that are managed together by the Bank) and not on an individual instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

Its investment objectives are aligned to said pre-defined business models, which include but not limited to being held-for-trading, generating accrual income, or direct matching to a particular liability.

(c) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

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) does not meet the amortized cost 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.

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

(d) *Distinction between Investment Properties and Owner-occupied Properties*

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

(e) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of offices, the factors that are normally the most relevant are (a) if there are significant penalties should the Bank pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Bank is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised or not exercised or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

(f) Recognition of Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. Similarly, possible outflows of economic benefits to the Bank that do not yet meet the recognition criteria of a liability are considered contingent liabilities, hence, are not recognized in the financial statements. Judgment is exercised by management to distinguish between provisions and contingencies. Relevant disclosures are presented in Note 25.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost and debt instruments measured at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.3.

The carrying value of financial assets at FVOCI, Investments securities at amortized cost and Loans and Other Receivables are shown in Notes 9, 10, and 11, respectively, and the analysis of the allowance for impairment on such financial assets are disclosed in Note 16.

(b) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. Valuation techniques are used to determine fair values which are validated and periodically reviewed by management. To the extent practicable, models used observable data, however, areas such as counterparty credit risk, volatilities and correlations require management to make estimates. Changes in assumptions could affect the reported fair value of financial instruments.

The carrying values of the Bank's financial assets at FVOCI and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 9.

(c) *Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets, Investment Properties, and Software and Other Intangible Assets*

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties, and software and other intangibles (presented as part of Prepayments and Other Resources account in the statements of financial position), based on the period over which the assets are expected to be available for use. The estimated useful lives of bank premises, furniture, fixtures and equipment, investment properties, and software and other intangibles are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

The Bank's goodwill was regarded as having an indefinite useful life considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful life is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

The carrying amounts of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties, and software and other intangibles are analyzed in Notes 12, 13, 14, and 15, respectively.

(d) *Determination of Assumptions for Management's Estimation of Fair Value of Investment Properties*

Investment properties are measured using the cost model. The fair value disclosed in Note 5.5 to the financial statements as determined by the Bank using the discounted cash flows valuation technique which are mainly based on existing market conditions and actual transactions at each reporting period, such as: selling price under installment sales; expected timing of sale; and appropriate discount rates. The expected selling price 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.

(e) *Determination of Realizable Amount of Deferred Tax Assets*

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Management assessed that the deferred tax assets recognized as of December 31, 2025 and 2024 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 24.

(f) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.9). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

In 2025 and 2024, the Bank booked impairment loss on certain bank premises amounting to P1.7 million and P2.4 million, respectively. No impairment loss is required on other furniture, fixtures and equipment, investment properties, software and other intangibles, and goodwill accounts in 2025 and 2024.

(g) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Bank measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate.

In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(h) Valuation of Post-employment Defined Benefit Obligation

The determination of the Bank's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by independent actuaries engaged by the Bank in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit obligation as well as the significant assumptions used in estimating such obligation in the next reporting period are presented in Note 23.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The BOD is responsible for establishing and maintaining a sound risk management system. The BOD assumes oversight over the entire risk management process and has the ultimate responsibility for all risks taken. It regularly reviews and approves the institution's tolerance for risks as well as its business strategy and risk philosophy.

The BOD has constituted the Risk Management Committee (RMC) as the Board-Level Committee responsible for the oversight of the risk management program. Considering the importance of appropriately addressing credit risk, the BOD has also constituted the Executive Committee and Credit Committee. The Executive Committee and Credit Committee are responsible for approving credit-specific transactions, while the RMC is responsible for approving risk appetite levels, policies and risk tolerance limits related to credit portfolio risk, market risk, liquidity risk, interest rate risk, operational risk (including business continuity risk, information technology (IT) risk, information security and cyber-security risk, data privacy risk, social media risk, consumer protection risk and environmental social risk to ensure that current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite.

Within Bank's overall risk management system is the Assets and Liabilities Committee (ALCO), which is responsible for managing the Bank's statement of financial position, including the Bank's liquidity, interest rate and foreign exchange related risks. In addition, ALCO formulates investment and financial policies by determining the asset allocation and funding mix strategies that are likely to yield the targeted financial results.

The Bank operates an integrated risk management system to address the risks it faces in its banking activities, including credit, market (foreign exchange, interest rate, and price risks), liquidity, and operational risks. The Risk Management Group (RMG) is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the Bank's activities across the different risk areas (i.e., credit, market, liquidity and operational risks) to optimize the risk-reward balance and maximize return on capital. RMG also has the responsibility for recommending to the appropriate body, risk policies across the full range of risks to which the Bank is exposed. RMG functionally reports to the RMC.

The evaluation, analysis, and control performed by the Risk Function, in conjunction with the Risk Takers, constitute the risk management process. The risk management process is applied at three levels: the transaction level, the business unit level, and the portfolio level. This framework ensures that risks are properly identified, quantified and analyzed, in the light of its potential effect on the Bank's business. The goal of the risk management process is to ensure rigorous adherence to the Bank's standards for precision in risk measurement and reporting and to make possible, in-depth analysis of the deployment of capital and the returns that are delivered to the shareholders.

In 2025, there was no significant change on the policies and process for managing the risk and the methods used to measure the risk of the Bank.

4.1 *Liquidity Risk*

Liquidity risk is the risk that there could be insufficient funds available to repay depositors, to fulfill commitments to lend, or to meet any other liquidity commitments. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to meet funding requirements, manage liquidity gaps through Maximum Cumulative Outflow (MCO) limits, regular liquidity stress testing to ensure positive cashflow across all identified stress scenarios, and establishment of a Liquidity Contingency Plan, to ensure adequate liquidity under both business-as-usual and stress conditions.

In case of breach in the MCO limit, the RMG elevates the concern to the BOD through the RMC for corrective action by senior management. Additional measures to mitigate liquidity risks include reporting of funding concentrations, short-term liquidity reporting, available funding sources, and liquid assets analysis. More frequent analysis of projected funding source and requirements as well as pricing strategies is discussed thoroughly during the ALCO meetings.

Pursuant to applicable BSP regulations, the Bank is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Bank's demand deposit accounts with the BSP (see Note 7).

4.1.1 Liquidity Risk Stress

To augment the effectiveness of the Bank's gap analysis, the Bank regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the Bank are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in BSP Circular No. 981, *Guidelines on Liquidity Risk Management*. The results of these liquidity stress simulations are reported to the RMC.

4.2 Market Risk

The Bank's exposure to market risk, the risk of future loss from changes in the price of a financial instrument, relates primarily to its holdings in debt securities. The Bank manages its risk by identifying, analyzing and measuring relevant or likely market risks. The Risk Management Group recommends market risk limits based on relevant activity indicators for approval by the Bank's RMC and the BOD.

4.2.1 Foreign Exchange Risk

Most of the Bank's transactions are carried out in Philippine pesos, its functional currency. The Bank's exposures to currency exchange rates may arise from deposits with other banks denominated in currencies other than the Philippine peso. As of December 31, 2025 and 2024 the Bank has no significant foreign currency risk exposure as it has no significant foreign currency-denominated deposits with other banks and deposit liabilities to depositors.

4.2.2 Interest Rate Risk

The Bank prepares an interest rate gap analysis in the Banking Book to measure the sensitivity of its resources and liabilities to interest rate fluctuations. The Banking Book is a term for resources on a bank's statement of financial position that are expected to be held to maturity, usually consisting of customer loans to and deposits from retail and corporate customers.

The Banking Book can also include those derivatives that are used to hedge exposures arising from the Banking Book activity, including interest rate risk. The focus of analysis is the impact of changes in interest rates on accrual or reported earnings. This analysis would give management a glimpse of the re-pricing profile of its interest sensitive resources and liabilities in the Banking Book.

An interest rate gap report is prepared by classifying all resources and liabilities into various time buckets according to contracted maturities if fixed or anticipated repricing dates if floating or based on behavioral assumptions if more applicable. In the interest rate gap presented, loans and investments are profiled based on next repricing if floating or contracted maturity if fixed rate while non-maturity deposit liabilities are considered non-rate sensitive. The difference in the amount of resources and liabilities maturing or being repriced in any time period category would then give the Bank an indication of the extent to which it is exposed to the risk of potential changes in net interest income.

The analyses of the groupings of resources and liabilities as of December 31, 2025 and 2024 based on the expected interest realization or recognition are shown below.

	2025					Total
	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	
<i>(Amounts in PHP)</i>						
Resources:						
Cash and other cash items	-	-	-	-	5,961,887,070	5,961,887,070
Due from BSP and other banks	-	-	-	-	6,878,923,257	6,878,923,257
Investment securities at FVOCI	-	48,462,145	3,906,003,820	1,003,888	-	3,954,469,853
Investment securities at amortized cost	2,601,814,336	351,689,269	4,691,806,654	-	-	7,645,310,259
Loans and other receivables - net	251,759,531	3,772,240,661	96,669,974,478	15,618,616,903	3,754,973,978	120,067,565,551
Other resources - net*	-	-	-	-	4,002,480,930	4,002,480,930
Total Resources	2,853,573,867	4,172,392,075	105,267,784,952	15,619,620,791	20,598,265,235	148,511,636,920
Liabilities and Equity:						
Deposit liabilities	23,007,014,936	3,807,398,388	5,874,650,853	-	75,439,882,747	108,128,946,924
Bills payable	602,096,352	7,500,000,000	8,325,000,000	-	-	16,427,096,352
Lease liabilities	978,183,808	-	-	-	-	978,183,808
Accrued expenses and other liabilities	-	-	-	-	3,726,386,936	3,726,386,936
Income tax payable	-	-	-	-	139,380,821	139,380,821
Total Liabilities	24,587,295,096	11,307,398,388	14,199,650,853	-	79,305,650,504	129,399,994,841
Equity	-	-	-	-	19,111,642,079	19,111,642,079
Total Liabilities and Equity	24,587,295,096	11,307,398,388	14,199,650,853	-	98,417,292,583	148,511,636,920
Periodic Gap	(21,733,721,229)	(7,135,006,313)	91,068,134,099	15,619,620,791	(77,819,027,348)	-
Cumulative Total Gap	(21,733,721,229)	(28,868,727,542)	62,199,406,557	77,819,027,348	-	-
2024						
	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	Total
<i>(Amounts in PHP)</i>						
Resources:						
Cash and other cash items	-	-	-	-	3,926,624,168	3,926,624,168
Due from BSP and other banks	-	-	-	-	6,239,160,429	6,239,160,429
Investment securities at FVOCI	-	-	4,614,473,268	272,988,319	-	4,887,461,587
Investment securities at amortized cost	1,047,126,855	-	3,979,878,128	-	-	5,027,004,983
Loans and other receivables - net	375,663,279	3,450,624,665	78,714,234,206	14,328,026,257	2,568,863,546	99,437,411,953
Other resources - net*	-	-	-	-	4,535,063,524	4,535,063,524
Total Resources	1,422,790,134	3,450,624,665	87,308,585,602	14,601,014,576	17,269,711,667	124,052,726,644
Liabilities and Equity:						
Deposit liabilities	28,198,955,780	3,717,520,275	1,326,580,328	9,350,000	60,534,774,241	93,787,180,624
Bills payable	444,600,354	4,250,000,000	6,962,500,000	-	-	11,657,100,354
Lease liabilities	805,257,088	-	-	-	-	805,257,088
Accrued expenses and other liabilities	-	-	-	-	2,006,451,528	2,006,451,528
Income tax payable	-	-	-	-	81,566,904	81,566,904
Total Liabilities	29,448,813,222	7,967,520,275	8,289,080,328	9,350,000	62,622,792,673	108,337,536,498
Equity	-	-	-	-	15,715,170,146	15,715,170,146
Total Liabilities and Equity	29,448,813,222	7,967,520,275	8,289,080,328	9,350,000	78,337,962,819	124,052,726,644
Periodic Gap	(28,026,023,088)	(4,516,895,610)	79,019,505,274	14,591,664,576	(61,068,251,152)	-
Cumulative Total Gap	(28,026,023,088)	(32,542,918,698)	46,476,586,576	61,068,251,152	-	-

* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

The Bank's market risk management uses Earnings-at-risk limits. The Bank computes the earnings-at-risk based on the repricing profile of the Banking Book and benchmarks against projected annual net interest income and capital.

	2025			
	Change in Interest Rates (in basis points)			
<i>(Amounts in PHP)</i>	-100	+100	-50	+50
Change on annualized net interest income	209,793,220	209,793,220	104,896,610	(104,896,610)
As a percentage of the Bank's net interest income for 2025	2.22%	(2.22%)	1.11%	(1.11%)
Earnings-at-risk	948,953,049			

<i>(Amounts in PHP)</i>	2024			
	Change in Interest Rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	268,351,273	(268,351,273)	134,175,636	(134,175,636)
As a percentage of the Bank's net interest income for 2024	3.61%	(3.61%)	1.80%	(1.80%)
Earnings-at-risk	967,784,740			

4.2.3 Other Price Risk

The Bank's market price risk arises from its investments carried at fair value. The Bank manages exposure to price risk of financial assets at FVOCI by monitoring the changes in the market price of these investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

The impact of 100 basis points decrease in prices on debt securities classified as financial assets at FVOCI on the Bank's other comprehensive income as of December 31, 2025 and 2024 is P109.9 million and P134.6 million, respectively.

4.3 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default and arises from lending, trade finance, and other activities undertaken by the Bank. RMG undertakes several functions with respect to credit risk management including credit analysis, risk ratings for corporate accounts, and development and performance monitoring of credit risk rating and scoring models for both corporate and consumer loans. It also ensures that the Bank's credit policies and procedures are adequate to meet the demands of the business.

RMG also subjects the loan portfolio to a regular portfolio quality review, credit portfolio stress testing, and rapid portfolio reviews based on specific and potential events that may affect borrowers in particular geographic locations or industries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review.

Approval for credit limits is secured from the Credit Committee. On the industry segments, set limits and exposures are monitored and reported to the RMC.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral or corporate and personal guarantees.

4.3.1 Credit Risk Assessment

Loan classification and credit risk rating are an integral part of the Bank's management of credit risk. On an annual basis, loans are reviewed, classified as necessary, and rated based on internal and external factors that affect its performance. On a monthly basis, loan classifications of impaired accounts are assessed and the results are used as a basis for the review of loan loss provision.

The Bank's definition of its loan classification and corresponding credit risk ratings are as follows:

- Pass/Current : Grades AAA to B
- Watchlisted : Grade B-
- Especially Mentioned : Grade C
- Substandard : Grade D
- Doubtful : Grade E
- Loss : Grade F

Once an account is Watchlisted or Adversely Classified, the resulting risk rating grade is aligned based on the above classification.

(a) *Pass/Current*

These are individual credits that do not have a greater-than-normal risk and do not possess the characteristics of adversely classified loans. These are credits that have the apparent ability to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. These are adequately secured by readily marketable collateral or other forms of support security or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.

(b) *Watchlisted*

Since early identification of troublesome or potential accounts is vital in portfolio management, a "Watchlisted" classification of credit accounts is maintained. These accounts are not adversely classified but they require more than normal attention to prevent these accounts from deteriorating to said category.

(c) *Adversely Classified*

Past due or individually impaired financial assets comprise accounts under the risk ratings presented in the below and in the succeeding page.

(i) *Especially Mentioned*

It is an adverse classification of loans/accounts that have potential weaknesses and deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to the Bank.

(ii) *Substandard*

Accounts classified as "Substandard" are individual credits or portions thereof, that have well-defined weakness/(es) that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.

(iii) Doubtful

Accounts classified as "Doubtful" are individual credits or portions thereof which exhibit more severe weaknesses than those classified as "Substandard" whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable, however, the exact amount remains undeterminable as yet. Classification as "Loss" is deferred because of specific pending factors, which may strengthen the assets.

(iv) Loss

Accounts classified as "Loss" are individual credits or portions thereof, which are considered uncollectible or worthless, and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value. This shall be viewed as a transitional category for loans and other credit accommodations, which have been identified as requiring write-off during the current reporting period even though partial recovery may be obtained in the future.

In addition, credit portfolio review is another integral part of the Bank's management of credit risk. This exercise involves the conduct of periodic post approval review of individual credits whose main objective is to help monitor and maintain sound and healthy risk asset portfolio. Parameters of the credit portfolio review are structured so as to reflect both sides of the risk management equation such as credit quality and process. This function actuates the philosophy that credit quality is derived from sound risk management process. The credit quality of financial assets is managed by the Bank using internal credit ratings.

4.3.2 Credit Quality Analysis

The table presented in the succeeding page sets out information about the credit quality of cash and cash equivalents, loans and other receivables, financial assets at FVOCI and investment securities measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts for loan commitments and other contingent accounts, the amounts in the table represent the amounts committed. As of December 31, 2025 and 2024, there are no purchased or originated credit impaired financial assets in the Bank's financial statements.

The tables below show the exposure to credit risk as of December 31, 2025 and 2024 for each internal risk grade and the related allowance for impairment.

