Sterling Bank of Asia
A Savings Bank

2025 | ANNUAL REPORT

OUR VISION

Sterling Bank of Asia, the Bank with a Heart, is the new standard for future generations of bankers, driven by integrity and a deliberate will for excellence — a legacy!

OUR MISSION

We are committed to exceed customer service expectations. We will actively identify and innovatively respond to their evolving needs.

We are propelled by competent and team-oriented professionals in a respectful, caring, and nurturing environment where everyone can maximize his potential.

We will be responsible stewards of the resources entrusted to us, and we will share the resulting benefits with society.

THE WAY WE BANK

Sincere, committed, and dependable — that's our brand of banking. We look beyond deposits, balance sheets, and assets to help you achieve your financial and personal goals.

CORE VALUES

We will manifest the Sterling Bank of Asia Philosophy through consistently demonstrating and living the following core values:

- **SERVICE EXCELLENCE**
  The commitment to continuously challenge ourselves to exceed expectations of our customers by having the genuine concern and interest in their needs and circumstances, and serving them with a deep sense of responsibility.

- **PROFESSIONALISM**
  The dedication to treat all people with respect, fairness, and compassion while continually pursuing the highest levels of knowledge, skills, and expertise.

- **SOCIAL CONSCIOUSNESS**
  The resolve to ensure optimum value on the resources entrusted to us and to share this value with those we serve.

ABOUT THE BANK

Sterling Bank of Asia is a savings bank established to provide accessible financial solutions and banking services to both commercial and retail markets.

Since it opened its first branch in March 2007, under the leadership of a core group of successful businessmen and entrepreneurs and the management of seasoned professional bankers, Sterling Bank of Asia's network has grown to 47 branches across key cities nationwide.

The Bank offers an array of deposit, loan, investment, asset management, and other financial products to serve large corporations, small and medium enterprises, and retail customers. Products and services are delivered through the Bank's five business groups: Retail Banking, Commercial Lending, Consumer Lending, Treasury, and Trust.

Guided by the philosophy of putting clients' needs first by banking to a different beat, the Bank partners with each client, whether individual or corporate, to grow and manage their wealth and resources, ultimately helping them achieve their financial goals.

With its extensive portfolio of products and services, Sterling Bank of Asia creates more opportunities for clients to take hold of their financial future.

CONTENTS

2 Our Mission, Vision, and Core Values
3 About the Bank
4 Message from the Chairman
6 Report to Stockholders and Stakeholders
9 Awards
10 Financial Highlights
12 Operational Highlights
18 Risk Management
45 Corporate Social Responsibility
48 Corporate Governance
59 The Management
70 Audited Financial Statements
159 Products and Services
164 Branch Network and Business Offices

MESSAGE FROM THE CHAIRMAN

Ruben C. Tiu

CHAIRMAN OF THE BOARD

In 2025, Sterling Bank of Asia operated in an environment shaped by evolving market conditions, shifting monetary policy, and continued global and domestic uncertainties. Amid these developments, we remained steadfast in our commitment to financial strength, disciplined growth, and sound governance.

Reflecting this institutional commitment, the Bank's total resources increased to Php73.348 billion, a robust 27.63% growth, while Net Income After Tax climbed 20.20% to reach Php328.858 million.

Throughout the year, we pursued our strategic priorities with focus and prudence. We continued to strengthen our core operations, enhance our digital capabilities, and improve customer experience across the Bank. At the same time, we continued to lay the groundwork for the Bank's long-term modernization agenda in support of operational efficiency, business resilience, and improved service delivery.

Good governance remained central to our approach. The Board continued to strengthen the Bank's corporate governance, credit, and risk management frameworks in line with regulatory expectations and the evolving needs of the business. We also continued to promote responsible banking practices across the Bank, including initiatives supporting sustainable finance, employee engagement, environmental responsibility, and sound governance, guided by our commitment to balance financial performance with the long-term interests of our stakeholders and the communities we serve.

As we move into 2026, we remain cautious yet forward-looking in our approach. Sterling Bank of Asia is undertaking digital infrastructure initiatives across core systems and support platforms to better position the Bank for future growth, stronger risk management, and improved customer experience. With a clear strategic direction, a sound governance foundation, and the dedication of our people, we are confident in the Bank's ability to navigate challenges and deliver long-term value to our customers.