(Amounts in PHP)	2025			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
- corporate				
Grades AAA to B : Current	200,939,572	-	-	200,939,572
Grade B : Watchlisted	9,653,601	-	-	9,653,601
Grade C : LEM	-	-	-	-
Grade D : Substandard	-	22,908,656	-	22,908,656
Grade E : Doubtful	-	-	29,211,583	29,211,583
Grade F : Loss	-	-	1,589,877	1,589,877
	<u>210,593,173</u>	<u>22,908,656</u>	<u>30,801,460</u>	<u>264,303,289</u>
Allowance for impairment	(541,883)	(20,686,338)	(2,283,218)	(23,511,439)
Carrying amount	<u>210,051,290</u>	<u>2,222,318</u>	<u>28,518,242</u>	<u>240,791,850</u>
Receivables from customers				
- consumers				
Grades AAA to B : Current	116,699,420,176	-	-	116,699,420,176
Grade C : LEM	1,105,256,609	-	-	1,105,256,609
Grade D : Substandard	-	375,514,635	-	375,514,635
Grade E : Doubtful	-	-	301,833,251	301,833,251
Grade F : Loss	-	-	3,126,331,646	3,126,331,646
	<u>117,804,676,785</u>	<u>375,514,635</u>	<u>3,428,164,897</u>	<u>121,608,356,317</u>
Allowance for impairment	(417,491,396)	(97,065,248)	(2,063,810,760)	(2,578,367,404)
Carrying amount	<u>117,387,185,389</u>	<u>278,449,387</u>	<u>1,364,354,137</u>	<u>119,029,988,913</u>
Other receivables				
Grades AAA to B : Current	774,261,085	-	-	774,261,085
Grade C : LEM	-	-	-	-
Grade D : Substandard	-	-	7,146,352	7,146,352
Grade E : Doubtful	-	-	32,776,227	32,776,227
Grade F : Loss	-	-	52,150,835	52,150,835
	<u>774,261,085</u>	<u>-</u>	<u>92,073,414</u>	<u>866,334,499</u>
Allowance for impairment	-	-	(69,549,711)	(69,549,711)
Carrying amount	<u>774,261,085</u>	<u>-</u>	<u>22,523,703</u>	<u>796,784,788</u>
Financial assets at FVOCI				
Grades AAA to B : Current	<u>3,955,469,853</u>	<u>-</u>	<u>-</u>	<u>3,955,469,853</u>
Investment securities at amortized cost				
Grades AAA to B : Current	<u>7,645,310,259</u>	<u>-</u>	<u>-</u>	<u>7,645,310,259</u>
(Amounts in PHP)	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
- corporate				
Grades AAA to B : Current	94,244,267	-	-	94,244,267
Grade B : Watchlisted	25,707,685	-	-	25,707,685
Grade C : LEM	-	-	-	-
Grade D : Substandard	-	22,908,656	-	22,908,656
Grade F : Loss	-	-	1,589,877	1,589,877
	<u>119,951,952</u>	<u>22,908,656</u>	<u>1,589,877</u>	<u>144,450,485</u>
Allowance for impairment	(2,440,165)	(22,908,656)	(1,500,000)	(26,848,821)
Carrying amount	<u>117,511,787</u>	<u>-</u>	<u>89,877</u>	<u>117,601,664</u>
Receivables from customers				
- consumers				
Grades AAA to B : Current	98,057,519,714	-	-	98,057,519,714
Grade C : LEM	8,436,981	-	-	8,436,981
Grade D : Substandard	-	465,444,762	-	465,444,762
Grade E : Doubtful	-	-	263,425,025	263,425,025
Grade F : Loss	-	-	2,500,849,604	2,500,849,604
	<u>98,065,956,695</u>	<u>465,444,762</u>	<u>2,764,274,629</u>	<u>101,295,676,086</u>
Allowance for impairment	(376,069,030)	(75,840,181)	(1,920,410,593)	(2,372,319,804)
Carrying amount	<u>97,689,887,665</u>	<u>389,604,581</u>	<u>843,864,036</u>	<u>98,923,356,282</u>
Other receivables				
Grades AAA to B : Current	330,721,436	-	-	330,721,436
Grade C : LEM	-	-	-	-
Grade D : Substandard	-	-	38,196,321	38,196,321
Grade E : Doubtful	-	-	681,443	681,443
Grade F : Loss	-	-	63,669,174	63,669,174
	<u>330,721,436</u>	<u>-</u>	<u>102,546,938</u>	<u>433,268,374</u>
Allowance for impairment	(500)	-	(36,813,867)	(36,814,367)
Carrying amount	<u>330,720,936</u>	<u>-</u>	<u>65,733,071</u>	<u>396,454,007</u>
Financial assets at FVOCI				
Grades AAA to B : Current	<u>4,887,461,587</u>	<u>-</u>	<u>-</u>	<u>4,887,461,587</u>
Investment securities at amortized cost				
Grades AAA to B : Current	<u>5,027,004,983</u>	<u>-</u>	<u>-</u>	<u>5,027,004,983</u>

As of December 31, 2025 and 2024, the Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P12,840.8 million and P10,165.8 million, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on Standard & Poor's ratings.

4.3.3 Concentration of Credit Risk

The Bank monitors concentrations of credit risk by sector only since for geographic location all are concentrated in the Philippines. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below.

<i>(Amounts in PHP)</i>	2025			2024		
	Cash and Cash Equivalents*	Receivables from Customers	Investment Securities	Cash and Cash Equivalents*	Receivables from Customers	Investment Securities
Concentration by sector:						
Financial and insurance activities	12,840,810,327	12,841,906	11,600,780,112	10,165,784,597	35,694,405	9,914,466,570
Consumption	-	99,689,294,309	-	-	72,735,455,964	-
Wholesale and retail trade	-	7,684,092,335	-	-	6,297,454,098	-
Agriculture, forestry and fishing	-	11,941,485,432	-	-	20,414,216,274	-
Manufacturing	-	643,436,556	-	-	523,353,097	-
Accommodation and food service activities	-	430,510,785	-	-	266,888,598	-
Human health and social work activities	-	87,938,932	-	-	75,400,993	-
Construction	-	192,895,039	-	-	197,349,816	-
Transportation and storage	-	127,008,078	-	-	90,358,891	-
Real estate activities	-	20,798,264	-	-	14,090,506	-
Education	-	29,434,438	-	-	34,200,301	-
Administrative and support services	-	78,516,057	-	-	58,793,805	-
Mining and quarrying	-	27,219,883	-	-	24,105,656	-
Professional, scientific and technical services	-	36,671,496	-	-	31,224,486	-
Information and communication	-	30,278,184	-	-	21,725,502	-
Electricity, gas, steam and air-conditioning supply	-	30,863,193	-	-	4,617,316	-
Water supply, sewerage waste management and remediation activities	-	5,589,690	-	-	5,437,701	-
Arts, entertainment and recreation	-	4,196,318	-	-	3,384,862	-
Public administration	-	13,649,390	-	-	-	-
Other service activities	-	785,939,321	-	-	606,374,300	-
	12,840,810,327	121,872,659,606	11,600,780,112	10,165,784,597	101,440,126,571	9,914,466,570

* Cash and cash equivalents include cash and other cash items, due from BSP and other banks

4.3.4 Collateral Held as Security and Other Credit Enhancements

The Bank holds collateral against credit exposures from customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated periodically, (e.g., annually for real estate properties, as provided in the Parent Bank's Credit Policy Manual). Collateral generally is not held over due from other banks, interbank loans and investment securities, except when securities are held as part of reverse repurchase and securities borrowing activity. The Bank holds collateral against credit exposures in the form of property and hold-out deposits.

There is no significant change in the quality of the collateral and other security enhancements held against the credit exposures except for the fair value of the collaterals driven by the change in market conditions.

Estimate of the fair value of collateral and other security enhancements held against the following credit exposures as of December 31 is presented below:

<i>(Amounts in PHP)</i>	2025	2024
Receivable from customers – corporate		
Property	544,299,103	1,131,049,240
Hold-out deposits	459,363,687	485,555,556
	1,003,662,790	1,616,604,796
Receivable from customers – consumer		
Property	342,340,386	70,327,920
Hold-out deposits	426,919,667	52,077,513
	769,260,053	112,405,433
	1,772,922,843	1,729,010,229

As of December 31, 2025 and 2024, no collateral is held for due from other banks and investment securities.

In 2025 and 2024, no properties were recognized arising from foreclosures in settlement of loan accounts. The carrying amount of the Bank's foreclosed assets, which pertain to land and buildings and related improvements, amounted to P1.3 million as of December 31, 2025 and 2024. The foreclosed assets are all presented as Investment Properties in the statements of financial position (see Note 14).

The Bank's manner of disposing the collateral for impaired loans and other receivables is normally through sale of these assets after foreclosure proceedings have taken place. The Bank does not generally use the non-cash collateral for its own operations.

The general creditworthiness of a corporate and individual customer tends to be the most relevant indicator of credit quality of a loan extended to it (see Note 4.3.2). However, collateral provides additional security and the Bank generally requests that corporate and individual borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

While the Bank is focused on corporate and individual customers' creditworthiness, it continuously and regularly updates the valuation of collateral held against all loans to corporate customers. Most frequent updating, however, is required when the loan is put on a watch list and the loan is monitored more closely. The same applies to credit-impaired loans, as the Bank obtains appraisals of collateral to provide input into determining the management credit risk actions.

(a) Receivable from Customers - Corporate

The net carrying amount of credit-impaired receivables (loans under Stage 3) to corporate customers amounted to P30.7 million and P0.1 million as of December 31, 2025 and 2024, respectively.

(b) *Receivable from Customers - Consumer*

The net carrying amount of credit-impaired receivables to individual customers amounted to P1,642.8 million and P1,233.5 million as of December 31, 2025 and 2024, respectively. The fair value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to P342.3 million and P1.1 million as of December 31, 2025 and 2024, respectively. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

(c) *Other Receivables*

The net carrying amount of credit-impaired receivables to corporate customers amounted to P22.5 million and P65.7 million as of December 31, 2025 and 2024, respectively.

(d) *Debt Investment Securities*

The maximum exposure to credit risk of the financial assets at FVOCI and investment securities at amortized cost are their carrying amounts of P3,955.5 million and P7,645.3 million, respectively, as of December 31, 2025, and P4,887.5 million and P5,027.0 million, respectively, as of December 31, 2024.

There were no changes in the Bank's collateral policies in 2025 and 2024.

4.3.5 Amounts Arising from Expected Credit Losses

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired (referred to as Stages 2 and 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using probability of default (PD), loss given default (LGD) and exposure at default (EAD).

(a) *Significant Increase in Credit Risk*

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime PD as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses the following criteria in determining whether there has been a significant increase in credit risk: (i) quantitative test based on movement in PD; and (ii) qualitative indicators, such as substantial decline in sales, intermittent delays in payment or restructuring.

(i) Credit risk grading

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

The credit grades are defined and calibrated such that the risk of default increases exponentially at each higher risk grade so, for example, the difference in the PD between an AAA and AA rating grade is lower than the difference in the PD between a B and B- rating grade.

The Bank assigns corporate and consumer loans based on classification into stages of impairment as follows:

- Grades AAA to C : Stage 1
- Grade D : Stage 2
- Grades E to F : Stage 3

(ii) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information from external credit reference agencies is also used.

The Bank employs statistical models to analyze the data collected and generate the term structure of PD estimates.

(iii) Determining whether credit risk has significantly increased

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant varies across financial assets of the Bank.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as substantial decline in sales and intermittent delays in payments.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

(b) Definition of Default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank; or,
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are qualitative (e.g., breaches of covenant) and, quantitative (overdue or non-payment).

Inputs into the assessment of whether a financial asset is in default as well as their significance may vary over time to reflect changes in circumstances.

(c) Forward-looking Information (FLI)

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The relevant macro-economic variables for selection generally include, but are not limited to, Gross Domestic Product (GDP) growth, unemployment rate, foreign exchange, stock market index, oil prices and interest rates.

Predicted relationships between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years.

The significance of the selected macro-economic variables as predictors of default may change over time as historical information is added. As such, the generated macro-economic models are updated at least on an annual basis.

Management has also considered other FLIs not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL. Management reviews and monitors the appropriateness of FLIs at least annually.

(d) *Modified Financial Assets*

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.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'restructuring') to maximize collection opportunities and minimize the risk of default. Under the Bank's restructuring policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt; or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Bank's Credit Committee regularly reviews reports on restructured activities.

For financial assets modified as part of the Bank's restructuring policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, restructuring is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

(e) *Measurement of ECL*

The key inputs into the measurement of ECL are the term structure of PD, LGD and EAD.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed in the preceding page under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD model considers the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value (LTV) ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the EIR as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described in the previous page, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term of maturity;
- industry; and,
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information (e.g., PD from external credit rating agencies, Basel LGD) is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL include exposures to foreign borrowers and low default borrower segments.

(f) *Write-offs*

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include cessation of enforcement activity and where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off. The Bank has still has an enforceable right to receive payment even if the financial assets have been written off.

(g) *Credit Risk Exposure*

The Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets, as shown below.

<i>(Amounts in PHP)</i>	2025			
	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
Receivables from customers:				
Corporate	264,303,289	831,076,881	-	264,303,289
Consumer	<u>121,608,356,316</u>	<u>769,260,053</u>	<u>120,839,096,263</u>	<u>769,260,053</u>
	<u>121,872,659,605</u>	<u>1,600,336,934</u>	<u>120,839,096,263</u>	<u>1,033,563,342</u>
<i>(Amounts in PHP)</i>	2024			
	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
Receivables from customers:				
Corporate	144,450,485	1,616,604,796	-	144,450,486
Consumer	<u>101,295,676,086</u>	<u>112,405,433</u>	<u>101,183,270,653</u>	<u>112,405,433</u>
	<u>101,440,126,571</u>	<u>1,729,010,229</u>	<u>101,183,270,653</u>	<u>256,855,919</u>

The following table sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and investment securities at FVOCI as of December 31:

<i>(Amounts in PHP)</i>	Notes	2025	2024
Cash and cash equivalents	6	12,840,810,327	10,165,784,597
Investment securities:			
at FVOCI	9	3,955,469,853	4,887,461,587
at amortized cost	10	<u>7,645,310,259</u>	<u>5,027,004,983</u>
		<u>24,441,590,439</u>	<u>20,080,251,167</u>

Cash and cash equivalents includes amounts due from BSP and from other banks. Investment securities include government and corporate bonds. These are held by the BSP, financial institutions and other counterparties that are reputable and with low credit risk; hence, ECL is negligible.

(b) *Loss Allowance*

In 2025 and 2024, the Bank performed recalibration of its existing ECL model to incorporate the most-recent default and recovery experience of the Bank and developments in the macroeconomic environment. Independent macroeconomic variables used to forecast the probability of default could either be dictated by their statistical significance in the model or economic significance. Inputs are updated to ensure models are robust, predictive and reliable.

The reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument is presented below and in the succeeding page.

<i>(Amounts in PHP)</i>	2025			Total
	Stage 1	Stage 2	Stage 3	
Receivables from customers				
- corporate				
Balance at January 1	2,440,165	22,908,656	1,500,000	26,848,821
Transfers to:				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	(1,735,088)	-	1,735,088	-
Net remeasurement of loss allowance	-	-	-	-
Derecognition of financial assets	(163,194)	(2,222,318)	(951,870)	(3,337,382)
Balance at December 31	<u>541,883</u>	<u>20,686,338</u>	<u>2,283,218</u>	<u>23,511,439</u>
Receivables from customers				
- consumer				
Balance at January 1	376,069,030	75,840,181	1,920,410,593	2,372,319,804
Transfers to:				
Stage 1	28,363,587	(4,592,901)	(23,770,686)	-
Stage 2	(25,947,522)	30,273,826	(4,326,304)	-
Stage 3	(59,598,491)	(33,988,462)	93,586,953	-
Net remeasurement of loss allowance	(77,421,581)	15,639,101	1,119,607,279	1,057,824,799
New financial assets originated	241,451,624	44,670,317	234,941,692	521,063,633
Derecognition of financial assets	(65,425,251)	(30,776,815)	(369,702,523)	(465,904,589)
Write-offs	-	-	(906,936,244)	(906,936,244)
Balance at December 31	<u>417,491,396</u>	<u>97,065,247</u>	<u>2,063,810,760</u>	<u>2,578,367,403</u>
Other receivables				
Balance at January 1	500	-	36,813,867	36,814,367
Transfers to:				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	13,374,362	13,374,362
New financial assets originated	-	-	21,449,356	21,449,356
Derecognition of financial assets	(500)	-	(2,078,271)	(2,078,771)
Write-offs	-	-	(9,603)	(9,603)
Balance at December 31	<u>-</u>	<u>-</u>	<u>69,549,711</u>	<u>69,549,711</u>

(Amounts in PHP)	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers - corporate				
Balance at January 1	1,156,656	22,908,656	1,500,000	25,565,312
Transfers to:				
Stage 1	18,836,465	(18,836,465)	-	-
Stage 2	(22,908,656)	22,908,656	-	-
Stage 3	-	(1,500,000)	1,500,000	-
Net remeasurement of loss allowance	5,696,832	(2,572,191)	(1,500,000)	1,624,641
Derecognition of financial assets	(341,132)	-	-	(341,132)
Balance at December 31	<u>2,440,165</u>	<u>22,908,656</u>	<u>1,500,000</u>	<u>26,848,821</u>
Receivables from customers - consumer				
Balance at January 1	457,985,681	139,901,657	1,536,332,106	2,134,219,444
Transfers to:				
Stage 1	242,329,350	(131,488,107)	(110,841,243)	-
Stage 2	(24,527,586)	49,128,140	(24,600,554)	-
Stage 3	(530,713,050)	(1,151,577,940)	1,682,290,990	-
Net remeasurement of loss allowance	73,862,442	1,187,045,736	(98,877,700)	1,162,030,478
New financial assets originated	214,729,523	27,594,886	112,642,945	354,967,354
Derecognition of financial assets	(57,597,330)	(44,764,191)	(390,703,521)	(493,065,042)
Write-offs	-	-	(785,832,430)	(785,832,430)
Balance at December 31	<u>376,069,030</u>	<u>75,840,181</u>	<u>1,920,410,593</u>	<u>2,372,319,804</u>
Other receivables				
Balance at January 1	871,189	-	35,199,944	36,071,133
Transfers to:				
Stage 1	500	(500)	-	-
Stage 2	-	-	-	-
Stage 3	-	(33,508,111)	33,508,111	-
Net remeasurement of loss allowance	(58,361)	33,508,611	(20,351,165)	13,099,085
New financial assets originated	-	-	2,842,798	2,842,798
Derecognition of financial assets	(812,828)	-	(14,367,345)	(15,180,173)
Write-offs	-	-	(18,476)	(18,476)
Balance at December 31	<u>500</u>	<u>-</u>	<u>36,813,867</u>	<u>36,814,367</u>

The following table sets out a reconciliation of changes in the total loss allowance.

(Amounts in PHP)	2025	2024
Balance at January 1	2,435,982,992	2,195,855,889
Net remeasurement of loss allowance	1,071,199,161	1,176,754,204
Write-off	(906,945,847)	(785,850,906)
New financial assets originated	542,512,990	357,810,152
Derecognition of financial assets	(471,320,742)	(508,586,347)
Balance at December 31	<u>2,671,428,554</u>	<u>2,435,982,992</u>

Write-offs of loans and related allowances were approved by the Bank's BOD on various dates in 2025 and 2024 (see Note 16).

(i) *Significant Changes in Gross Carrying Amount Affecting Allowance for ECL*

The tables on the succeeding page provide information on how the significant changes in the gross carrying amount of financial instruments in 2025 and 2024 contributed to the changes in the allowance for ECL.

In response to the unprecedented impact of COVID-19 pandemic, the Bank granted to its customers the mandatory reliefs provided by the government through *Bayaniban 1* and *Bayaniban 2*. In addition, it entered into voluntary renegotiations of terms of loans of some other customers with a view of maximizing recovery of the contractual amount of obligation. These relief measures were granted to eligible borrowers to allow them to get back into the habit of paying loans which includes payment relief including extension of contractual terms, principal and interest relief, as well as extension of balloon payment terms.

As of December 31, 2025 and 2024, the total outstanding balance of loans modified under *Bayaniban 1* and *Bayaniban 2* amounted to P138.1 million and P307.9 million, respectively.

Financial reliefs provided by the Bank and mandated by the government were assessed to be non-substantial modification and have not resulted to material modification loss as the present value of the original cash flows and the present value of the revised cash flows using the original effective interest rate were substantially the same.

(j) *Sensitivity Analysis on ECL Measurement*

Set out below are the changes to the Bank's 12-month ECL as of December 31, 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.

	Change in MEVs		Impact on ECL	
	Increase	Decrease	Increase in MEV	Decrease in MEV
2025:				
Salary Loans				
GDP growth rate	+1.00%	-1.00%	-0.17%	0.17%
Inflation rate	+1.00%	-1.00%	0.77%	-1.18%
MSME Loans				
GDP growth rate	+1.00%	-1.00%	-0.84%	0.84%
Inflation rate	+1.00%	-1.00%	1.35%	-2.08%
2024:				
Salary Loans				
GDP growth rate	+1.00%	-1.00%	-0.30%	0.30%
Inflation rate	+1.00%	-1.00%	0.78%	-1.36%
MSME Loans				
GDP growth rate	+1.00%	-1.00%	-0.85%	0.85%
Inflation rate	+1.00%	-1.00%	2.09%	-3.64%

4.4 Operational Risk

Operational risk is the risk of loss due to the Bank's:

- failure to comply with defined operational procedures;
- inability to address fraud committed internally or externally;
- inability to handle system failures; and,
- inability to cope with the impact of external events.

The Bank manages operational risks by instituting policies to minimize its expected losses, allocating capital for the unexpected losses, and having insurance and/or a business continuity plan to prepare for catastrophic losses.

4.4.1 Framework

True to its commitment to sound management and corporate governance, the Bank considers operational risk management as a critical element in the conduct of its business. Under the Bank's Operational Risk Management (ORM) framework, the BOD has the ultimate responsibility for providing leadership in the management of operational risk in the Bank.

The RMG provides the common risk language and management tools as well as monitors the implementation of the ORM framework and policies. The business process owners, as risk owners, are responsible for identifying, assessing and limiting the impact of risk in their businesses/operations.

The Bank continues to conduct periodic Risk and Control Self-Assessment (RCSA) so that business process owners could document both their operational risks and control mechanisms they have put in place to manage those risks. This ORM tool allows the Bank to identify risks the business/operation faces, assess the severity of those risks, evaluate the adequacy of key controls associated to the identified risks, and take proactive action to address any deficiencies identified.

The Bank also continues to use Key Risk Indicators (KRI) as alerts for operational risk vulnerabilities. Reporting of Top KRIs to the BOD through the RMC is done quarterly.

The Bank likewise uses Loss Data Collection, Analysis and Reporting that allows the Bank to gather data per Basel loss event category across business lines. The collected data are processed for information and appropriate escalation, root cause analysis, control effectiveness and enables action plans to prevent recurrence.

These ORM tools are continually being reviewed and enhanced to proactively manage operational risks. The Operational Risk Management Solution (ORMS) was implemented to automate the reporting of the Bank's RCSAs and KRIs. The bank-wide information asset inventory is regularly reviewed to address operational risks arising from information security concerns. The inventory identified critical applications and sensitive data based on the Bank's classification standards, information risks, as well as, protection measures in place to mitigate these risks. Under the purview of information security is data privacy. The Bank's data privacy framework is in accordance with the Republic Act No. 10173, *Data Privacy Act of 2012*.

Operational risks arising from health, safety and environmental issues are appropriately managed through policies and measures that are integrated into the Bank's day-to-day operations. These include Environmental Consciousness, Occupational Health and Safety, and Community Health and Safety.

The Bank continues to review its preparedness for major disaster scenarios and implements required changes in its Business Continuity Plan.

4.5 Legal and Regulatory Risks

Legal risk pertains to the Bank's risk to earnings or capital that may arise as a result of unenforceable contracts, lawsuits or adverse judgments. The Bank may become involved in litigation in enforcing its collection rights under loan agreements in case of borrower's default. The Bank may incur significant legal expenses as a result of these events, but the Bank may still end up with non-collection or non-enforcement of claims. The Bank has established measures to avoid or mitigate the effects of adverse court decisions and engages qualified and accredited legal counsels. At year-end, the Bank also ensures that material adjustments or disclosures are made in the financial statements for any significant commitments or contingencies which may have arisen from legal proceedings involving the Bank.

Regulatory risk refers to the potential risk for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The monitoring of the Bank's compliance with these regulations as well as the study of the potential impact of new laws and regulations, is the primary responsibility of the Bank's Compliance Office. The Compliance Office is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing on branches and Head Office units, and reporting compliance findings to the Audit Committee and the BOD.

5. CATEGORIES, FAIR VALUE MEASUREMENT AND DISCLOSURES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

<i>(Amounts in PHP)</i>	Notes	2025		2024	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
At amortized cost:					
Cash and other					
cash items	6	5,961,887,070	5,961,887,070	3,926,624,168	3,926,624,168
Due from BSP	6, 7	135,497,873	135,497,873	121,928,212	121,928,212
Due from other banks	6, 8	6,743,425,384	6,743,425,384	6,117,232,217	6,117,232,217
Loans and other					
receivables – net	11	120,067,565,551	120,485,598,830	99,437,411,953	99,815,921,647
Security deposits	15	58,067,492	58,067,492	49,835,791	49,835,791
Investment securities					
at amortized cost	10	7,645,310,259	7,641,612,294	5,027,004,983	4,915,968,840
		140,611,753,629	141,026,088,943	114,680,057,324	114,947,510,875
Financial assets at FVOCI	9	3,955,469,853	3,955,469,853	4,887,461,587	4,887,461,587
		<u>144,567,223,482</u>	<u>144,981,558,796</u>	<u>119,567,498,911</u>	<u>119,834,972,462</u>
Financial Liabilities					
At amortized cost:					
Deposit liabilities	17	108,128,946,924	107,760,092,207	93,787,180,624	93,410,451,197
Lease liabilities	13	978,183,808	1,047,279,281	805,257,088	861,247,944
Bills payable	18	16,427,096,352	16,291,086,287	11,657,100,354	11,587,132,774
ATM settlement payable	19	543,048,964	543,048,964	215,985,807	215,985,807
Accrued expenses					
and other liabilities					
(except tax-related					
payables and					
post-employment					
defined benefit					
obligation)	19	2,682,915,220	2,682,915,220	1,668,520,064	1,330,154,229
		<u>128,760,191,268</u>	<u>128,324,421,959</u>	<u>108,134,043,937</u>	<u>107,404,971,951</u>

See Note 2.3 for a description of the accounting policies for each category of financial instrument. A description of the Bank's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS Accounting Standards, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For financial assets and liabilities which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

5.3 Financial Instruments Measured at Fair Value

The tables below show the fair value hierarchy of the Bank's classes of financial assets measured at fair value in the statements of financial position as of December 31.

<i>(Amounts in PHP)</i>	Level 1	Level 2	Level 3	Total
2025:				
Financial Asset				
Financial assets at FVOCI:				
Government debt securities	<u>1,112,217,584</u>	<u>2,843,252,269</u>	-	<u>3,955,469,853</u>
2024:				
Financial Asset				
Financial assets at FVOCI:				
Government debt securities	<u>1,773,807,713</u>	<u>3,113,653,874</u>	-	<u>4,887,461,587</u>

The fair value of the debt securities of the Bank, which are categorized within Level 1 and Level 2, is discussed below.

- (i) Fair values of peso-denominated government debt securities issued by the Philippine government, are determined based on the reference price per Bloomberg which used Bloomberg Valuation (BVAL). These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables.
- (ii) For corporate and other quoted debt securities, fair value is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg.

The Bank has no financial liabilities measured at fair value as of December 31, 2025 and 2024. There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

5.4 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are measured at amortized cost in the statements of financial position but for which fair value is disclosed.

<i>(Amounts in PHP)</i>	2025			
	Level 1	Level 2	Level 3	Total
Financial Assets				
At amortized cost:				
Cash and cash equivalents	12,840,810,327	-	-	12,840,810,327
Loans and other receivables – net	-	-	120,485,598,830	120,485,598,830
Security deposits	-	-	58,067,492	58,067,492
Investment securities at amortized cost	<u>2,496,672,351</u>	<u>5,144,939,943</u>	-	<u>7,641,612,294</u>
	<u>15,337,482,678</u>	<u>5,144,939,943</u>	<u>120,543,666,322</u>	<u>141,026,088,943</u>
Financial Liabilities				
At amortized cost:				
Deposit liabilities	-	-	107,760,092,207	107,760,092,207
Lease liabilities	-	-	1,047,279,281	1,047,279,281
Bills payable	-	16,291,086,287	-	16,291,086,287
ATM settlement payable	-	-	543,048,984	543,048,984
Accrued expenses and other liabilities (except tax-related payables and post-employment defined benefit obligation)	-	-	2,682,915,220	2,682,915,220
	<u>-</u>	<u>16,291,086,287</u>	<u>112,033,335,692</u>	<u>128,324,421,979</u>

(Amounts in PHP)	2024			
	Level 1	Level 2	Level 3	Total
Financial Assets				
At amortized cost:				
Cash and cash equivalents	10,165,784,597	-	-	10,165,784,597
Loans and other receivables – net	-	-	99,815,921,647	99,815,921,647
Security deposits	-	-	49,835,791	49,835,791
Investment securities at amortized cost	1,045,543,614	3,870,425,226	-	4,915,968,840
	<u>11,211,328,211</u>	<u>3,870,425,226</u>	<u>99,865,757,438</u>	<u>114,947,510,875</u>
Financial Liabilities				
At amortized cost:				
Deposit liabilities	-	-	93,410,451,197	93,410,451,197
Lease liabilities	-	-	861,247,944	861,247,944
Bills payable	-	11,587,132,774	-	11,587,132,774
ATM settlement payable	-	-	215,985,807	215,985,807
Accrued expenses and other liabilities (except tax-related payables and post-employment defined benefit obligation)	-	-	1,330,154,229	1,330,154,229
	<u>-</u>	<u>11,587,132,774</u>	<u>95,817,839,177</u>	<u>107,404,971,951</u>

For financial assets and financial liabilities, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. The following are the methods used to determine the fair value of financial assets and financial liabilities presented in the statements of financial position at their amortized cost:

(a) *Due from BSP and Other Banks*

Due from BSP pertains to deposits made by the Bank to the BSP for clearing and reserve requirements. Due from other banks includes items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(b) *Investment Securities at Amortized Cost*

The fair value of investment securities at amortized cost is determined based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables. For corporate and other quoted debt securities, fair value is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg; hence categorized as Level 1 or Level 2.

The Bank will hold into the investments until management decides to sell them when there will be offers to buy out such investments on the appearance of an available market where the investments can be sold.

(c) *Loans and Other Receivables*

Loans and other receivables are net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(d) *Deposit Liabilities*

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(e) *Security Deposits and Accrued Expenses and Other Liabilities*

Due to their short duration, the carrying amounts of security deposits and accrued expenses and other liabilities in the statements of financial position are considered to be reasonable approximation of their fair values.

5.5 Fair Value Measurement for Non-financial Assets

There were no non-financial assets measured at fair value as of December 31, 2025 and 2024.

The fair value of investment properties amounted to P243.1 million and P243.5 million as of December 31, 2025 and 2024, respectively. The fair values were determined through appraisals, which were conducted by an in-house appraiser of the Bank, except for the appraisals of investment properties with carrying amount exceeding P5.0 million, which was conducted by an independent appraiser acceptable to the BSP.

The fair value disclosed for the Bank's investment properties, which consist of parcels of land, is based on Level 3. The Level 3 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 3.

5.6 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position	Related amounts not set-off in the statements of financial position		Net amount
	Financial assets	Financial assets set-off		Financial instruments	Deposits hold-out	
<i>(Amounts in PHP)</i>						
December 31, 2025 –						
Loans and other receivables	<u>120,067,565,551</u>	<u>-</u>	<u>120,067,565,551</u>	<u>-</u>	<u>(886,182,534)</u>	<u>119,181,383,017</u>
December 31, 2024 –						
Loans and other receivables	<u>99,437,411,953</u>	<u>-</u>	<u>99,437,411,953</u>	<u>-</u>	<u>(438,821,499)</u>	<u>98,998,590,454</u>

Certain financial liabilities with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements.

<i>(Amounts in PHP)</i>	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position	Related amounts not set-off in the statements of financial position		Net amount
	Financial liabilities	Financial assets set-off		Financial instruments	Deposits hold-out	
December 31, 2025 – Deposit liabilities	<u>108,128,946,924</u>	<u>-</u>	<u>108,128,946,924</u>	<u>-</u>	<u>(886,182,534)</u>	<u>107,242,764,390</u>
December 31, 2024 – Deposit liabilities	<u>93,787,180,624</u>	<u>-</u>	<u>93,787,180,624</u>	<u>-</u>	<u>(438,821,499)</u>	<u>93,348,359,125</u>

The fair value disclosed for the Bank's investment properties, which consist of parcels of land, is determined using the market comparable approach. Although the approach uses observable data points from recent sales of comparable properties, the valuation involves significant adjustments for factors such as location, size, development potential, and market conditions. Because these adjustments constitute significant unobservable inputs, the fair value measurement is classified within Level 3 of the fair value hierarchy.

For purposes of presenting the information, the related amounts not set-off in the statements of financial position pertains to: (a) deposits hold-out which serves as the Bank's collateral enhancement for certain loans and other receivables; and, (b) collateralized bills payable under sale and repurchase agreements. The deposit hold-out that can be set-off are only disclosed to the extent of the outstanding balance of the collateralized loans since it is less than the related deposits held by the Bank.

6. CASH AND CASH EQUIVALENTS

For purposes of presenting the cash flows, cash and cash equivalents consist of the following:

<i>(Amounts in PHP)</i>	Notes	2025	2024
Cash and other cash items		5,961,887,070	3,926,624,168
Due from BSP	7	135,497,873	121,928,212
Due from other banks	8	6,743,425,384	6,117,232,217
		<u>12,840,810,327</u>	<u>10,165,784,597</u>

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers. Other cash items include cash items (other than currency and coins on hand) such as checks drawn on other banks or other branches after the Bank's clearing cut-off time until the close of the regular banking hours.

7. DUE FROM BANGKO SENTRAL NG PILIPINAS

This account represents the Bank's demand deposit with the BSP in compliance with BSP's reserve requirements (see Note 6). The Bank has satisfactorily complied with the reserve requirements of the BSP. As per BSP Circular No. 1211 dated March 11, 2025, the rate of required reserves against deposit and deposit substitute liabilities effective reserve week starting March 28, 2025 shall be 0% from 1%. Deposit with BSP do not earn interest.

8. DUE FROM OTHER BANKS

This account is composed of the following as of December 31:

<i>(Amounts in PHP)</i>	Note	2025	2024
Time		4,051,547,392	3,285,676,496
Demand and savings		2,691,877,992	2,831,555,721
	6	6,743,425,384	6,117,232,217

All of the Bank's time deposits, which can be pre-terminated anytime, will mature within three months. Interest income on deposits with other banks amounted to P214.4 million and P184.9 million in 2025 and 2024, respectively, which is presented as Interest Income on Deposits with Other Banks in the statements of profit or loss.

The Bank's deposits in other banks earn annual interest as follows:

	2025	2024
Savings	0.05% - 0.63%	0.05% - 0.63%
Time	0.22% - 5.15%	0.22% - 5.15%

9. INVESTMENT SECURITIES AT FVOCI

This account consists of peso-denominated bonds issued by the Philippine government with annual nominal interest rates ranging from 3.38% to 8.63% and will mature in various dates until 2032, with carrying amount of P3,955.5 million and P4,887.5 million as of December 31, 2025 and 2024, respectively.