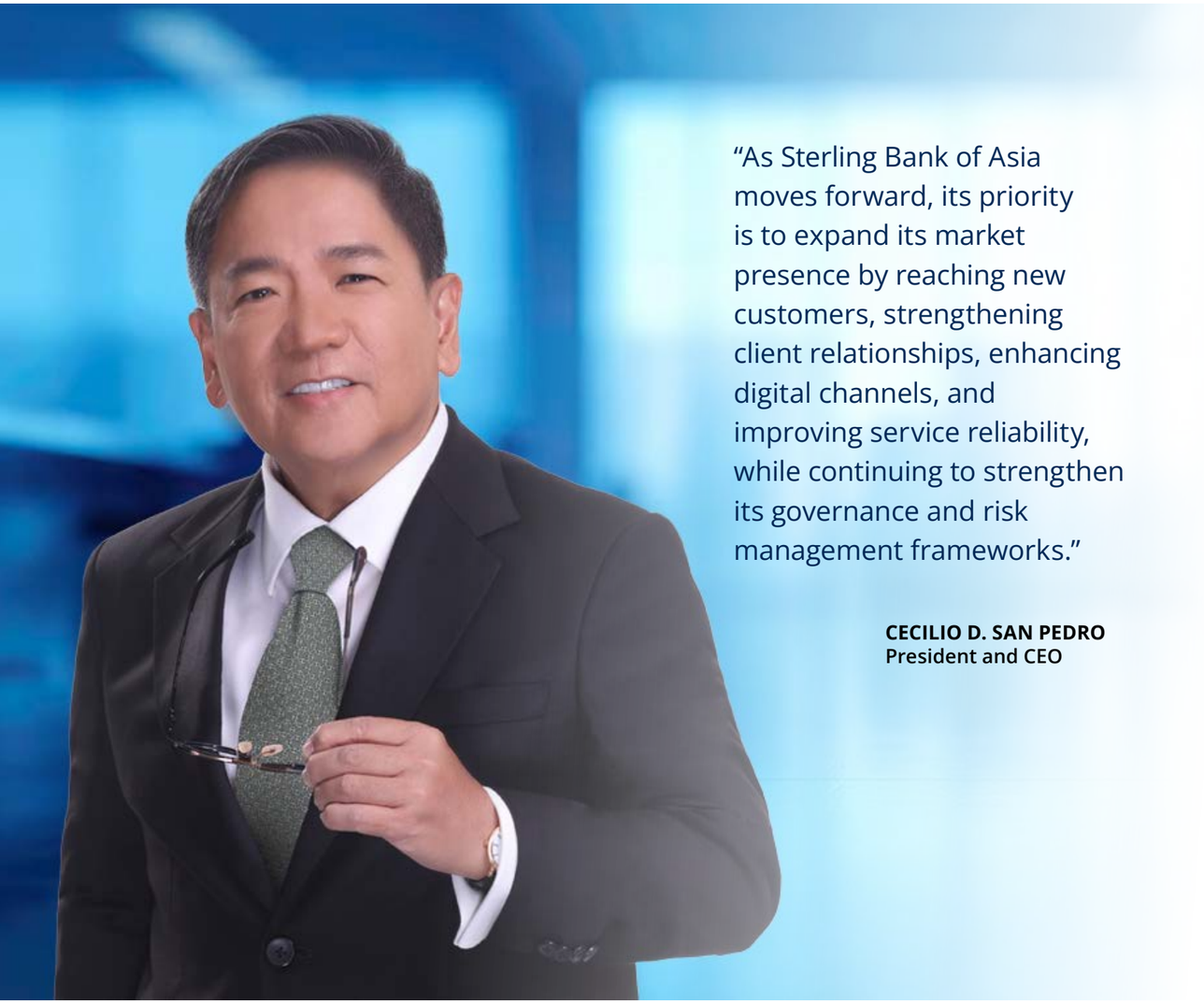
On behalf of the Board of Directors, I extend our sincere appreciation to our clients, shareholders, regulators, and employee associates for their continued trust, support, and commitment. We look forward with confidence as we continue to build a stronger, more resilient, and more future-ready Sterling Bank of Asia.

"Sterling Bank of Asia is undertaking digital infrastructure initiatives across core systems and support platforms to better position the Bank for future growth, stronger risk management, and improved customer experience."

RUBEN C. TIU
Chairman of the Board

Cecilio D. San Pedro

PRESIDENT AND CEO



"As Sterling Bank of Asia moves forward, its priority is to expand its market presence by reaching new customers, strengthening client relationships, enhancing digital channels, and improving service reliability, while continuing to strengthen its governance and risk management frameworks."

CECILIO D. SAN PEDRO
President and CEO

2025 marked a year of progress for Sterling Bank of Asia. Against a backdrop of evolving market conditions and heightened competition, the Bank focused on what it could control: discipline, client relationships, and performance. While 2025 presented challenges that tested our plans and assumptions, we are proud of how the Bank responded with discipline, determination, and purpose. The numbers are only part of the story. Equally important was the consistent, day-to-day commitment of every Sterling Banker — a collective dedication that helped drive the Bank's performance during the year.

This progress was supported by the Bank's continuing efforts to strengthen its corporate governance, risk management, compliance, and internal control frameworks. These efforts are intended to protect the Bank's assets, strengthen operational stability, and ensure that growth is pursued in a prudent and sustainable manner.

The Bank also continued to invest in its communities and its people. For the second consecutive year, employees participated in the "Kind Heart Gives" tree-planting activity at the La Mesa Watershed in support of environmental sustainability. Participation in the Haier and Tzu Chi Charity fun runs likewise promoted employee well-being and reflected a culture focused on creating value beyond banking. Alongside these social responsibility initiatives, the Bank received the 2025 Top RTS Participant Award at the 21st PDS Annual Awards, recognizing its active participation in the fixed-income market.