The reconciliation of the carrying amounts of financial assets at FVOCI as of December 31 are presented in the succeeding page.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Balance at beginning of year		4,887,461,587	4,938,452,761
Cost of sold and matured financial assets at FVOCI		(2,150,000,000)	-
Additions		1,050,146,034	-
Unrealized fair value gains	20.3	158,848,532	49,950,112
Net increase (decrease) in unamortized premium (discount) during the year		10,179,681	(471,587)
Movement in accrued interest receivable		(1,165,981)	(471,834)
Impairment loss	16	<u>-</u>	<u>2,135</u>
Balance at end of year		<u>3,955,469,853</u>	<u>4,887,461,587</u>

The interest income recognized on financial assets at FVOCI amounting to P223.8 million and P216.7 million in 2025 and 2024, respectively, and is presented as part of Interest Income on Investment Securities in the statements of profit or loss.

In 2025, the Bank sold financial assets at FVOCI with cost amounting to P2,150.0 million for P2,134.4 million, resulting to a loss amounting to P15.6 million and is presented as part of Other Income - Net in the 2025 statement of profit or loss (see Note 22). There was no similar transaction in 2024.

In 2024, the proceeds obtained from matured financial assets at FVOCI is P100.0 million. There were no matured financial assets in 2025.

10. INVESTMENT SECURITIES AT AMORTIZED COST

This account consists of investments in bonds issued by the Philippine government with annual fixed coupon rates ranging from 3.38% to 10.25% per annum. These investments will mature on various dates until 2031.

The interest income recognized for investment securities at amortized cost, presented as part of Interest Income on Investment Securities in the statements of profit or loss, amounted to P244.5 million and P206.0 million in 2025 and 2024, respectively.

Management assessed that no impairment loss on the Bank's investment securities at amortized cost is required to be recognized in 2025 and 2024.

The reconciliation of the carrying amounts of financial assets at amortized as of December 31 are presented in the succeeding page.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	5,027,004,983	3,982,216,624
Additions	22,170,605,000	4,309,741,000
Maturities	(19,670,605,000)	(3,259,741,000)
Net increase (decrease) in unamortized premium/discount during the year	87,976,387	(5,211,641)
Accrued interest receivable	<u>30,328,889</u>	<u>-</u>
Balance at end of year	<u><u>7,645,310,259</u></u>	<u><u>5,027,004,983</u></u>

There are no investment securities at amortized cost pledged as collateral as of December 31, 2025 and 2024.

11. LOANS AND OTHER RECEIVABLES

As of December 31, the breakdown of this account follows:

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2025</u>	<u>2024</u>
Receivables from customers:			
Individual consumption		99,265,416,581	72,422,369,369
Agricultural		11,495,473,380	20,006,233,155
Commercial		10,048,753,961	8,118,684,003
Others		209,343,083	168,823,333
		<u>121,018,987,005</u>	<u>100,716,109,860</u>
Allowance for impairment	16	<u>(2,451,422,748)</u>	<u>(2,255,171,096)</u>
		<u>118,567,564,257</u>	<u>98,460,938,764</u>
Accrued interest receivable		853,672,601	724,016,711
Allowance for impairment	16	<u>(150,456,095)</u>	<u>(143,997,529)</u>
		<u>703,216,506</u>	<u>580,019,182</u>
Other receivables:			
Accounts receivable		858,721,441	427,539,921
Allowance for impairment	16	<u>(69,086,253)</u>	<u>(36,350,909)</u>
		<u>789,635,188</u>	<u>391,189,012</u>
Sales contract receivable		7,613,058	5,728,453
Allowance for impairment	16	<u>(463,458)</u>	<u>(463,458)</u>
		<u>7,149,600</u>	<u>5,264,995</u>
		<u><u>120,067,565,551</u></u>	<u><u>99,437,411,953</u></u>

No loans granted to directors, officers, stockholders and related interests (DOSRI) are outstanding as of December 31, 2025 and 2024 [see Note 27(f)].

The classification of loans as to interest rate follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Over 25.00%	9,397,718,000	7,555,358,971
Over 20.00% - 25.00%	14,666,110	11,131,013
Over 15.00% - 20.00%	5,948,615	5,868,285
15.00% and below	<u>111,600,654,280</u>	<u>93,143,751,591</u>
	<u>121,018,987,005</u>	<u>100,716,109,860</u>

There were no loan receivables pledged as of December 31, 2025 and 2024.

Interest income on loans and other receivables recognized amounting to P11,461.5 million and P9,625.7 million in 2025 and 2024, respectively, is presented as Interest Income on Loans and Other Receivables in the statements of profit or loss.

The breakdown of loans by status is presented as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Current	116,305,441,972	96,863,283,411
Past due	4,344,865,226	3,678,436,938
In litigation	<u>368,679,807</u>	<u>174,389,511</u>
	<u>121,018,987,005</u>	<u>100,716,109,860</u>

12. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and allowance for impairment of bank premises, furniture, fixtures and equipment at the beginning and end of 2025 and 2024 are shown below.

<i>(Amounts in PHP)</i>	<u>Land</u>	<u>Buildings</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Leasehold and Land Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2025						
Cost	725,603,212	1,352,382,362	1,712,550,013	1,203,916,746	4,794,699	4,999,247,032
Accumulated depreciation and amortization	-	(676,040,321)	(1,186,865,720)	(672,979,385)	-	(2,535,885,426)
Allowance for impairment	(137,985,044)	(9,496,267)	-	-	-	(147,481,311)
Net carrying amount	<u>587,618,168</u>	<u>666,845,774</u>	<u>525,684,293</u>	<u>530,937,361</u>	<u>4,794,699</u>	<u>2,315,880,295</u>
December 31, 2024						
Cost	729,667,874	1,292,569,851	1,590,667,640	963,319,730	7,815,000	4,584,040,095
Accumulated depreciation and amortization	-	(653,346,061)	(1,040,480,423)	(531,218,328)	-	(2,225,044,812)
Allowance for impairment	(137,985,044)	(7,750,692)	-	-	-	(145,735,736)
Net carrying amount	<u>591,682,830</u>	<u>631,473,098</u>	<u>550,187,217</u>	<u>432,101,402</u>	<u>7,815,000</u>	<u>2,213,259,547</u>
January 1, 2024						
Cost	729,667,874	1,276,263,903	1,391,787,892	796,589,135	1,433,980	4,195,742,784
Accumulated depreciation and amortization	-	(631,634,032)	(913,063,133)	(413,090,073)	-	(1,957,787,238)
Allowance for impairment	(137,985,044)	(5,335,497)	-	-	-	(143,320,541)
Net carrying amount	<u>591,682,830</u>	<u>639,294,374</u>	<u>478,724,759</u>	<u>383,499,062</u>	<u>1,433,980</u>	<u>2,094,635,005</u>

A reconciliation of the carrying amounts at the beginning and end of 2025 and 2024, of bank premises, furniture, fixtures and equipment is shown below.

<i>(Amounts in PHP)</i>	<u>Land</u>	<u>Buildings</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Leasehold and Land Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2025, net of accumulated depreciation and amortization	591,682,830	631,473,098	550,187,217	432,101,402	7,815,000	2,213,259,547
Additions	-	46,521,422	164,189,952	270,177,092	10,270,787	491,159,253
Cost of assets disposed	(4,064,662)	-	(39,134,424)	-	-	(43,199,086)
Reclassifications	-	13,291,088	(13,675)	-	(13,291,088)	(13,675)
Allowance for impairment of assets disposed	-	(1,745,575)	-	-	-	(1,745,575)
Accumulated depreciation of assets disposed	-	-	37,144,696	-	-	37,144,696
Depreciation and amortization charges for the year	-	(22,694,259)	(186,689,473)	(171,341,133)	-	(380,724,865)
Balance at December 31, 2025, net of accumulated depreciation and amortization	<u>587,618,168</u>	<u>666,845,774</u>	<u>525,684,293</u>	<u>530,937,361</u>	<u>4,794,699</u>	<u>2,315,880,295</u>
Balance at January 1, 2024, net of accumulated depreciation and amortization	591,682,830	639,294,374	478,724,759	383,499,062	1,433,980	2,094,635,005
Additions	-	15,728,063	241,196,446	197,829,904	7,815,000	462,569,413
Cost of assets disposed	-	-	(37,799,292)	-	-	(37,799,292)
Reclassifications	-	577,885	(4,517,406)	(114,000)	(1,433,980)	(5,487,501)
Allowance for impairment of assets disposed	-	(2,415,195)	-	-	-	(2,415,195)
Accumulated depreciation of assets disposed	-	-	36,153,549	-	-	36,153,549
Depreciation and amortization charges for the year	-	(21,712,029)	(163,570,839)	(149,113,564)	-	(334,396,432)
Balance at December 31, 2024, net of accumulated depreciation and amortization	<u>591,682,830</u>	<u>631,473,098</u>	<u>550,187,217</u>	<u>432,101,402</u>	<u>7,815,000</u>	<u>2,213,259,547</u>

In 2025 and 2024, the Bank recognized a gain of P0.3 million and P5.4 million, respectively, on the disposal of certain land and furniture, fixtures, and equipment, which is presented as part of Other Income in the statements of profit or loss (see Note 22). Proceeds from disposal amounted to P6.4 million and 7.0 million in 2025 and 2024, respectively.

The total depreciation and amortization expense amounted to P380.7 million and P334.4 million for the years ended December 31, 2025 and 2024, respectively, and is presented as part of Occupancy and Equipment-related Expenses under Other Operating Expenses in the statements of profit or loss.

Cost of fully-depreciated and fully-amortized assets still used in operations amounted to P1,068.1 million and P1,003.0 million in 2025 and 2024, respectively.

In 2025 and 2024, there are no bank premises, furniture, fixtures and equipment pledged as collateral for any obligation of the Bank.

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50.00% of the Bank's unimpaired capital. As of December 31, 2025 and 2024, the Bank has satisfactorily complied with this requirement.

13. LEASES

The Bank has leases for several branch offices. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Bank to sublet the asset to another party, the right-of-use asset can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Bank is prohibited from selling or pledging the underlying leased assets as security and must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The Bank has 528 and 474 right-of-use assets leased as of December 31, 2025 and 2024, respectively, with a remaining term that ranges from 1 month to 12 years, all of which have extension and termination options and no options to purchase.

13.1.1 Right-of-Use Assets

The carrying amounts of the Bank's right-of-use assets as of December 31 and the movements during the year are shown below.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	733,792,901	652,839,187
Additions	436,810,381	328,576,456
Disposals	(14,420,524)	(14,848,955)
Depreciation and amortization	<u>(262,706,730)</u>	<u>(232,773,787)</u>
Balance at end of year	<u>893,476,028</u>	<u>733,792,901</u>

13.2 Lease Liabilities

Presented below is the reconciliation in 2025 and 2024 of the Bank's lease liabilities:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	805,257,088	708,979,657
Cash flow from financing activity – Repayment of lease liabilities	(332,979,134)	(288,289,881)
Non-cash financing activities: Additional lease liabilities	436,810,381	328,576,456
Interest amortization on lease liabilities	<u>69,095,473</u>	<u>55,990,856</u>
Balance at end of year	<u>978,183,808</u>	<u>805,257,088</u>

Additional information on the lease liabilities and amounts in respect of possible future lease termination options not recognized as a liability are as follows:

<i>(Amounts in PHP)</i>	2025	2024
Lease liabilities	978,183,808	805,257,088
Historical rate of exercise of termination option	0.00%	0.00%
Number of leases with an extension option that is not considered reasonably certain of exercise	528	474

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31 is as follows:

<i>(Amounts in PHP)</i>	2025							Total
	Within 1 year	1 to 2 year	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	10 to 12 years	
Lease payments	314,747,982	238,929,132	161,901,668	127,789,187	88,120,958	305,064,296	1,560,974	1,238,114,197
Finance charges	<u>(68,732,186)</u>	<u>(51,547,812)</u>	<u>(39,047,707)</u>	<u>(30,004,937)</u>	<u>(23,458,368)</u>	<u>(47,084,376)</u>	<u>(55,003)</u>	<u>(259,930,389)</u>
Net present values	<u>246,015,796</u>	<u>187,381,320</u>	<u>122,853,961</u>	<u>97,784,250</u>	<u>64,662,590</u>	<u>257,979,920</u>	<u>1,505,971</u>	<u>978,183,808</u>

<i>(Amounts in PHP)</i>	2024							Total
	Within 1 year	1 to 2 year	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	10 to 12 years	
Lease payments	278,181,268	239,713,477	159,145,980	90,237,206	57,349,844	147,988,994	3,244,919	975,861,688
Finance charges	<u>(53,949,724)</u>	<u>(38,565,559)</u>	<u>(25,289,697)</u>	<u>(16,960,851)</u>	<u>(11,946,293)</u>	<u>(23,694,426)</u>	<u>(198,050)</u>	<u>(170,604,600)</u>
Net present values	<u>224,231,544</u>	<u>201,147,918</u>	<u>133,856,283</u>	<u>73,276,355</u>	<u>45,403,551</u>	<u>124,294,568</u>	<u>3,046,869</u>	<u>805,257,088</u>

13.3 Lease Payments Not Recognized as Liabilities

The Bank has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed outright. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expenses relating short-term leases and low-value assets amounted to P7.0 million and P8.3 million, respectively, for 2025, and P4.6 million and P8.1 million, respectively, for 2024, and are presented as part of Occupancy and Equipment-related Expenses under Other Operating Expenses in the statements of profit or loss.

At December 31, 2025 and 2024, the Bank is not committed to short-term leases.

13.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P333.0 million and P288.3 million in 2025 and 2024, respectively. Interest expense in relation to lease liabilities amounted to P69.1 million and P56.0 million, in 2025 and 2024, respectively, and is presented as Interest Expense on Lease Liabilities in the statements of profit or loss.

14. INVESTMENT PROPERTIES

This account represents parcels of land and buildings and related improvements, which are held for capital appreciation, acquired in settlement of loans. Investment properties are carried at cost less allowance for impairment and accumulated depreciation. Real estate tax related to investment properties amounted to P0.1 million for 2025 and 2024, and is presented as part of Others under Other Operating Expenses in the statements of profit or loss.

The gross carrying amounts and allowance for impairment of investment properties as of December 31, 2025 and 2024 are shown below.

<i>(Amounts in PHP)</i>	Note	2025	2024
Cost		8,976,807	8,976,807
Allowance for impairment	16	(5,835,861)	(5,835,861)
Accumulated depreciation		<u>(1,876,348)</u>	<u>(1,871,453)</u>
Net carrying amount		<u>1,264,598</u>	<u>1,269,493</u>

A reconciliation of the carrying amount at the beginning and end of 2025 and 2024 is shown below.

<i>(Amounts in PHP)</i>	2025	2024
Balance at January 1, net of allowance for impairment and accumulated depreciation	1,269,493	1,420,921
Depreciation	<u>(4,895)</u>	<u>(151,428)</u>
Balance at December 31, net of allowance for impairment and accumulated depreciation	<u>1,264,598</u>	<u>1,269,493</u>

The Bank recognized income from disposal of investment properties in 2025 and 2024 amounting to P0.7 million and P0.3 million, respectively, and is presented as Income from disposal of investment properties under Other Income in the statements of profit or loss (see Note 22). Proceeds from disposal of investment properties amounted to P0.7 million and P0.3 million in 2025 and 2024, respectively.

The depreciation of investment properties is presented as part of Occupancy and Equipment-related Expenses under Other Operating Expense in the statements of profit or loss.

15. PREPAYMENTS AND OTHER RESOURCES

The composition of this account as of December 31 is shown below.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Prepaid expenses	15.1	145,227,980	105,332,555
Goodwill	15.2	114,013,933	114,013,933
Software and other intangibles – net	15.3	87,367,210	11,979,560
Advances to suppliers		58,615,890	7,439,946
Security deposits		58,067,492	49,835,791
Returned checks and other cash items	15.4	53,049,943	664,959,480
Unused stationery and supplies		4,664,216	9,752,361
Other investments		532,000	532,000
Retirement benefit asset	23.2	-	426,066,978
Others	15.5	48,447,822	49,941,514
		569,986,486	1,439,854,118
Allowance for impairment	16	(532,000)	(532,000)
		569,454,486	1,439,322,118

15.1 Prepaid Expenses

Prepaid expenses pertain to the Bank's advance payment of administrative expenses related to rent, insurance and other expenses. Prepaid expenses also include the balance of prepaid electronic documentary stamp tax (eDST) amounting to P75.4 million and P57.5 million as of December 31, 2025 and 2024, respectively.

15.2 Goodwill

Goodwill represents the excess of the cost of acquisition of the Bank over the fair value of net assets acquired at the date of acquisition and relates mainly to business synergy for economics of scale and scope.

Goodwill, which is assessed to have an indefinite useful life, is subject to annual impairment testing and whenever there is an indication of impairment. The recoverable amount to determine any impairment on the goodwill was determined using discounted cash flow method approach based on five-year cash flow projection to be realized by the acquired entity and the estimated terminal value. The Bank considered key assumptions in determining the cash flow projections such as profit margins and volume growths. The growth rate used to extrapolate the five-year cash flow projection is set at 9.44%, maximum, at a discount rate of 5.71%. Based on management analyses, no impairment on goodwill is required to be recognized in 2025 and 2024.

15.3 Software and Other Intangibles

Software and other intangibles pertain to various purchased computer software license used in financial services activity and other operations of the Bank.

The gross carrying amounts and accumulated amortization of software and other intangibles as of December 31 are shown below.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Cost	171,914,066	77,075,163
Accumulated depreciation	<u>(84,546,856)</u>	<u>(65,095,603)</u>
Net carrying amount	<u>87,367,210</u>	<u>11,979,560</u>

A reconciliation of the carrying amounts of software and other intangibles at the beginning and end of 2025 and 2024 is shown below.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	11,979,560	22,189,551
Additions	94,838,903	5,183,601
Amortization during the year	<u>(19,451,253)</u>	<u>(15,393,592)</u>
Balance at end of year	<u>87,367,210</u>	<u>11,979,560</u>

The amortization of the software and other intangibles for 2025 and 2024 is presented as part of Occupancy and Equipment-related Expenses in the statements of profit or loss.

15.4 Returned Checks and Other Cash Items

Returned checks and other cash items pertain to technical overdrawings arising from force posting in-clearing checks.

15.5 Others

Others include outstanding settlement accounts for transactions of other banks' card holders and other assets.

16. ALLOWANCE FOR IMPAIRMENT

The changes in the allowance for impairment are presented below.

<i>(Amounts in PHP)</i>	Notes	<u>2025</u>	<u>2024</u>
Balance at beginning of year:			
Loans and other receivables	11	2,435,982,992	2,195,855,889
Bank premises, furniture, fixtures and equipment	12	145,735,736	143,320,541
Investment properties	14	5,835,861	5,835,861
Prepayments and other resources	15	532,000	532,000
Investment Securities at FVOCI	9	(2,142)	(7)
		<u>2,588,084,447</u>	<u>2,345,544,284</u>
Impairment losses:			
Loans and other receivables		1,113,786,775	1,025,978,009
Bank premises, furniture, fixtures and equipment	12	1,745,575	2,415,195
Investment securities at FVOCI	9	-	(2,135)
		<u>1,115,532,350</u>	<u>1,028,391,069</u>
Write-off of loans and other receivables	4.3.5	(906,945,847)	(785,850,906)
Adjustments and reversals		28,604,634	-
		<u>(878,341,213)</u>	<u>(785,850,906)</u>
Balance at end of year:			
Loans and other receivables	11	2,671,428,554	2,435,982,992
Bank premises, furniture, fixtures and equipment	12	147,481,311	145,735,736
Investment properties	14	5,835,861	5,835,861
Prepayments and other resources	15	532,000	532,000
Investment securities at FVOCI	9	-	(2,142)
		<u>2,825,277,726</u>	<u>2,588,084,447</u>

17. DEPOSIT LIABILITIES

As of December 31, deposit liabilities consist of the following:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Demand	1,236,057,379	1,249,128,811
Savings	74,009,495,877	59,007,004,372
Time	32,883,393,668	33,531,047,441
	<u>108,128,946,924</u>	<u>93,787,180,624</u>

Savings deposits have an annual interest rates ranging from 0.06% to 1.50% and from 0.06% to 1.50% for 2025 and 2024, respectively, while time deposits have interest rates ranging from 0.06% to 5.75% and from 0.06% to 6.38% per annum in 2025 and 2024, respectively.

Interest expense on deposit liabilities recognized during the year amounted to P1,811.7 million and P1,846.5 million in 2025 and 2024, respectively, and is presented as Interest Expense on Deposit Liabilities in the statements of profit or loss.

Deposit liabilities amounting to P886.2 million and P537.6 million as of December 31, 2025 and 2024 respectively, were held as collateral against certain loans [see Note 27(e)].

18. BILLS PAYABLE

The bills payable of the Bank represents borrowings from local banks. The reconciliation of the carrying amount of bills payable is presented below.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	11,657,100,354	14,901,139,639
Repayments (principal and interest)	(11,401,009,313)	(11,362,330,063)
Additional borrowings	15,325,000,000	7,225,000,000
Interest expense	846,005,311	893,290,778
Balance at end of year	<u>16,427,096,352</u>	<u>11,657,100,354</u>

Annual interest rates on bills payable range from 4.50% to 5.67% and from 5.75% to 6.43% in 2025 and 2024, respectively, which will mature on various dates until 2030. Interest expense on bills payable recognized during the year amounted to P846.0 million and P893.3 million in 2025 and 2024, respectively, and is presented as Interest Expense on Bills Payable in the statements of profit or loss.

All bills payable as of December 31, 2025 and 2024 are unsecured.

19. ACCRUED EXPENSES AND OTHER LIABILITIES

The breakdown of this account follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Accounts payable	1,711,504,943	1,014,869,060
Accrued expenses	833,150,757	543,339,081
ATM settlement payable	543,048,964	215,985,807
Post-employment defined benefit obligation	322,366,996	-
Withholding tax payable	178,055,756	121,945,657
Manager's check	58,280,558	71,961,846
Other payables	79,978,962	38,350,077
	<u>3,726,386,936</u>	<u>2,006,451,528</u>

Accrued expenses include administrative expenses. Other payables include liabilities for unclaimed balances for long outstanding dormant accounts, cash overage from tellers, rental deposits for safety deposit boxes, advance rentals, security deposits, among others.

ATM Settlement Payable mainly consists of amounts due to the Parent Bank for ATM withdrawals made by the Bank’s cardholders. Since the Bank does not operate its own ATM facilities, these withdrawals are initially settled by the Parent Bank, resulting in a payable for the amounts to be reimbursed. This account also includes funds received from loan-related collections that are temporarily recorded as liability until properly identified and reclassified to the appropriate loan receivable accounts.

20. EQUITY

20.1 Capital Stock

Capital stock consists of:

<i>(Amounts in PHP)</i>	Shares		Amount	
	2025	2024	2025	2024
Preferred stock – P10 par value				
Authorized – 30,000,000 shares				
Issued and outstanding	20,560	20,560	205,600	205,600
Common stock – P100 par value				
Authorized – 75,000,000 shares in 2025 and 55,000,000 shares in 2024				
Issued and outstanding				
Balance at beginning of year	55,000,000	504,199,279	5,500,205,600	5,041,992,790
Subscription during the year	5,000,000	45,800,721	500,000,000	458,007,210
Effect of stock split	-	(495,000,000)	-	-
	60,000,000	55,000,000	6,000,205,600	5,500,000,000
Less subscription receivable				
Subscription during the year	5,000,000	-	500,000,000	-
Collections during the year	(3,996,054)	-	(399,605,367)	-
	1,003,946	-	100,394,633	-
Balance at end of year	58,996,054	55,020,560	5,899,810,967	5,500,205,600

The preferred shares pertain to Government Preferred Stock “A” and is issued only against government investment in the capital stock of the Bank. They shall have preference over the common stocks in the assets of the Bank in the event of liquidation, as provided in its AOI. Preferred stock “A” are non-voting and are not convertible to common shares.

As of December 31, 2025 and 2024, the Bank has 350 and 341 stockholders, respectively. Of the total number of stockholders, 125 and 126 beneficial stockholders own 100 or more shares each of the Bank’s capital stock as of December 31, 2025 and 2024, respectively.

On August 18, 2022, BDO and Osmanthus subscribed and paid additional 53,505,727 and 9,442,187 common shares of the Bank, respectively, for a subscription price of P1,700.0 million and P300.0 million, respectively, resulting in an additional paid-in capital of P1,165.0 million and P205.6 million, respectively.

On October 28, 2022, BDO subscribed and paid additional 80,258,590 common shares of the Bank for a subscription price of P2,550.0 million, resulting to an additional paid-in capital of P1,747.4 million. On the same date, Osmanthus subscribed additional 14,163,281 common shares for a subscription price of P450.0 million, which was subsequently paid on November 29, 2023.

On June 28, 2024, BDO subscribed and paid additional 38,930,613 common shares for a subscription price of P38.38. On July 25, 2024, Osmanthus also made an additional subscription of 6,870,108 common shares for the same subscription price and was paid on September 27, 2024. The combined subscription resulted in an additional paid-in capital of P1,299.9 million.

On June 30, 2021 and August 31, 2021 the BOD and the stockholders, respectively, approved the amendment of Article Seventh (a) of the Bank's articles of incorporation to effect a one-for-ten reverse stock split of the Bank's common shares which resulted in a decrease in the number of authorized shares from 550 million to 55 million common shares and an increase in par value of the shares from P10.00 to P100.00 per share, without affecting the authorized capital stock of the Bank of P5.8 billion. The SEC approved the amendment of the articles of incorporation on December 27, 2024.

On February 17, 2025, the Bank submitted an application for an increase in authorized capital stock with the SEC from P5.8 billion to P7.8 billion and was subsequently approved on October 13, 2025. This increase represented an additional 20,000,000 common shares, each with a par value of P100.00 per share.

On December 10, 2025, the Bank issued 5,000,000 additional common shares at an issue price of P383.814 per share, resulting in a total subscription value of P1,919.1 million. Of this amount, P1,000 million was received in cash during the year and P533.7 million was sourced from the reclassification of previously collected deposits for future subscription, while the remaining unpaid portion of P385.3 million was recognized as subscription receivable and presented as a deduction from equity in accordance with the Bank's policy on unpaid share subscriptions. The par value component of P500.0 million was recorded as Share Capital and the excess over par of P1,419.1 million was recognized as Additional Paid-in Capital.

20.2 Other Reserves

The components and reconciliation of items of other reserves presented in the statements of changes in equity at their aggregate amount under Other Reserves account (see also Note 20.4), are shown below and in the succeeding page.

<i>(Amounts in PHP)</i>	Self-insurance	General Loan Loss Appropriation	Preferred Share Redemption	Total
Balance at January 1, 2025	48,058,178	720,374,961	205,600	768,638,739
General loan loss appropriation	-	148,140,423	-	148,140,423
Additional appropriation for self-insurance	4,805,818	-	-	4,805,818
Balance at December 31, 2025	<u>52,863,996</u>	<u>868,515,384</u>	<u>205,600</u>	<u>921,584,980</u>

<i>(Amounts in PHP)</i>	<u>Self-insurance</u>	<u>General Loan Loss Appropriation</u>	<u>Preferred Share Redemption</u>	<u>Total</u>
Balance at January 1, 2024	43,689,253	508,249,678	205,600	552,144,531
General loan loss appropriation	-	212,125,283	-	212,125,283
Additional appropriation for self-insurance	<u>4,368,925</u>	<u>-</u>	<u>-</u>	<u>4,368,925</u>
Balance at December 31, 2024	<u>48,058,178</u>	<u>720,374,961</u>	<u>205,600</u>	<u>768,638,739</u>

20.3 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity at their aggregate amount under Revaluation Reserves account are shown below.

<i>(Amounts in PHP)</i>	<u>Actuarial Unrealized Gain or Loss on Financial Assets at FVOCI</u>	<u>Gain or Loss On Post- employment Defined Benefits Obligation</u>	<u>Total</u>
Balance at January 1, 2025	(277,046,176)	(655,675,664)	(932,721,840)
Fair value gain on financial assets at FVOCI - net	158,848,532	-	158,848,532
Remeasurements of post-employment defined benefit obligation	<u>-</u>	<u>(442,351,266)</u>	<u>(442,351,266)</u>
Other comprehensive gain (loss) before tax	158,848,532	(442,351,266)	(283,502,734)
Tax income	<u>-</u>	<u>110,587,817</u>	<u>110,587,817</u>
Other comprehensive gain (loss) after tax	<u>158,848,532</u>	<u>(331,763,449)</u>	<u>(172,914,917)</u>
Balance at December 31, 2025	<u>(118,197,644)</u>	<u>(987,439,113)</u>	<u>(1,105,636,757)</u>
Balance at January 1, 2024	(326,996,288)	(546,363,676)	(873,359,964)
Fair value gain on financial assets at FVOCI - net	49,950,112	-	49,950,112
Remeasurements of post-employment defined benefit obligation	<u>-</u>	<u>(145,749,317)</u>	<u>(145,749,317)</u>
Other comprehensive gain (loss) before tax	49,950,112	(145,749,317)	(95,799,205)
Tax income	<u>-</u>	<u>36,437,329</u>	<u>36,437,329</u>
Other comprehensive gain (loss) after tax	<u>49,950,112</u>	<u>(109,311,988)</u>	<u>(59,361,876)</u>
Balance at December 31, 2024	<u>(277,046,176)</u>	<u>(655,675,664)</u>	<u>(932,721,840)</u>

20.4 Surplus

In compliance with the requirements of the BSP, Circular No. 1011, which requires financial institutions to set up GLLP equivalent to 1.00% of all outstanding 'Stage 1' on-balance sheet loan accounts, the Bank appropriated P868.5 million and P720.4 million in 2025 and 2024, respectively, for GLLP representing the excess of the 1.00% required allowance of the BSP over the computed allowance for ECL on loans. In 2025 and 2024, the Bank appropriated its Surplus Free for GLLP amounting to P148.1 million and P212.1 million, respectively. This appropriation was recognized as part of Other Reserves account (see Note 20.2).

The Bank also appropriated additional self-insurance amounting to P4.8 million and P4.4 million in 2025 and 2024, respectively.

In compliance with the Manual of Regulation for Banks (MORB), a portion of the Bank's surplus corresponding to the accumulated balance of deferred income tax amounting to P222.4 million as of December 31, 2025 is not available for dividend declaration until realized by the Bank.

20.5 Capital Management and BSP Reporting Compliance

(a) Capital Management and Regulatory Capital

BSP, as the Bank's lead regulator, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed capital and ratio of qualifying capital to risk-weighted assets.

Section 121 of the BSP Manual of Regulations for Banks states that thrift banks with head offices located outside NCR and with more than 50 branches, inclusive of the head office, are required to maintain a minimum capitalization of P800.0 million. Based on the foregoing, the Bank has complied with the BSP capitalization requirement.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excludes:

- (i) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- (ii) total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI;
- (iii) deferred tax asset or liability;
- (iv) goodwill;
- (v) sinking fund for redemption of redeemable preferred shares; and,
- (vi) other regulatory deductions.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

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) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects.

The BSP has adopted the Basel 3 risk-based capital adequacy framework effective January 1, 2014, which requires the Bank, as a subsidiary of a universal bank required to adopt Basel 3, to maintain the following:

- (i) Common Equity Tier 1 (CET1) of at least 6.00% of risk-weighted assets;
- (ii) Tier 1 Capital of at least 7.50% of risk-weighted assets;
- (iii) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.00% of risk-weighted assets; and,
- (iv) Capital Conservation Buffer of 2.50% of risk-weighted assets, comprised of CET1 Capital.

The regulatory capital is analyzed as CET1 Capital, Additional Tier 1 Capital and Tier 2 Capital, each adjusted for prescribed regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the MB of the BSP.

The Bank's policy is to maintain a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is recognized by the Bank as well as the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

At the end of each reporting period, the Bank has complied with the prescribed ratio of qualifying capital to risk-weighted assets.

The Bank's regulatory capital position based on the Basel 3 risk-based capital adequacy framework as of December 31, 2025 and 2024 are as follows (in thousands):

<i>(Amounts in PHP)</i>	2025	2024
Tier 1 Capital		
CET 1	17,819,134	14,721,176
Additional Tier 1	206	206
	17,819,340	14,721,382
Tier 2 Capital	1,268,895	1,067,225
Total Regulatory Capital	19,088,235	15,788,607
Total Qualifying Capital	19,088,235	15,788,607
Total Risk-weighted assets	146,178,272	122,390,690
Capital ratios:		
CET 1 Ratio	12.19%	12.03%
Capital Conservation Buffer	6.19%	6.03%
Tier 1 Capital Ratio	12.19%	12.03%
Total Capital Adequacy Ratio	13.06%	12.90%

The Bank has fully adopted Basel 3 starting 2016.

(b) Leverage Ratio

On June 9, 2015, the BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, which provides the implementing guidelines on the leverage ratio framework designed to act as a supplementary measure to the risk-based capital requirements. It sets out a minimum leverage ratio of 5.00% and shall be complied with at all times.

The Basel 3 leverage ratio is defined as the ratio of capital measure (Tier 1 Capital) and the exposure measure which include on-balance sheet and securities financing transactions exposures and off-balance sheet items.

The Bank's Basel 3 leverage ratio as reported to the BSP are as follows (in thousands):

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Tier 1 Capital	17,819,340	14,721,382
Exposure measure	148,517,154	124,056,734
	12.00%	11.87%

(c) *Liquidity Coverage Ratio and Net Stable Funding Ratio*

On March 10, 2016, the BSP issued Circular No. 905, *Implementation of Basel 3 Framework on Liquidity Standards - Liquidity Coverage Ratio and Disclosure Standards*, which provides the implementing guidelines on liquidity coverage ratio (LCR) and disclosure standards that are consistent with the Basel 3 framework. This Circular requires the Bank to maintain available High Quality Liquid Assets (HQLA) to meet anticipated net cash outflows for a 30-day period under stress conditions. The Bank has fully complied with the LCR minimum requirement of 100.00% coverage effective January 1, 2019.

To strengthen the Bank's short-term liquidity position and as a defense against potential onset of liquidity stress, it maintains adequate stock of unencumbered HQLAs that consists of cash or assets that can be freely converted into cash at little or no loss of value in private markets.

The Bank's LCR as of December 31, 2025 and 2024 is analyzed below (in thousands).

	<u>2025</u>	<u>2024</u>
<u>Total stock of HQLA</u>		
Expected Net Cash Outflows*	137.8%	116.6%

**Includes Restricted Term Deposits and Deposits pledged as collateral or under hold-out arrangements*

Net Stable Funding Ratio (NSFR), as detailed in BSP Circular 1007, *Implementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio*, measures the availability of medium and long-term stable funding to support illiquid assets and business activities on an on-going basis. It is an assessment of the level of sustainable funding required to reduce funding risk over a one-year time horizon. The NSFR complements the LCR, which promotes short-term resilience of the Bank's liquidity profile.

To promote long-term resilience against liquidity risk, the Bank maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities and seeks to meet this objective by limiting overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts.