Operational Milestones

Across business segments, 2025 delivered measurable progress. Adoption of InstaPay, PESONet, and QR Pay gained traction in both retail and corporate channels. Consumer and Commercial Lending sustained momentum through expanded market reach and stronger key partnerships. The Trust business grew its Assets Under Management despite a contracting industry average. The Treasury Group managed its fixed-income and foreign exchange positions to respond to market movements and support income generation amid a shifting interest rate environment. These outcomes demonstrate the alignment between strategy and execution, paving the way for the Bank's strong financial results.

Financial Performance

As of December 31, 2025, Sterling Bank of Asia achieved solid momentum, with total resources reaching Php73.348 billion, representing a 27.63% year-on-year increase from Php57.468 billion in 2024. This Php15.880 billion asset growth was driven largely by growth in the Bank's loan portfolio, which rose to Php55.886 billion from Php44.756 billion in the previous year. Commercial Lending increased by Php8.655 billion, while Consumer Lending grew by Php2.552 billion. Total deposits increased by 31.36% to Php64.569 billion, from Php49.153 billion in the prior year. This supported the increase in total liabilities, which rose to Php67.458 billion, up by Php15.117 billion or 28.88% from Php52.341 billion in 2024.

Total CASA expanded by Php20.038 billion to close at Php55.110 billion, comprising Php44.991 billion in Savings Deposits and Php10.119 billion in Demand Deposits. The growth in CASA, together with the Php4.622 billion contraction in Time Deposits, improved the Bank's funding mix and helped manage its cost of funds. Total Stockholders' Equity rose to Php5.891 billion, reflecting a year-on-year increase of Php763.500 million from Php5.127 billion in 2024.

Sterling Bank of Asia reported Net Income After Tax of Php328.858 million in 2025, a 20.20% improvement over the Php273.592 million recorded in 2024. Total Net Interest Income reached Php2.461 billion, up by 21.40% from Php2.027 billion in 2024. Total Non-Interest Income grew by 48.12% to Php320.019 million, from Php216.052 million in the previous year. Total Non-Interest Expenses stood at Php2.153 billion, up by 15.28% year-on-year, while Pre-Provision Profit reached Php627.817 million, a 67.22% increase over 2024.

The Bank recorded credit and impairment losses of Php184.423 million while maintaining solid profitability indicators. Return on Average Equity stood at 5.97%, while Return on Average Assets remained stable at 0.50%. The Bank's Capital Adequacy Ratio remained at 12.12%, above the regulatory minimum.

Looking Ahead

The milestones achieved in 2025 provide a firm anchor for the Bank's next phase of growth. As Sterling Bank of Asia moves forward, its priority is to expand its market presence by reaching new customers, strengthening client relationships, enhancing digital channels, and improving service reliability, while continuing to strengthen its governance and risk management frameworks. This means growing responsibly and ensuring that decisions are guided by sound judgment and effective execution. The Bank remains committed to building its capabilities, generating low-cost deposits, and maintaining prudent lending practices as it navigates an evolving regulatory and business landscape.

To our clients, Sterling Bankers, stockholders, and valued stakeholders, thank you for your continued trust and support. As we enter the next chapter, may we continue to move forward together, guided by a common purpose and a commitment to building a stronger future.

Sterling Bank of Asia Earns 2025 Top RTS Participant Award at 21st PDS Annual Awards

Sterling Bank of Asia has once again been recognized for its strong performance in the fixed income market, receiving the 2025 Top RTS Participant Award at the 21st PDS Annual Awards.

The Bank joins an esteemed group of industry leaders, including BDO Unibank, Bank of the Philippine Islands, Metropolitan Bank & Trust Company, and Security Bank Corporation, highlighting its continued growth and competitiveness among the country's top financial institutions.

Organized by Philippine Dealing & Exchange Corp., the annual awards recognize outstanding participants in the Philippine Dealing System who demonstrate excellence in trading, market participation, and contribution to the development of the local capital markets.

This recognition underscores Sterling Bank of Asia's commitment to delivering reliable financial solutions and strengthening its presence in the industry.

Financial Highlights

PROFITABILITY (in Php)	2025	2024
Total Net Interest Income	2,461,168,583	2,027,288,451
Total Non-Interest Income	320,019,063	216,052,345
Total Non-Interest Expenses	2,153,370,562	1,867,898,453
Pre-provision Profit	627,817,084	375,442,343
Provision for Credit and Impairment Losses	184,423,040	18,116,005
Net Income	328,857,569	273,592,289

SELECTED BALANCE SHEET DATA (in Php)		
Liquid Assets	7,111,756,262	6,388,029,211
Gross Loans	56,922,458,874	45,608,065,623
Total Assets	73,348,262,236	57,468,252,046
Deposits	64,568,709,000	49,152,892,081
Total Equity	5,890,711,415	5,127,213,780

SELECTED RATIOS		
Return on average equity	5.97%	5.83%
Return on average assets	0.50%	0.53%
Net interest margin on average earning assets	3.90%	4.06%
Tier 1 Capital Ratio	8.34%	8.86%
Capital Adequacy Ratio	12.12%	13.25%

BALANCE SHEET MAIN ITEMS	2025	2024	YoY Growth (%)
Total Resources	Php 73.348 B	Php 57.468 B	+27.63%
Total Liabilities	Php 67.458 B	Php 52.341 B	+28.88%
Stockholders' Equity	Php 5.891 B	Php 5.127 B	+14.89%
TOTAL DEPOSITS AND LOANS			
Deposit Liabilities	Php 64.569 B	Php 49.153 B	+31.36%
Loans and Receivables	Php 55.886 B	Php 44.756 B	+24.87%
NET INCOME			
Net Income	Php 328.858 M	Php 273.592 M	+20.20%

Operational Highlights

The Retail Banking Group has shown remarkable growth in its deposits, with the Current Account and Savings Account (CASA) balance rising from Php35.072 billion in 2024 to Php55.110 billion in 2025, reflecting an increase of Php20.038 billion.

RETAIL BANKING GROUP

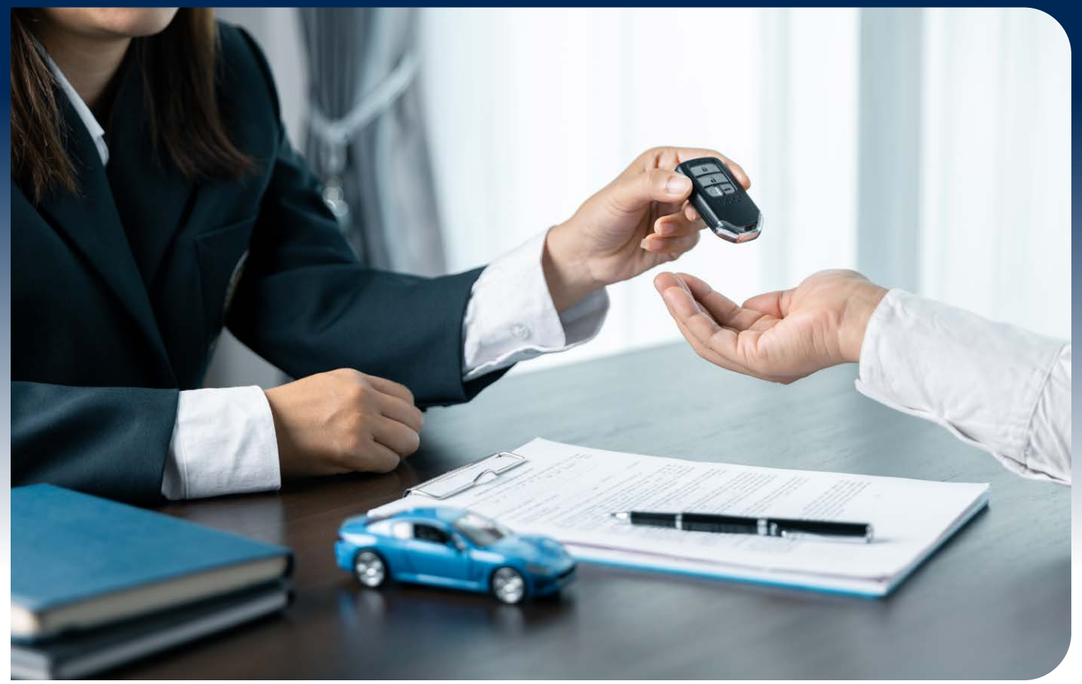
The Retail Banking Group has shown remarkable growth in its deposits, with the Current Account and Savings Account (CASA) balance rising from Php35.072 billion in 2024 to Php55.110 billion in 2025, reflecting an increase of Php20.038 billion. This notable 57.13% increase reflects the strategies implemented across branches and highlights a strong demand from both retail and corporate clients. Overall, total deposits increased from Php49.153 billion in 2024 to Php64.569 billion in 2025, reflecting growth of Php15.416 billion or 31.36% year-on-year.

Concurrently, the Digital Retail Banking platform continued to penetrate the market and engage the customers. User enrollment rose to 57% of the total active retail client base, up from 51% in 2024, signaling digital migration and a shift in user preferences toward electronic channels. This was driven primarily by the widespread adoption of InstaPay, PESONet, and SBA QR Pay, which have cemented these digital channels as integral to clients' daily financial transactions. This likewise translated into stronger non-interest revenue streams, with digital retail banking fee income increasing by 22.43%.

In line with the Bank's commitment to supporting its corporate clients, enhancements were deployed to the Digital Corporate Banking (DCB) platform. The upgrade introduced functionalities designed to streamline corporate workflows, including built-in multi-level approval workflows, automated bulk interbank transfers via InstaPay and PESONet, and bulk salary crediting. These solutions saw strong adoption among the Bank's clients, as evidenced by a 36% increase in new corporate enrollments. Total corporate accounts on the platform grew from 1,297 in 2024 to 1,497 in 2025.

As the Group moves into 2026, deposit generation will remain the core focus, with a priority on expanding the low-cost deposit base and accelerating new-to-bank business through traditional and enhanced channels. The Group will focus on cross-selling cash management solutions to corporate clients while intensifying customer engagement across retail channels. Additionally, operational efficiency initiatives will remain a priority, with an emphasis on continuous platform upgrades to ensure service delivery that aligns with evolving market demands.

CONSUMER LENDING GROUP



The **Consumer Lending Group** demonstrated consistent year-on-year growth, closing 2025 with a portfolio balance of Php14.36 billion. Real Estate Loans remained the primary driver, comprising 75.61% of the Group's total portfolio, followed by Auto Loans at 21.17%.