The Bank's Basel III NSFR as of December 31, 2025 and 2024 are summarized below (in thousands).

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Available stable funding	115,144,582	97,386,513
Required stable funding	106,611,986	89,595,350
	108%	109%

21. RELATED PARTY TRANSACTIONS

The Bank's related parties include the Parent Bank, its DOSRI and others as described below and in the succeeding pages. None of the transactions incorporates special terms and conditions and no guarantee was given or received. Outstanding balances are usually settled in cash.

<u>Related Party Category</u>	<u>Note</u>	<u>Amount of Transactions</u>		<u>Outstanding Balance</u>	
		<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
<i>(Amounts in PHP)</i>					
Parent					
Due from other banks	21.1	(658,072,523)	(92,598,449)	1,076,456,100	1,734,528,623
Interest income on due from other banks	21.1	1,023,398	1,004,588	-	-
Right-of-use asset	21.2	1,705,179	(14,988,876)	16,887,841	15,182,662
Lease liabilities	21.2	1,629,005	(15,075,706)	17,889,704	16,260,699
Service fee	21.3	384,884,041	380,643,498	-	-
Bills payable	21.4	4,825,000,000	(800,000,000)	4,825,000,000	-
Interest expense on bills payable	21.4	218,641,840	92,984,514	-	-
Related parties under common ownership					
Due from other banks	21.1	(745,685,108)	2,507,602	9,100,771	754,785,879
Interest income on due from other banks	21.1	17,159,908	15,034,789	-	-
Deposits	21.1	223,217,700	223,002,316	449,241,096	226,023,396
Interest expense on deposits	21.1	22,386,985	2,616,649	-	-
Investment securities at FVOCI	21.5	-	(99,830,055)	-	-
Interest income on investments	21.5	-	3,716,156	-	-
Right-of-use asset	21.2	(2,681,527)	(2,993,079)	3,117,791	5,799,318
Lease liabilities	21.2	(2,963,588)	(2,970,325)	3,797,814	6,763,402
Directors					
Deposits	21.1	33,528,683	10,936,432	136,820,920	103,292,237
Officers					
Deposits	21.1	784,386	(690,102)	866,893	82,507
DOSRI					
Interest expense on deposits	21.1	5,610,127	7,322,164	-	-
Key management personnel					
Compensation and benefits	21.6	250,936,000	197,202,000	-	-
Retirement plan	21.7	114,033,658	762,543,584	3,989,091,717	3,875,058,059

21.1 Deposits

In the ordinary course of business, the Bank has deposit transactions with the Parent Bank, related parties under common ownership, and its DOSRI. Under the Bank's policy, these transactions are made substantially on the same terms and conditions as with other individuals and businesses of comparable risks.

Due from other banks include deposits with the Parent Bank and CBC, a related party under common ownership, amounting to P1,085.6 million and P2,489.3 million as of December 31, 2025 and 2024, respectively. Interest rate for these due from other banks ranges from 0.13% to 4.25% per annum in 2025 and 2024. Interest income on these deposits with other banks amounted to P18.2 million and P16.0 million in 2025 and 2024, respectively, which is presented as part of Interest Income on Deposits with Other Banks in the statements of profit or loss.

The total deposits from related parties under common ownership and DOSRI have outstanding balance of P586.9 million and P329.4 million as of December 31, 2025 and 2024, respectively. Interest rates for these deposit liabilities range from 0.12% to 5.88% per annum in 2025 and 2024. Interest expense on these deposits amounted to P28.0 million and P9.9 million in 2025 and 2024, respectively, which is presented as part of the interest expense on deposit liabilities in the statement of profit or loss.

21.2 Leases

The Bank, as a lessee, recognized right-of-use assets related to lease of space from the Parent Bank and a related party under common ownership for its branch operations, amounting to P20.0 million and P21.0 million as of December 31, 2025 and 2024, respectively, which are presented as part of Right-of-Use Assets in the Bank's statement of financial position (see Note 13). Depreciation of the right-of-use assets arising from this transaction, amounting to P11.2 million and P12.9 million in 2025 and 2024, respectively, is presented as part of Occupancy and Equipment-related Expenses in the statements of profit or loss.

The interest expense on lease liability, which amounted to P1.8 million and P2.1 million in 2025 and 2024, respectively, is included as part of Interest Expense on Lease Liabilities in the statements of profit or loss. The outstanding balance of these transactions amounted to P21.7 million and P23.0 million as of December 31, 2025 and 2024, respectively, and is included as part of Lease Liabilities in the statements of financial position.

21.3 Service Line Agreement with the Parent Bank

The Bank engaged the Parent Bank, under a service agreement to obtain support, such as but not limited to maintenance, administration of properties/assets, management, supplies procurement, facilities management, accounting functions, loan documentation, human resources management, information technology needs, internal audit, remittance transactions support, legal assistance on all loan and/or property/asset-related litigation, credit investigation services, security services and investigation requirements, and assistance on all tax-related issues. Starting in 2022, additional services were outsourced to the Parent Bank including loan operations and administration services, safekeeping/custodianship of securities and collateral documents, central reconciliation services, records warehousing and vendor management, check clearing services, contact center services, remittance operations, transaction processing and adjustment services, cash services, reconciliation and settlement services, documentation and enrollment of Cash Management Service clients, fraud management, and corporate secretarial services.

The service agreement shall continue to be in force unless terminated by either party through a written notice of either party at least 30 calendar days prior to the date intended for termination. The services fees are payable in cash at the beginning of each month and shall be exclusive of actual costs and expenditures of the Parent Bank in relation to the provision of the services, which shall be reimbursed by the Bank to the Parent Bank. The total service fees are presented as part of Fees and Commissions under Other Operating Expenses in the statements of profit or loss. The total amount incurred from these transactions for the year 2025 and 2024 amounted to P384.9 million and P380.6 million, respectively.

In 2022, the Bank also entered into several service agreements with the Parent Bank that will cover the fees and charges that each bank will be charging the other, at prevailing market rates, in order for the parent to continue operating and managing the ATMs without charging any fees to Bank's cardholders.

21.4 Bills Payable

The Bank avails its credit line from the Parent Bank for loan funding purposes. In 2025 and 2024, the amount drawn from its credit line with the Parent Bank amounted to P8,325.0 million and P3,200.0 million, respectively. Annual interest rates range from 5.25% to 5.75% in 2025 and 6.50% to 6.75% in 2024, and are payable monthly, and with tenors ranging from 30 days to 2 years.

The interest expense on bills payable, which amounted to P218.6 million and P93.0 million in 2025 and 2024, respectively, is included as part of Interest Expense on Bills Payable in the statements of profit or loss. The outstanding balance of these transactions amounted to P4,825.0 million as of December 31, 2025 (nil as of December 31, 2024), and is included as part of Bills Payable in the statements of financial position (see Note 18).

21.5 Investment Securities at FVOCI

The Bank acquires private-issued security from SM Prime Holdings to earn interest income and realize trading gains (see Note 9). As of December 31, 2024, the investment with SM Prime Holdings has entirely matured.

In 2025, there was no interest income earned from investment from SM Prime Holdings while P3.7 million in 2024 and is presented as part of Interest Income on Investments Securities in the statements of profit or loss.

21.6 Key Management Personnel Compensations

The compensations of key management personnel are broken down as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Short-term benefits	223,383,000	175,666,000
Post-employment benefits	27,553,000	21,536,000
	<u>250,936,000</u>	<u>197,202,000</u>

These are presented as part of Compensation and employee benefits under Other Operating Expenses in the statements of profit or loss (see Note 23.1).

21.7 Retirement Plan

The Bank's multi-employer retirement fund for its defined post-employment plan is administered and managed by the trustee department of BDO. The trustee department of BDO invests in certain debt and equity investments which includes financial instruments of BDO and Dominion Holdings Inc. The fair value and the composition of the plan assets as of December 31, 2025 and 2024 are presented in Note 23.2.

The retirement fund neither provides any guarantee or surety for any obligations of the Bank nor its investments covered by any restrictions or liens.

The details of the contributions of the Bank and benefits paid out by the plan are presented in Note 23.2.

22. OTHER INCOME - Net

This account is composed of the following:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Recoveries from accounts written off		73,527,296	68,658,540
Loss from sale of financial assets at FVOCI	9	(15,559,324)	-
Rental income		14,597,277	9,251,685
Foreign Exchange gain/(loss) - net		4,584,892	3,222,346
Income from disposal of investment properties	14	719,999	255,236
Income from disposal of BPFPE	12	349,803	5,373,908
Others		8,017,884	7,598,280
		<u>86,237,827</u>	<u>94,359,995</u>

Others pertain to interbranch transactions, Deposit Pick-Up, utility bills payment charges, sale of automated teller machine jackets and lost passbook replacement fees.

23. EMPLOYEE BENEFITS

23.1 Compensation and Employee Benefits

Expenses recognized for compensation and employee benefits are presented below.

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2025</u>	<u>2024</u>
Short-term employee benefits		5,146,787,585	4,101,255,635
Post-employment defined benefit	23.2	<u>443,436,313</u>	<u>354,289,406</u>
		<u>5,590,223,898</u>	<u>4,455,545,041</u>

There are no outstanding short-term employee benefits as of December 31, 2025 and 2024.

23.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Bank maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Bank. The trustee bank managed the fund in coordination with the Bank's Retirement Plan Committee who acts in the best interest of the plan assets and is responsible for setting the investment policies. The plan covers all regular full-time employees. The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 10 years of credited service and late retirement after age 60 but not beyond age 65. Normal retirement benefit is an amount equivalent to a percentage ranging from 50% to 200% of plan salary for every year of credited service but not less than the regulatory benefit under Republic Act No. 7641, plus the cash conversion of accumulated vacation and sick leaves, if any.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2025 and 2024.

The amounts of retirement benefit asset recognized in the statements of financial position (see Note 15) are determined as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Present value of the obligation	4,311,458,713	3,422,316,002
Fair value of plan assets	<u>(3,989,091,717)</u>	<u>(3,875,058,059)</u>
	(322,366,996)	452,742,057
Effect of ceiling asset	<u>-</u>	<u>(26,675,079)</u>
Retirement benefit asset (liability)	<u>(322,366,996)</u>	<u>426,066,978</u>

The movements in the present value of the post-employment defined benefit obligation are as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	3,422,316,002	2,689,306,031
Current service cost	443,436,313	354,289,406
Interest expense	210,087,827	180,856,476
Benefits paid	(90,874,229)	(117,138,320)
Transfer to/(from) the plan	4,950,457	22,052,696
Remeasurements:		
Actuarial losses		
arising from:		
Experience adjustments	299,177,507	79,862,671
Changes in financial assumptions	(99,918,835)	213,087,042
Changes in demographic assumptions	122,283,671	-
Balance at end of year	<u>4,311,458,713</u>	<u>3,422,316,002</u>

The movements in the fair value of plan assets are presented below.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	3,875,058,059	3,113,514,475
Interest income	238,302,715	229,044,404
Contributions to the plan	110,773,899	487,837,123
Gain on plan assets (excluding amounts included in net interest)	(149,119,184)	139,747,681
Benefits paid	(90,874,229)	(117,138,320)
Transfer to/(from) the plan	4,950,457	22,052,696
Balance at end of year	<u>3,989,091,717</u>	<u>3,875,058,059</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Debt securities:		
Government bonds	2,653,126,840	2,514,611,649
Corporate bonds	335,772,053	488,977,952
Equity securities	548,479,724	422,565,869
Unit investment trust funds	418,415,922	412,367,796
Loans and other receivables	14,076,111	5,622,863
Cash and cash equivalents	8,074,367	5,699,145
Other properties	11,146,700	25,212,785
	<u>3,989,091,717</u>	<u>3,875,058,059</u>

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

The plan assets earned a return of P89.2 million in 2025 and incurred a return of P368.8 million in 2024.

Plan assets do not comprise any of the Bank's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are presented below.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
<i>Reported in profit or loss:</i>		
Current service cost	443,436,313	354,289,406
Net interest income	(26,579,706)	(45,979,133)
	<u>416,856,607</u>	<u>308,310,273</u>
<i>Reported in other comprehensive income:</i>		
Gain (loss) on plan assets*	(149,119,184)	139,747,681
Actuarial gains (losses) arising from:		
Experience adjustments	(299,177,507)	(79,862,671)
Changes in demographic assumptions	(122,283,671)	-
Changes in financial assumptions	99,918,835	(213,087,042)
Changes in the effect of asset ceiling	28,310,261	7,452,715
	<u>(442,351,266)</u>	<u>(145,749,317)</u>

*Excluding amounts included in net interest expense (income).

Current and past service costs are allocated and presented in the statements of profit or loss as part of Compensation and employee benefits under Other Operating Expenses (see Note 23.1). Net interest cost (income) on post-employment defined benefit plan is presented under Interest Expense (Income) in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	<u>2025</u>	<u>2024</u>
Discount rates	6.6%	6.1%
Expected rate of salary increases	1.0% - 10.0%	1.0% - 13.0%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 24.7 years both for male and female.

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk, as presented below.

(i) *Investment and Interest Rate Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plan has relatively balanced investment in cash and cash equivalents, equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity and debt investments is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are shown in the succeeding page.

(i) *Sensitivity Analysis*

The table shown below summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2025 and 2024:

<i>(Amounts in PHP)</i>	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<u>December 31, 2025</u>			
Discount rate	+/- 1.00%	(520,153,606)	625,543,717
Salary growth rate	+/- 1.00%	600,884,270	(611,690,470)
<u>December 31, 2024</u>			
Discount rate	+/- 1.00%	(425,256,637)	514,903,489
Salary growth rate	+/- 1.00%	493,007,731	(417,533,655)

The sensitivity analysis above is based on a change in an assumption, while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities.

(iii) *Funding Arrangements and Expected Contributions*

The Bank is not required to pre-fund the future defined benefit payable under the retirement plan before it becomes due. For this reason, the amount and timing of contributions to the retirement fund are at the Bank's discretion. However, in the event a benefit claim arises and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable from the Bank to the retirement fund.

The plan is currently underfunded based on the latest actuarial valuation.

The maturity profile of undiscounted expected benefit payments from the plan within ten years as of December 31, 2025 and 2024 follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Within one year	266,586,456	214,577,095
More than one year to five years	1,501,889,038	1,134,345,851
More than five years to ten years	<u>3,127,174,138</u>	<u>2,407,665,388</u>
	<u>4,895,649,632</u>	<u>3,756,588,334</u>

The Bank expects to pay P538.3 million as contributions to retirement benefit plans in 2026.

The weighted average duration of the defined benefit obligation at the end of the year is 14.3 years.

24. CURRENT AND DEFERRED TAXES

The components of tax expense (income) as reported in profit or loss and other comprehensive income are as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
<i>Reported in profit or loss:</i>		
Current tax expense:		
RCIT at 25%	584,639,555	394,949,385
Final tax at 20%	<u>123,995,325</u>	<u>118,458,974</u>
	708,634,880	513,408,359
Deferred tax expense:		
Origination and reversal of temporary differences	<u>35,601,759</u>	<u>232,065,471</u>
	<u>744,236,639</u>	<u>745,473,830</u>
<i>Reported in other comprehensive income:</i>		
Deferred tax income relating to origination and reversal of temporary differences	<u>(110,587,817)</u>	<u>(36,437,329)</u>

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense reported in profit or loss is as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Tax on pretax income at 25%	694,970,536	484,428,784
Adjustment for income subjected to lower income tax rate	(46,685,345)	(33,433,215)
Tax effects of:		
Unrecognized deferred tax asset on impairment of financial assets	52,146,626	257,097,767
Non-deductible interest expense	34,136,134	30,378,438
Non-deductible other expenses	9,722,391	7,048,219
Others	(53,703)	(46,163)
Tax expense	<u>744,236,639</u>	<u>745,473,830</u>

The deferred tax assets relate to the following as of December 31, 2025 and 2024:

<i>(Amounts in PHP)</i>	<u>Statements of Financial Position</u>		<u>Profit or Loss</u>		<u>Comprehensive Income</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Post-employment defined benefit plan	222,405,523	147,419,465	(35,601,759)	(160,230,296)	110,587,816	36,437,329
Allowance for impairment	-	-	-	(71,835,175)	-	-
Deferred tax assets	<u>222,405,523</u>	<u>147,419,465</u>				
Deferred tax income (expense)			<u>(35,601,759)</u>	<u>(232,065,471)</u>	<u>110,587,816</u>	<u>36,437,329</u>

Management reviews at each reporting date the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax assets will be applied. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

In 2025 and 2024, the Bank is subject to the minimum corporate income tax (MCIT), which is computed at 2.0% of gross income net of allowable deductions, respectively, as defined under the tax regulations, or to RCIT, whichever is higher. No MCIT was reported in 2025 and 2024 as the Bank's RCIT was higher than MCIT in both years.

In 2025 and 2024, the Bank claimed itemized deductions in computing for its income tax due.

25. COMMITMENTS AND CONTINGENCIES

25.1 Capital Commitments

The Bank has no capital commitments as of December 31, 2025 and 2024.

25.2 Unused Lines of Credit

As of December 31, 2025 and 2024, the Bank has unused lines of credit amounting to P19.2 billion and P13.2 billion, respectively.

25.3 Credit Line Facilities

As of December 31, 2025 and 2024, the Bank has no commitment on credit line facilities.

25.4 Contingencies

There are contingent liabilities such as litigations and claims that arise in the normal course of the Bank's operations which are not reflected in the Bank's financial statements. The Bank's management is of the opinion that losses, if any, as of December 31, 2025 and 2024, from these claims will not have any material effect on the Bank's financial statements.