The 21.17% growth was achieved despite intense competition not only from peer institutions but also from commercial and universal banks, which have increasingly targeted consumer lending for revenue generation. Notably, our expansion outpaced general industry growth, underscoring the strength and resilience of the Bank's strategy.

Two key strategic pivots anchored this achievement. For Real Estate Loans, geographic diversification was pursued by expanding the Bank's presence in Luzon and Visayas while shifting focus from vertical to horizontal developments. This is in response to the condominium oversupply in the National Capital Region (NCR). Concurrently, for Auto Loans, the Bank leveraged trusted and established partnerships to efficiently drive business volume.

Looking ahead to 2026, the Group will continue to prioritize sustainable growth with a sharp focus on higher-quality assets, capitalize on existing relationships with developers, dealers, corporate partners, and traditional and non-traditional agencies, and aggressively forge new alliances. Additionally, the Group will enhance digital capabilities to accelerate new-to-bank acquisition and develop targeted products to further penetrate core markets.

COMMERCIAL LENDING GROUP

In 2025, the **Commercial Lending Group** achieved another outstanding year, with its loan portfolio reaching a new high of Php41.447 billion, representing 74.26% of the Bank's total loan portfolio. The increase from Php32.792 billion in the previous year reflects a growth of Php8.655 billion or 26.39%.

The notable growth is a result of the ongoing acquisition of new clients, primarily focused on short-term business loans. This includes loan lines that address working capital needs, as well as domestic and international trade finance options, trust receipts, and factoring of receivables financing. Consequently, interest income and overall profitability improved, driven by higher loan volumes and an enhanced interest spread across corporate segments, supporting the Group's sustained net income growth.

Building on this momentum, the Group plans to further optimize its portfolio mix by aligning credit facilities with high-growth economic sectors while maintaining disciplined underwriting standards. Looking ahead to 2026, the Group will continue to prioritize sustainable growth by cultivating high-net-worth individuals and capitalizing on the bright prospects of entrepreneurial markets, while deepening relationships with corporate borrowers and expanding its transaction banking distribution channels across the Bank.

TREASURY

In 2025, the **Treasury Group** strategically optimized its fixed-income and foreign exchange positions amid evolving global trade policies and an easing interest rate environment, positioning the Bank to capitalize on opportunities and effectively manage anticipated market volatility in 2026.

Global financial markets were largely influenced by heightened uncertainty surrounding international trade policies during the second term of the Trump administration. Proposed tariff measures and subsequent policy adjustments contributed to market volatility and tempered expectations for monetary easing in the United States. Against this backdrop, the U.S. Federal Open Market Committee (FOMC) adopted a cautious approach, assessing the potential inflationary impact of trade-related developments before commencing its easing cycle in September. By year-end, the FOMC had reduced its target rate by a cumulative 75 basis points through three 25-basis-point cuts, bringing the federal funds rate to 3.50%–3.75% from 4.25%–4.50% at the beginning of the year.

Domestically, the Bangko Sentral ng Pilipinas (BSP) pursued a more accommodative monetary policy stance. With headline inflation averaging 1.7%, below the BSP's target range of 2% to 4%, and core inflation remaining well-contained at 2.4%, the BSP reduced its policy rate by a cumulative 125 basis points, from 5.75% to 4.50% during the year.

The decline in both domestic and global interest rates created favorable conditions for the Treasury Group's fixed-income portfolio. Through prudent positioning in medium- and long-term securities, the Group generated Php466.931 million in trading gains and interest income. Meanwhile, increased volatility in the foreign exchange market arising from shifting global trade policies contributed Php41.814 million in foreign exchange income.

Looking ahead, the operating environment in 2026 is expected to remain challenging. Inflation base effects may place upward pressure on inflation readings, while moderating economic growth could limit the extent of any increase in interest rates. In the United States, the anticipated transition in Federal Reserve leadership may introduce additional uncertainty regarding the future direction of monetary policy. These competing forces are expected to contribute to heightened volatility across fixed-income and foreign exchange markets.

Despite these challenges, periods of market dislocation and volatility may present opportunities for income generation and enhanced client activity. The Treasury Group remains committed to disciplined risk management, active portfolio positioning, and delivering value through changing market conditions.

TRUST

The **Trust** business sustained its strong growth momentum in 2025, delivering another year of exceptional performance. Assets Under Management (AUM) increased to Php6.891 billion in 2025, up by Php1.118 billion or 19.36% from Php5.774 billion in 2024. This achievement is particularly noteworthy given the approximately 3% decline in Trust AUM across the Thrift Banking industry, underscoring the Bank's ability to outperform peers and capture growth despite challenging market conditions. Growth was primarily driven by peso-denominated Investment Management Accounts (IMA), which expanded by 24% to Php1.00 billion, supported by new client acquisitions and stronger engagement with existing clients.

The Trust Group likewise posted a higher total income of Php19.920 million in 2025, representing an increase of Php294.388 thousand or 1.50% from Php19.626 million in 2024. The improvement was largely attributed to increased activity across key business segments, particularly escrow services, legislated accounts, and individual investment management accounts. Overall, the Group's 2025 performance reflects its resilience in navigating market headwinds, optimizing portfolio strategies, and further strengthening client confidence and relationships.

The Trust Group continued to strengthen its business development and client engagement initiatives in 2025, resulting in higher account acquisitions, broader branch participation in client referrals, and improved revenue generation. New account openings increased by 27%, while active branch participation expanded to 28 branches, supported by the rollout of the Trust Incentive Program, which encouraged client referrals and enhanced coordination between the Trust Group and branch network.

To further strengthen branch awareness of trust products and referral protocols, the Trust Group intensified collaboration with the Retail Banking Group through quarterly town halls, product briefings, and structured engagement activities aimed at enhancing familiarity with available trust solutions and improving client referral channels. Weekly branch visits, quarterly provincial engagements, and information-sharing initiatives further supported relationship-building efforts and client engagement. In addition, the implementation of a formal Service Level Agreement (SLA) established clearer guidelines on referral coordination, administrative procedures, and account onboarding processes, helping improve operational efficiency and service delivery while ensuring alignment with regulatory requirements.

As the Group moves into 2026, it aims to further expand its investment offerings by onboarding a broader range of investment outlets that provide clients with more diversified and accessible solutions aligned with their financial objectives. The Group will continue to strengthen active portfolio management through regular account reviews to ensure portfolios remain responsive to evolving market conditions, client goals, and risk profiles.

Operational efficiency initiatives will likewise remain a priority, with increased automation of transaction-related processes such as confirmation advice and bank certification requests to improve turnaround time and overall client service delivery. To enhance revenue generation, the Group will continue to optimize its product mix by focusing on higher-yield trust products, including Retirement, Escrow, E-money Investment (EMI), Personal Management Trust (PMT), and Unit Investment Trust Fund (UITF). In parallel, the Trust Group seeks to maximize the participation of the branch network and further expand distribution channels through deeper collaboration with additional business groups across the Bank.

The Peso is expected to remain sensitive to global economic developments, particularly movements in oil prices, geopolitical tensions in the Middle East, and shifts in U.S. monetary policy. Elevated inflation and potential portfolio outflows may continue to exert pressure on the currency, although easing geopolitical risks and stabilizing energy prices could provide support in the latter part of the year. Amid this environment, the Trust Group remains committed to delivering sound investment guidance, responsive portfolio management, and diversified financial solutions that help clients navigate evolving market conditions.

Risk Management

Sterling Bank of Asia cultivates a proactive enterprise risk management culture resulting from the strong collaboration of risk owners, management, and independent functions in pursuing the highest standards of fiduciary service, optimal economic value, and excellent customer experience.

RISK MANAGEMENT CULTURE AND PHILOSOPHY

Sterling Bank of Asia's Risk Philosophy underscores shared responsibility for risk management by encouraging employees to actively contribute to the Bank's risk-aware culture and participate in continuing education programs led by the Center for Learning, in partnership with the Risk Management Group. This culture is further strengthened through knowledge campaigns, risk-based interactive videos, bulletins, tabletop exercises, and real-incident simulations.

The Bank's enterprise risk management is anchored on the strong collaboration among risk owners, senior management, Board-level committees, and independent functions to enable a proactive approach to addressing potential issues and to ensure the provision of the highest standards of fiduciary service, optimal economic value, and excellent customer experience.

Enterprise Risk Management Framework

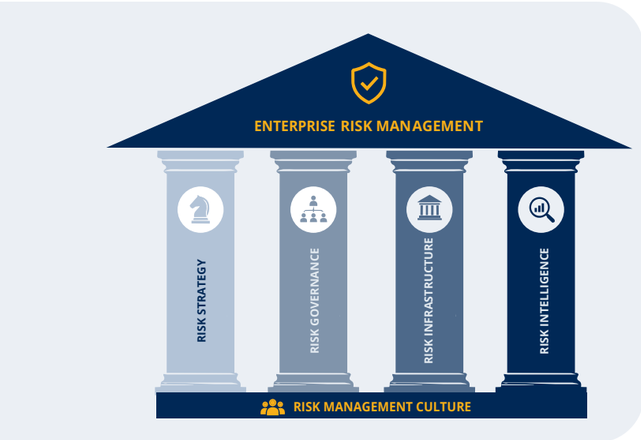
The Bank's Risk Management Framework is built on four pillars, namely: (1) Risk Strategy and Risk Appetite; (2) Risk Governance; (3) Risk Management Infrastructure; and (4) Risk Intelligence.

Risk Strategy and Risk Appetite

An integrated risk management approach is used in daily operations by incorporating the Bank's Risk Appetite into strategic planning, ensuring that goals and objectives are met, and the risks to achieving them are calculated and acceptable.

A. General Risk Appetite Statements

1. The Bank has zero appetite for breaches in regulatory limits, thresholds, or requirements and will ensure compliance at all times.
2. The Bank has zero appetite for risk exposures arising from negligence or willful violations of internal and regulatory policies.
3. The Bank has zero appetite for any fraud (internal or external) and will provide adequate resources to prevent, detect, address, and resolve fraud incidents.
4. The Bank has a low to moderate appetite for strategic risk to support business growth while optimizing capital.