26. CURRENT/NON-CURRENT DISTINCTION OF RESOURCES AND LIABILITIES

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

<i>(Amounts in PHP)</i>	2025			2024		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Resources						
Cash and other cash items	5,961,887,070	-	5,961,887,070	3,926,624,168	-	3,926,624,168
Due from BSP and other banks	6,878,923,257	-	6,878,923,257	6,239,160,429	-	6,239,160,429
Investment securities at FVOCI	48,462,145	3,907,007,708	3,955,469,853	-	4,887,461,587	4,887,461,587
Investment securities at amortized cost	2,953,503,605	4,691,806,654	7,645,310,259	1,047,126,855	3,979,878,128	5,027,004,983
Loans and other receivables - net	5,159,632,944	114,907,932,607	120,067,565,551	4,333,607,077	95,103,804,876	99,437,411,953
Bank premises, furniture, fixtures and equipment - net	-	2,315,880,295	2,315,880,295	-	2,213,259,547	2,213,259,547
Others - net	520,633,925	1,165,966,710	1,686,600,635	981,275,068	1,340,528,909	2,321,803,977
	21,523,042,946	126,988,593,974	148,511,636,920	16,527,793,597	107,524,933,047	124,052,726,644
Liabilities						
Deposit liabilities	102,254,296,070	5,874,650,854	108,128,946,924	92,158,373,020	1,628,807,604	93,787,180,624
Bills payable	8,102,096,352	8,325,000,000	16,427,096,352	2,203,881,701	9,453,218,653	11,657,100,354
Lease liabilities	246,015,796	732,168,012	978,183,808	224,231,546	581,025,542	805,257,088
Accrued expenses and other liabilities	3,789,898,195	75,869,563	3,865,767,758	2,007,706,898	80,311,534	2,088,018,432
	114,392,306,413	15,007,688,429	129,399,994,842	96,594,193,165	11,743,363,333	108,337,556,498

27. SUPPLEMENTARY INFORMATION REQUIRED BY THE BANGKO SENTRAL NG PILIPINAS

Presented below and in the succeeding pages are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements.

(a) Selected Financial Performance Indicators

The following are some indicators of the Bank's financial performance:

	<u>2025</u>	<u>2024</u>
Return on average equity:		
$\frac{\text{Net profit}}{\text{Average total capital accounts}}$	11.69%	8.36%
Return on average assets:		
$\frac{\text{Net profit}}{\text{Average total resources}}$	1.49%	1.11%
Net interest margin:		
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	7.43%	6.94%

(b) Capital Instruments Issued

Summarized below are the capital instruments issued by the Bank as of the end of the reporting periods. The significant information related to each instrument are described in more detail in the respective note.

<u>Type of Instrument</u>	<u>Note</u>	<u>2025</u>	<u>2024</u>
<i>(Amounts in PHP)</i>			
Common share (CET 1)	20.1	5,899,810,967	5,500,000,000
Preferred share (AT 1)	20.1	205,600	205,600

(c) *Significant Credit Exposures for Loans*

The Bank's concentration of credit as to industry for its receivables from customers' portfolio (gross of allowance for ECL) is as presented below:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>%</u>	<u>2024</u>	<u>%</u>
Consumption	99,265,416,581	82.02%	72,422,369,369	71.91%
Agricultural	11,787,015,493	9.74%	20,232,559,131	20.09%
Wholesale and retail trade	7,475,737,675	6.18%	6,118,302,218	6.07%
Manufacturing	624,900,707	0.52%	506,757,907	0.50%
Accommodation and food storage	417,900,202	0.35%	258,824,656	0.26%
Construction	187,839,792	0.16%	193,656,283	0.19%
Transportation and storage	123,946,160	0.10%	88,160,415	0.09%
Human health and social work activities	86,738,001	0.07%	74,630,272	0.07%
Administrative and support services	76,352,906	0.06%	57,121,522	0.06%
Education	28,100,856	0.02%	33,473,302	0.03%
Professional and technical services	35,631,036	0.03%	30,332,445	0.03%
Electricity, gas, and aircon supply	30,206,815	0.02%	4,509,935	0.00%
Information and communication	29,420,789	0.02%	20,965,770	0.02%
Mining and quarrying	26,340,365	0.02%	23,233,151	0.02%
Real estate, rental and business activities	20,388,292	0.02%	13,861,753	0.01%
Public Administration and defense, Compulsory Social Security	13,547,879	0.01%	-	-
Financial and insurance activities	12,586,015	0.01%	35,343,888	0.04%
Water supply, sewerage, waste management and remediation activities	5,413,273	0.00%	5,326,912	0.01%
Arts, entertainment and recreation	4,043,838	0.00%	3,266,014	0.00%
Other service activities	767,460,330	0.63%	593,414,917	0.60%
	<u>121,018,987,005</u>	<u>100.00%</u>	<u>100,716,109,860</u>	<u>100.00%</u>

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30.00% of the total loan portfolio plus the outstanding interbank loans receivable or 10.00% of Tier 1 capital.

As of December 31, 2025 and 2024, 10.00% of Tier 1 capital amounted to P1.8 billion and P1.5 billion, respectively, and the table below shows the three industry groups exceeding this level (amount in thousands).

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Consumption	99,265,417	72,422,369
Agricultural	11,787,015	20,232,559
Wholesale and retail trade	7,475,738	6,118,302

Management believes that the Bank's loan concentration in consumption as of December 31, 2025 and 2024 is justifiable considering that the main loan product of the Bank is Salary Loans with individuals as target clientele.

(d) *Credit Status of Loans*

The breakdown of total loans (receivable from customers) as to status is shown below.

<i>(Amounts in PHP)</i>	2025		
	<u>Performing</u>	<u>Non-performing</u>	<u>Total Loan Portfolio</u>
Gross carrying amount:			
Consumer	117,495,451,676	3,262,640,867	120,758,092,543
Corporate	230,182,877	30,711,585	260,894,462
	<u>117,725,634,553</u>	<u>3,293,352,452</u>	<u>121,018,987,005</u>
Allowance for ECL	<u>(525,725,513)</u>	<u>(1,925,697,235)</u>	<u>(2,451,422,748)</u>
Net carrying amount	<u>117,199,909,040</u>	<u>1,367,655,217</u>	<u>118,567,564,257</u>
<i>(Amounts in PHP)</i>	2024		
	<u>Performing</u>	<u>Non-performing</u>	<u>Total Loan Portfolio</u>
Gross carrying amount:			
Consumer	97,703,778,281	2,868,180,750	100,571,959,031
Corporate	142,650,827	1,500,002	144,150,829
	<u>97,846,429,108</u>	<u>2,869,680,752</u>	<u>100,716,109,860</u>
Allowance for ECL	<u>(437,400,078)</u>	<u>(1,817,771,018)</u>	<u>(2,255,171,096)</u>
Net carrying amount	<u>97,409,029,030</u>	<u>1,051,909,734</u>	<u>98,460,938,764</u>

(e) *Analysis of Loan Portfolio as to Type of Security*

The breakdown of total loans (receivable from customers, net of unearned discounts) as to security are presented below:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Secured			
Real estate mortgage		72,323,501	60,304,105
Deposit hold-out	5.6, 17	565,240,709	438,821,499
Other securities		391,961,681	407,812,703
		<u>1,029,525,891</u>	<u>906,938,307</u>
Unsecured		<u>119,989,461,114</u>	<u>99,809,171,553</u>
		<u>121,018,987,005</u>	<u>100,716,109,860</u>

(f) *Information on Related Party Loans*

In the ordinary course of business, the Bank has loan transactions with each other, their other affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRI, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

The following table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 in accordance with BSP reporting guidelines:

	DOSRI Loans		Related Party Loans (inclusive of DOSRI)	
	2025	2024	2025	2024
Total outstanding loans	-	-	-	-
% of loans to total loan portfolio	0.00%	0.00%	0.00%	0.00%
% of unsecured loans to total loans	0.00%	0.00%	0.00%	0.00%
% of past due loans to total loans	0.00%	0.00%	0.00%	0.00%
% of non-performing loans to total loans	0.00%	0.00%	0.00%	0.00%

(g) *Secured Liabilities and Assets Pledged as Security*

There were no secured liabilities and secured assets pledged as security as of December 31, 2025 and 2024.

(h) *Contingencies and Commitments Arising from Off-balance Sheet Items*

The summary of the Bank's commitments and contingent accounts arising from transactions not given recognition in the statements of financial position, expressed at their equivalent peso contractual amounts as of the end of reporting period is presented below.

<i>(Amounts in PHP)</i>	2025	2024
Late deposits/payments received	55,174,592	40,075,260
Other contingent accounts	247,483	190,460

28. SUPPLEMENTAL INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages are the supplementary information required by the BIR under Revenue Regulation (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under Accounting Standards.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

(a) *Gross Receipts Tax (GRT)*

In lieu of the value-added tax, the Bank is subject to the GRT imposed on all banks and non-bank financial intermediaries pursuant to Section 121.2 of the Tax Code.

During 2025 the Bank paid GRT amounting to P998,361,210 of which, P246,089,645 is accrued and is part of Accrued Expenses under Accrued Expenses and Other Liabilities in the 2025 statement of financial position. The amount is presented as part of Taxes and Licenses under Operating Expenses in the 2025 statement of profit or loss.

(b) *Taxes on Importation*

The Bank does not have any landed cost, customs duties and tariff fees in 2025 since it does not have any importation during the year.

(c) *Excise Tax*

The Bank did not have any transactions in 2025, which are subject to excise tax.

(d) *Documentary Stamp Tax (DST)*

In general, the Bank's DST transactions arise from the execution of debt instruments, time deposits and issuance of new shares.

For the year ended December 31, 2025, the composition of DST is as follows (*Amounts in PHP*):

Debt instruments	646,546,903
Time deposits	255,149,670
Checks	16,143,750
Others	<u>5,061,142</u>
	<u>922,901,465</u>

On the other hand, the DST amounting to P646,532,128 pertaining to the Bank's loan releases are shouldered by its corresponding borrowers. However, the remittance is done by the Bank. Total DST remittances for the year ended December 31, 2025 amounted to P932,200,704. As of December 31, 2025, the Bank has an outstanding prepaid eDST load amounting to P75,383,039. The DST amounting to P345,275,540 was shouldered by the Bank.

The DST shouldered by the Bank are recorded as an expense and is included in the taxes and licenses under Other Operating Expenses in the 2025 statement of profit or loss.

(e) *Taxes and Licenses*

The details of taxes and licenses for the year ended December 31, 2025 are as follows (*Amounts in PHP*):

GRT	998,368,095
DST	345,275,540
Business permits	66,977,643
Real property tax	7,681,740
FBT	4,084,926
Miscellaneous	<u>5,575,713</u>
	<u>1,427,963,657</u>

The amount of taxes and licenses are included as part of Other Operating Expenses in the 2025 statement of profit or loss.

(f) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2025 are shown below (*Amounts in PHP*).

Final	342,900,912
Compensation and employee benefits	470,309,805
Expanded	89,204,879
Fringe benefit	<u>4,084,926</u>
	<u>906,500,522</u>

(g) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2025, the Bank does not have any outstanding final deficiency tax assessments from the BIR nor does it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR in any open taxable year.

Supplementary Management Discussion

The capital-to-risk assets ratio of BDO Network Bank as presented in the Capital Adequacy Ratio (Basel III) reports as of December 31, 2025 and 2024 are shown in the table below.

	BDO Network Bank	
	December 31, 2025	December 31, 2024
	(in Millions)	
Common Equity Tier 1 (CET1) Capital	18,243	14,995
Additional Tier 1 (AT1) Capital	0	0
Tier 1 Capital	18,243	14,995
Tier 2 Capital	1,269	1,067
Gross Qualifying Capital	19,512	16,062
Less: Regulatory adjustments/deductions	424	273
Total Qualifying Capital	19,088	15,789
Credit risk-weighted assets	126,837	106,680
Market risk-weighted assets	-	-
Operational risk-weighted assets	19,341	15,711
Risk Weighted Assets (RWA)	146,178	122,391
Total Capital Ratio	13.1%	12.9%
Tier 1 Capital Ratio	12.2%	12.0%
CET1 Capital Ratio	12.2%	12.0%
<i>Capital conservation buffer</i>	6.2%	6.0%
Capital ratios involving components of regulatory capital are calculated as follows:		
Total Capital Ratio	: $\frac{\text{Total Qualifying Capital}}{\text{Risk-Weighted Assets}}$	$\frac{19,088}{146,178}$ 15,789 / 122,391
Tier 1 Capital Ratio	: $\frac{\text{Tier 1 Capital (net of Regulatory Deductions)}}{\text{Risk-Weighted Assets}}$	$\frac{17,819}{146,178}$ 14,721 / 122,391
CET1 Capital Ratio	: $\frac{\text{CET1 Capital (net of Regulatory Deductions)}}{\text{Risk-Weighted Assets}}$	$\frac{17,819}{146,178}$ 14,721 / 122,391

The regulatory qualifying capital of BDO Network Bank consists of Tier 1 capital which comprises paid-up common and preferred stock, surplus including current year profit, surplus reserves (excluding appropriated surplus free for deficiency in BSP-required 1% general provision), and other comprehensive income (net unrealized gains or losses on Financial Assets at FVOCI; cumulative foreign currency translation and actuarial gain/loss) less regulatory deductions such as deferred tax assets, goodwill and other intangible assets. The other component of regulatory capital is Tier 2 capital, which only includes general loan loss provision (including appropriated surplus free for deficiency in BSP-required 1% general provision).

The components of Tier 1 capital and deductions follow:

	BDO Network Bank	
	December 31, 2025	December 31, 2024
	(in Millions)	
Common Equity Tier 1 (CET1) Capital		
Paid-up common stock	5,900	5,500
Additional paid-in capital	8,199	7,065
Retained earnings	3,215	2,171
Undivided profits	2,036	1,192
Net unrealized gains or losses on Financial Assets at FVOCI	(118)	(277)
Remeasurements of Net Defined Benefit Liability/(Asset)	(987)	(656)
Sub-total	18,243	14,995
Less: Regulatory adjustments/deductions		
Deferred tax assets	222	147
Goodwill	114	114
Other intangible assets	87	12
Sub-total	424	273
Total Common Equity Tier 1 Capital	17,819	14,721
Sub-total	0	0
Total Tier 1 Capital	17,819	14,721

The components of Tier 2 capital follow:

	BDO Network Bank	
	December 31, 2025	December 31, 2024
	(in Millions)	
Tier 2 Capital		
Instruments issued by the bank that are eligible as Tier 2 capital	-	-
Appraisal increment reserve-bank premises, as authorized by the Monetary Board	-	-
General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets (CRWA), and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	1,269	1,067
Total Tier 2 Capital	1,269	1,067

Below is the full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements for 2025 and 2024:

	December 31, 2025	
	BDO Network Bank	
Regulatory Capital	Adjustments	Per AFS
	(in Millions)	
Qualifying Capital		
A.1 Common Equity Tier 1 (CET1) Capital	18,243	18,243
Paid-up common stock	5,900	5,900
Additional paid-in capital	8,199	8,199
Retained earnings	3,215	3,215
Undivided profits	2,036	2,036
Other comprehensive income	(1,106)	(1,106)
Net unrealized gains or losses on Financial Assets at FVOCI	-	-
Cumulative foreign currency translation	-	-
Remeasurements of Net Defined Benefit Liability/(Asset)	(987)	(987)
Others	-	-
Non-controlling interest in subsidiary banks which are less than wholly-owned	-	-
A.2 Regulatory adjustments to CET1 capital	424	424
Total outstanding unsecured credit accommodations both direct and indirect, to DOSRI	-	-
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	-	-
Deferred tax assets	222	222
Goodwill	114	114
Other intangible assets	87	87
Defined benefit pension fund assets (liabilities)	-	-
Investment in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	-	-
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	-	-
Other equity investments in non-financial allied undertakings and non-allied undertakings	-	-
Total Common Equity Tier 1 Capital	17,819	17,819
Additional tier 1 capital	0	0
TOTAL TIER 1 CAPITAL	17,819	17,819
Tier 2 Capital		
Instruments issued by the bank that are eligible as Tier 2 capital	1,269	1,269
Deposit for subscription of Tier 2 capital	-	-
Appraisal increment reserve-bank premises, as authorized by the Monetary Board	-	-
General loan loss provision, limited to a maximum of 1% of CRWA, and any amount in excess thereof shall be deducted from the CRWA in computing the denominator of the risk-based capital ratio	-	-
	1,269	1,269
TOTAL QUALIFYING CAPITAL	19,088	19,088

December 31, 2024			
BDO Network Bank			
Regulatory Capital	Adjustments	Per AFS	
(in Millions)			
14,995	-	14,995	
A.1 Common Equity Tier 1 (CET1) Capital			
<i>Paid-up common stock</i>	-	5,500	
<i>Additional paid-in capital</i>	-	7,065	
<i>Retained earnings</i>	-	2,171	
<i>Undivided profits</i>	-	1,192	
<i>Other comprehensive income</i>	-	(933)	
<i>Net unrealized gains or losses on Financial Assets at FVOCI</i>	-	(277)	
<i>Cumulative foreign currency translation</i>	-	-	
<i>Remeasurements of Net Defined Benefit Liability/(Asset)</i>	-	(656)	
<i>Others</i>	-	-	
<i>Non-controlling interest in subsidiary banks which are less than wholly-owned</i>	-	-	
273	-	273	
A.2 Regulatory adjustments to CET1 capital			
<i>Total outstanding unsecured credit accommodations both direct and indirect, to DOSRI</i>	-	-	
<i>Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries</i>	-	-	
<i>Deferred tax assets</i>	-	147	
<i>Goodwill</i>	-	114	
<i>Other intangible assets</i>	-	12	
<i>Defined benefit pension fund assets (liabilities)</i>	-	-	
<i>Investment in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)</i>	-	-	
<i>Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)</i>	-	-	
<i>Other equity investments in non-financial allied undertakings and non-allied undertakings</i>	-	-	
14,721	-	14,721	
Total Common Equity Tier 1 Capital	-	14,721	
Additional tier 1 capital	-	0	
TOTAL TIER 1 CAPITAL	-	14,721	
Tier 2 Capital			
<i>Instruments issued by the bank that are eligible as Tier 2 capital</i>	-	1,067	
<i>Deposit for subscription of Tier 2 capital</i>	-	-	
<i>Appraisal increment reserve-bank premises, as authorized by the Monetary Board</i>	-	-	
<i>General loan loss provision, limited to a maximum of 1% of CRWA, and any amount in excess thereof shall be deducted from the CRWA in computing the denominator of the risk-based capital ratio</i>	-	-	
1,067	-	1,067	
TOTAL QUALIFYING CAPITAL	-	15,789	

Comparative risk-weighted assets by type of exposure as of December 31, 2025 and 2024 consist of the following:

	Credit Risk *	Market Risk **	Operational Risk
	December 31, 2025		
	BDO Network Bank		
	(in Millions)		
On-Balance Sheet	126,890	-	-
Off-Balance Sheet	-	-	-
Counterparty (Banking/Trading Book)	-	-	-
Credit-Linked Notes in the Banking Book	-	-	-
Securitization Exposures	-	-	-
Deductions ***	(52)	-	-
Interest Rate Exposures	-	-	-
Equity Exposures	-	-	-
Foreign Exchange Exposures	-	-	-
Options	-	-	-
Basic Indicator Approach	-	-	19,341
Total	126,837	-	19,341
Capital Requirements	12,684	-	1,934

* Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on ratings by Standard and Poor's, Moody's, Fitch and PhilRatings on exposures to Sovereigns, MDBs, LGUs, Government Corporations, and Corporates.