B. Credit Risk Appetite Statements

The Bank's lending activities are directed by consistent decision-making to align strategic aims and support robust corporate governance by setting clear risk-taking boundaries. The Bank shall ensure that all applicable Credit policies are followed when granting loans to clients.

1. The Bank has zero appetite for any breach of the regulatory Single Borrower's Limit (SBL) and will closely monitor accounts that are already over 75% utilization of their internal limit.
2. The Bank has a low appetite for credit concentration risk and will avoid unnecessary credit concentrations and significant exposures to any single or group of accounts. The Bank will continuously monitor new releases to ensure adequate diversification of the credit portfolio.
3. The Bank has a moderate appetite for credit risk and will not lend to new accounts with a Credit Risk Rating of 6 – Weak or worse, except on a case-to-case basis.
4. The Bank has a moderate appetite for non-performing assets (NPA). It will manage NPA-to-gross assets by continuously improving collection and remedial efforts, including loan restructuring programs for its borrowers, as well as making promotional offers to sell acquired assets.

C. Market & Liquidity Risk Appetite Statements

Market risk management shall ensure that the market risk position is continuously monitored and adequately protected against evolving or adverse market conditions. In addition, liquidity risk management shall ensure that the Bank can source funds under normal and stress scenarios.

1. The Bank has zero appetite for any breach of the regulatory thresholds or limits and shall ensure robust capital buffers are maintained on top of the minimum capital requirement. Regular monitoring of exposure against regulatory limits is supplemented by internal limits set as early warning triggers.
2. The Bank has a moderate appetite for trading activities. It will ensure that exposures remain within internal and regulatory thresholds through regular and timely monitoring and early warning indicators.
3. The Bank has a moderate appetite for market risk. It will ensure that risk measurements and limits are aligned with assumptions, including Treasury's strategic investment/ trading plans, and that the resulting Capital Adequacy Ratio (CAR) remains above BSP's 10% threshold.
4. The Bank has a moderate appetite for liquidity risk. It will ensure cost-effective funding from diversified sources to maintain a strong liquidity position and enable and support the Bank's lending operations, even under stressed market conditions, through regular monitoring of exposures against limits and stress testing.

D. Operational Risk Appetite Statements

The Bank's operational risk management shall ensure that robust internal controls are implemented to effectively prevent or mitigate potential losses.

1. The Bank has zero appetite for reputation events that create a negative perception of the Bank by its customers, shareholders, investors, employees, market analysts, the media, and other stakeholders, including the regulators and other government agencies.
2. The Bank has a low appetite for actual loss with a defined threshold of Php100,000.
3. The Bank has a low appetite for business disruptions and ensures that recovery objectives are consistently met.
4. The Bank has a moderate appetite for identified operational risk indicators and residual risk associated with the organization's critical processes.

E. Information Technology & Information Security Risk Appetite Statements

The Bank's IT and information security risk management shall ensure that highly reliable data and system protection are provided to its information assets. The following expectations for mission-critical data and systems have been established to achieve that goal.

1. The Bank has zero appetite for data breaches and regularly reviews and strengthens its controls to address evolving information security risks.
2. The Bank has a very low appetite for system unavailability and ensures 99.9% availability of its systems at any point unless previously scheduled for maintenance or other pre-defined and approved purposes.
3. The Bank has a low appetite for system disruptions and ensures rapid recovery and resumption of systems as provided in the Business Continuity Management Program.
4. The Bank has a low appetite for information security risk and ensures rapid response to information security or cybersecurity-related incidents as provided in the Cybersecurity Incident Management Framework.

F. Environmental and Social Risk Appetite Statements

The Bank's environmental and social risk management shall ensure its commitment to upholding sustainability, ethical practices, and stakeholder welfare by addressing environmental and social risks, fostering responsible partnerships, and ensuring safety and resilience.

1. The Bank has zero appetite for lending to, investing in, or partnering with persons and entities engaged in illegal activities as listed below:
   - Child labor
   - Counterfeit money
   - Human trafficking/ prostitution including organ harvesting
   - Illegal gambling
   - Illegal logging
   - Manufacturing of firearms including guns, ammunition, bombs, missiles, land mines, nuclear weapons and similar industries
   - Manufacturing/ selling/ distribution of illegal substances (including illegal drugs)
   - Slavery
   - Other illegal activities as defined by the law
2. The Bank has zero appetite and tolerance for any violation of environmental and social issues in engagements with clients, counterparties, and third-party service providers.
3. The Bank has zero appetite for activities and practices that will compromise its employees' health and safety, whether within its office premises or outside during official business conduct.
4. The Bank has a low appetite for exposure in industries and entities categorized as excluded activities from BSP's Sustainable Finance Taxonomy Guidelines and will only be considered after carefully assessing mitigating circumstances.
5. The Bank ensures the resiliency of all its offices and branches to withstand natural disasters and other environmental risks.

Risk Governance

The Bank reinforces risk management as a shared responsibility through a multi-stakeholder approach. Each business unit fulfills its designated role within the risk management organization by maintaining close partnerships with support teams and following a multi-layered defense model that aligns with Board-established risk tolerance levels.

A. Three Lines of Defense

The Bank remains committed to the Three Lines of Defense principle, as reflected in its structured risk management framework.