** Excludes interest rate risks in the banking book (IRRBB). For IRRBB, please refer to 2025 NFS Section 4.2.2. As a matter of policy, frequency of measurement for IRRBB is monthly.

*** General loan loss provision (in excess of the amount permitted to be included in Tier 2).

On-Balance Sheet Assets	BDO Network Bank							
	Type of Exposures	Principal Amount (in millions)		Exposures After CRM (in millions)		Risk Weights		
		0%	20%	50%	75%	100%	150%	Total
Cash on Hand	5,960	-	-	-	-	-	-	5,960
Checks and Other Cash Items	3	-	-	-	-	-	-	3
Due from Bangko Sentral ng Pilipinas	135	-	-	-	-	-	-	135
Due from Other Central Banks and Banks	6,743	-	6,743	-	-	-	-	6,743
Debt Securities Designated at Fair Value through Profit or Loss	-	-	-	-	-	-	-	-
Other Financial Assets Measured at Fair Value through Profit or Loss	3,955	-	-	-	-	-	-	3,955
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	7,645	-	-	-	-	-	-	7,645
Debt Securities at Amortized Cost	119,723	-	-	7,913	-	-	-	119,723
Loans and Receivables	-	-	-	-	-	-	-	-
Loans and Receivables Arising from Repurchase Agreements	7	-	-	-	-	-	-	7
Sales Contract Receivable	1	-	-	-	-	-	-	1
Real and Other Properties Acquired	4,366	-	-	-	-	-	-	4,366
Other Assets	148,540	-	-	-	-	-	-	148,540
Total Exposures	17,697	3	6,743	7,913	4,366	-	-	113,369
Total Risk-weighted On-Balance Sheet Assets Not Covered by CRM	-	1	3,372	5,935	-	-	-	148,540
Total Risk-weighted On-Balance Sheet Assets Covered by CRM	-	-	-	-	-	-	-	126,890
Total Risk-weighted On-Balance Sheet Assets	-	1	3,372	5,935	-	-	-	126,890

Off-Balance Sheet Assets

Type of Exposures	Credit Equivalent (in millions)		Risk Weights		
	0%	20%	50%	75%	100%
Direct credit substitutes	-	-	-	-	-
Transaction-related contingencies	-	-	-	-	-
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year	-	-	-	-	-
Other commitments which can be unconditionally cancelled at any time by the bank without prior notice and those not involving credit risk	55	-	-	-	-
	55	-	-	-	-

Risk-weighted on balance sheet assets covered by credit risk mitigants are mostly exposures covered by deposits or guarantees by the Philippine National Government. There are no securitization exposures, no exposures covered by credit derivatives, no outstanding credit protection provided by the Bank through credit derivatives, and no outstanding investments in Structured Products. Moreover, the Bank has no outstanding accounting hedges. In case there are accounting hedges, the Bank performs both prospective and retrospective hedge effectiveness tests to monitor the continuing effectiveness of accounting hedges as a matter of policy.

	Credit Risk *	Market Risk **		Operational Risk
		December 31, 2024		
		BDO Network Bank		
		(in Millions)		
On-Balance Sheet	106,723	-	-	-
Off-Balance Sheet	-	-	-	-
Counterparty (Banking/Trading Book)	-	-	-	-
Credit-Linked Notes in the Banking Book	-	-	-	-
Securitization Exposures	(43)	-	-	-
Deductions ***	-	-	-	-
Interest Rate Exposures	-	-	-	-
Equity Exposures	-	-	-	-
Foreign Exchange Exposures	-	-	-	-
Options	-	-	-	-
Basic Indicator Approach	-	15,711	-	-
Total	106,680	15,711	-	-
Capital Requirements	10,668	-	-	1,571

* Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on ratings by Standard and Poors, Moody's, Fitch and PhilRatings on exposures to Sovereigns, MBSs, LGUs, Government Corporations, and Corporates.

** Excludes interest rate risks in the banking book (IRRB). For IRRB, please refer to NFS Section 4.2.2. As a matter of policy, frequency of measurement for IRRB is monthly.

*** General loan loss provision (in excess of the amount permitted to be included in Tier 2).

On-Balance Sheet Assets

Type of Exposures	BDO Network Bank								
	Principal Amount (in millions)	Exposures After CRM (in millions)	0%	20%	50%	75%	100%	150%	Total
Cash on Hand	3,928	3,928	3,928	-	-	-	-	-	3,928
Checks and Other Cash Items	-	-	-	-	-	-	-	-	-
Due from Bangko Sentral ng Pilipinas	122	122	-	-	-	-	-	-	122
Due from Other Central Banks and Banks	6,117	6,117	-	-	-	-	-	-	6,117
Debt Securities Designated at Fair Value through Profit or Loss	-	-	-	-	6,116	-	-	1	-
Other Financial Assets Mandatorily Measured at FVPI	-	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	4,887	4,887	-	-	-	-	-	-	4,887
Debt Securities at Amortized Cost	5,027	5,027	-	-	-	-	-	-	5,027
Loans and Receivables	99,430	99,430	-	-	-	6,389	90,696	2,346	99,430
Loans and Receivables Arising from Repurchase Agreements	-	-	-	-	-	-	-	-	-
Sales Contract Receivable	5	5	-	-	-	-	-	-	5
Real and Other Properties Acquired	1	1	-	-	-	-	-	-	1
Other Assets	4,650	4,650	-	-	-	-	4,650	-	4,650
Total Exposures	124,169	124,169	13,965	-	6,116	6,389	95,352	2,347	124,169
Total Risk-weighted On-Balance Sheet Assets Not Covered by CRM	-	-	-	-	3,058	4,791	95,352	3,521	106,723
Total Risk-weighted On-Balance Sheet Assets Covered by CRM	-	-	-	-	-	-	-	-	-
Total Risk-weighted On-Balance Sheet Assets	-	-	-	-	3,058	4,791	95,352	3,521	106,723

Off-Balance Sheet Assets

Type of Exposures	Risk Weights						
	0%	20%	50%	75%	100%	150%	Total
Direct credit substitutes	-	-	-	-	-	-	-
Transaction-related contingencies	-	-	-	-	-	-	-
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year	-	-	-	-	-	-	-
Other commitments which can be unconditionally cancelled at any time by the bank without prior notice and those not involving credit risk	40	-	-	-	-	-	40

Risk-weighted on balance sheet assets covered by credit risk mitigants are mostly exposures covered by deposits or guarantees by the Philippine National Government. There are no securitization exposures, no outstanding credit protection provided by the Bank through credit derivatives, and no outstanding investments in Structured Products. Moreover, the Bank has no outstanding accounting hedges. In case there are accounting hedges, the Bank performs both prospective and retrospective hedge effectiveness tests to monitor the continuing effectiveness of accounting hedges as a matter of policy.

Basel III Leverage Ratio of BDO Network Bank as of December 31, 2025 and 2024 as submitted to the Bangko Sentral ng Pilipinas (BSP).

Basel III Leverage Ratio Common Disclosure Template
In Million Pesos

Item	2025		2024	
	BDO Network Bank		BDO Network Bank	
On-balance sheet exposures				
1	On-balance sheet items ^{1/}	148,511.64	124,052.73	
2	(Asset amounts deducted in determining Basel III Tier 1 Capital)	-	-	
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	148,511.64	124,052.73	
Derivative exposures				
4	Replacement Cost associated with all derivatives transactions	-	-	
5	Add-on amounts for Potential Future Exposure associated with all derivative transactions	-	-	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework ^{2/}			
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions) ^{2/}			
8	(Exempted CCP leg of client-cleared trade exposures) ^{2/}			
9	Adjusted effective notional amount of written credit derivatives	-	-	
10	(Adjusted effective offsets and add-on deductions for written credit derivatives)	-	-	
11	Total derivative exposures (sum of lines 4 to 10)	-	-	
Securities financing transaction exposures				
12	Gross SFT assets (with no recognition of netting)	-	-	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets) ^{2/}			
14	CCR exposures for SFT assets	-	-	
15	Agent transaction exposures ^{3/}	-	-	
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-	
Other off-balance sheet exposures				
17	Off-balance sheet exposure at gross notional amount	5.52	4.01	
18	(Adjustments for conversion to credit equivalent amounts)	-	-	
19	Off-balance sheet items	5.52	4.01	
Capital and total exposures				
20	Tier 1 capital	17,819.34	14,721.38	
21	Total exposures (sum of lines 3, 11, 16 and 19)	148,517.15	124,056.73	
22	Basel III leverage ratio	12.00%	11.87%	

^{1/} Gross of General Loan Loss Provision (GLLP) and excluding derivatives and SFTs

^{2/} Not included under the framework

^{3/} When a bank/non-bank acting as an agent in an SFT provides an indemnity or guarantee to a customer or counterparty for any difference between the value of the security or cash the customer has lent and the value of the collateral the borrower has provided

Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure
In Million Pesos

Item	2025	2024
	BDO Network Bank	BDO Network Bank
1 Total consolidated assets as per published financial statements ^{1/}	148,511.64	124,052.73
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation ^{2/}		
3 Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure ^{2/}		
4 Adjustments for derivative financial instruments	-	-
5 Adjustments for securities financial transactions (i.e., repos and similar secured lending)	-	-
6 Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	5.52	4.01
7 Other adjustments	-	-
8 Leverage ratio exposure ^{3/}	148,517.15	124,056.73

^{1/} Refers to total on-balance sheet assets per quarterly published balance sheet

^{2/} Not included under the framework

^{3/} Sum of items 1 to 7. Should be consistent with item 21 of the Basel III Leverage Ratio Common Disclosure Template

There is no significant difference between the banks' total balance sheet assets in its financial statements and the on-balance sheet exposures in the Leverage Ratio Report.

The Bank's Leverage Ratio remains above the regulatory minimum requirement of 5%. The leverage ratio has increased year-on-year (Y-o-Y) by 13 basis points (bps). The improvement was mainly due to a Y-o-Y increase of about 21% in Tier 1 Capital.

Basel III Liquidity Coverage Ratio (LCR) of BDO Network Bank as of December 31, 2025 and December 31, 2024 per Bangko Sentral ng Pilipinas (BSP) required disclosure.

LIQUIDITY COVERAGE RATIO DISCLOSURE TEMPLATE (In Single Currency, Absolute Amount)				
NATURE OF ITEM	BDO Network Bank			
	2025		2024	
	TOTAL UNWEIGHTED ¹ VALUE (AVERAGE)	TOTAL WEIGHTED ² VALUE (AVERAGE)	TOTAL UNWEIGHTED ¹ VALUE (AVERAGE)	TOTAL WEIGHTED ² VALUE (AVERAGE)
STOCK OF HIGH-QUALITY LIQUID ASSETS (HQLA)				
1. TOTAL STOCK OF HQLA		17,621,153,036.46		13,918,454,273.09
EXPECTED CASH OUTFLOWS				
2. Deposits	108,128,946,923.59	19,603,226,406.22	93,787,180,624.57	18,105,256,207.81
a. Retail funding	71,949,770,278.79	8,139,763,463.25	60,136,889,193.94	6,888,493,582.60
b. Wholesale funding of which:	35,292,994,110.51	11,463,462,942.96	32,941,976,900.22	11,216,762,625.21
Operational deposits	27,244,220,599.54	8,173,266,179.86	21,600,719,038.05	6,480,215,711.42
Non-operational deposits	8,048,773,510.97	3,290,196,763.10	11,341,257,862.17	4,736,546,913.80
c. Restricted term deposits	-	-	-	-
d. Deposits pledged as collateral or under hold-out arrangements	886,182,534.29	-	708,314,530.41	-
3. Unsecured Wholesale Funding	-	-	-	-
4. Secured Funding	-	-	-	-
5. Derivatives Contracts	-	-	-	-
6. Structured Financing Instruments	-	-	-	-
7. Committed Business Facilities	-	-	-	-
8. Other Contractual Obligations Within a 30-day Period	-	-	-	-
9. Other Contingent Funding Obligation	-	-	-	-
10 TOTAL EXPECTED CASH OUTFLOWS	108,128,946,923.59	19,603,226,406.22	93,787,180,624.57	18,105,256,207.81
EXPECTED CASH INFLOWS				
11. Secured Lending	-	-	-	-
12. Loans, Receivables and Other Credit Facilities	2,825,219,119.13	2,758,548,555.67	2,932,187,798.59	2,881,871,759.69
13. Other Cash Inflows	4,053,542,024.67	4,053,542,024.67	3,284,164,303.13	3,284,164,303.13
14. TOTAL EXPECTED CASH INFLOWS	6,878,761,143.80	6,812,090,580.34	6,216,352,101.72	6,166,036,062.82
		Total Adjusted ³ Value		Total Adjusted ³ Value
15. TOTAL STOCK OF HQLA		17,621,153,036.46		13,918,454,273.09
16. TOTAL EXPECTED NET CASH OUTFLOWS		12,791,135,825.88		11,939,220,145.00
17. LIQUIDITY COVERAGE RATIO		137.76%		116.58%

¹ Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

² Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

³ Adjusted values must be calculated after the application of both: (i) haircuts (for Total HQLA) and inflow and outflow rates (for Total Net Cash Outflows); and (ii) applicable cap and ceiling (i.e., cap on Level 2 assets for HQLA and ceiling on inflows).

Datapoints used were the simple average of the quarterly consolidated report as of March 31; June 30; September 30 and December 31, for both 2025 and 2024.

The LCR results have been stable and above the regulatory floor of 100% over the past 4 quarters in 2025. The LCR has increase year-on-year (Y-o-Y) by 21.18% driven mainly by an increase in deposit cash inflow by P1.5 billion against HQLA increase of P3.7 billion. Majority of the Bank's HQLA is comprised of Level 1 assets, primarily in the form of cash on hand, cash reserves with the BSP, and eligible securities representing claims on or guaranteed by the Philippine National Government.

One of the operating principles of the Bank is to ensure that it has a diversified funding base, taking into account all available market opportunities. Sound liquidity management requires that the sources of funds available are diversified, particularly in terms of maturities and market share. The Bank's primary funding source comes from regular customer deposits, which is composed largely of lower-cost funds. In addition to regular deposits, the Bank also opportunistically raises funding through the issuance of Time Certificate of Deposits. The Bank aims to finance current and future asset growth in the most cost-effective manner possible.

The Asset-Liability Committee (ALCO) has responsibility for ensuring that Bank policy for liquidity management is adhered to on a continual basis, and that Treasury is responsible for executing liquidity directives and operating within the liquidity policy. Treasury ensures that the funding requirements of all the Business Units (BUs) are addressed, excess funds are deployed to maximize returns, and regulatory requirements on reserves are complied. As such, all the BUs closely interact and coordinate with Treasury. The Liquidity Management function is centralized under the Treasury Group.

All material and significant inflows and outflows that are relevant to the Bank's liquidity profile are captured in the LCR.

Corporate Information

COMPANY HEADQUARTERS

BDO Network Bank, Inc.
Km. 9, Sasa, Davao City
Davao Del Sur, Philippines
(+63) 82 233-7777
(+63919) 058-5000
Website: www.bdo.com.ph/bdonetworkbank
Facebook Page: BDO Network Bank PH

BRANCHES AND ATMs

For the complete list of BDO Network Branches and ATM locations, please visit www.bdo.com.ph/branches/atm-branch-locator



The 2025 Annual Report, with Financial Supplements, can be viewed and downloaded online at www.bdo.com.ph/bdonetworkbank/about-us/annual-reports.

BDO Network Bank, Inc. is regulated by the Bangko Sentral ng Pilipinas. <https://www.bsp.gov.ph>

For concerns, please visit any BDONB branch nearest you, contact us through our hotline +63 82 233-7777 or +63 919 058-5000, email us via customerservice@bdonetworkbank.com.ph or send us a private message at our official Facebook page www.facebook.com/BDONetworkBankPH. Deposits are insured by PDIC up to ₱1 million* per depositor.

* Effective March 15, 2025.

BDO Network Bank