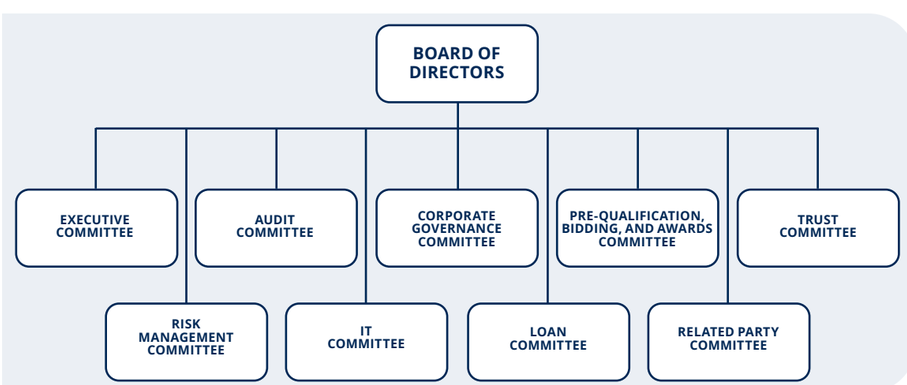
First Line of Defense: Business Line Management. The first line consists of Business Units and front-line groups. As risk-taking units, they conduct transactions and manage risks inherent to their financial and non-financial products and services. Front-line offices assess risks across business lines and implement procedures to limit exposures.

Second Line of Defense: Risk Management and Compliance. The second line, composed of the Risk Management and Compliance functions, serves as an independent oversight body that supports and monitors first-line risk management activities. These functions establish risk management and control standards while ensuring adherence to regulatory requirements and internal policies. Additionally, they guide business units in enhancing risk awareness and promoting a culture of compliance and control.

Third Line of Defense: Internal Audit. The third line provides independent assurance regarding the effectiveness of the Bank's risk management systems by evaluating risk-taking operations and the performance of back-office controls.

B. Board-Level Committees

The Board of Directors oversees the implementation of the Enterprise Risk Management System, which provides a comprehensive framework for identifying, measuring, monitoring, and managing risk exposures. It is supported by various committees in its oversight function, ensuring effective risk management across the organization. These committees are responsible for developing, supervising, and monitoring risks while establishing a robust governance structure to uphold the Bank's fiduciary responsibilities.



C. Management-Level Committees

Senior Management Committee (SMC). The SMC supervises and administers operations while overseeing operational and strategic risk management.

Project Management Oversight Committee (PMOC). It is a subcommittee of SMC established to strengthen the governance of project risk assessments, implement periodic reassessments of high-priority project risks, and monitor remediation plans for delayed projects.

Discipline, Ethics, and Values Committee (DevCom). The DevCom promotes and enforces adherence to the Bank's standards, policies, procedures, and code of conduct. Employees who violate these are subject to DevCom's disciplinary jurisdiction. All bank employees must follow the code of conduct and fulfill their fiduciary responsibilities in accordance with the Bank's mission and fundamental values, while taking operational and reputational risk management into account.

Credit Committee (CreCom). The CreCom evaluates all credit proposals that require approval from the President, LoanCom, or the Board. It also tracks credit underwriting activities at the management level, ensuring that credit risk remains within acceptable limits as delegated by the Board and that credit proposals align with the Bank's credit underwriting standards, policies, and procedures.

Asset Liability Committee (ALCO). The ALCO ensures that the Bank and all its legal vehicles maintain an acceptable level of liquidity, sufficient capital, and adequate funding to meet both business and regulatory requirements. ALCO is also responsible for establishing a stable funding structure by managing capital position, financing diversity, and the maturity profiles of assets and liabilities. It ensures that strategies align with its asset-liability pricing policies.

Fraud Committee (FraudCom). The FraudCom is an advisory body that provides recommendations for policy and procedural enhancements to strengthen fraud prevention measures and mitigate fraud risk across the organization.

Anti-Money Laundering Committee (AMLC). The AMLC ensures that the Bank complies with Anti-Money Laundering laws and their corresponding implementing rules and regulations (IRR), as well as with the BSP's guidelines and regulations.

Data Privacy Committee (DPC). The DPC oversees data protection mandate and adherence to the Data Privacy Act (DPA) of 2012. It is led by the Data Protection Officer, who also heads the Risk Management Group. To ensure comprehensive DPA compliance, the Bank employs a collaborative committee approach that includes Deputy Data Protection Officers from diverse areas, such as the Chief Compliance Officer, Legal Services Group Head, Information Technology Group Head, Security Group Head, Operational Risk Department Head, and IT/IS Department Head. This structure ensures that all regulatory requirements are effectively addressed.

Senior Management Oversight Committee for Outsourced Services (SMOC). The SMOC oversees and reviews all outsourcing arrangements, including performance evaluation. This committee ensures that third-party business partners adhere to service-level agreements and comply with relevant regulations, serving as key stakeholders in delivering financial services to the Bank's market.

Continuity/Crisis Command Team (CCT). The CCT is the management team responsible for defining and directing the strategic approach to Business Continuity Management (BCM) and implementing and executing the Business Continuity Plan (BCP) in times of crisis.

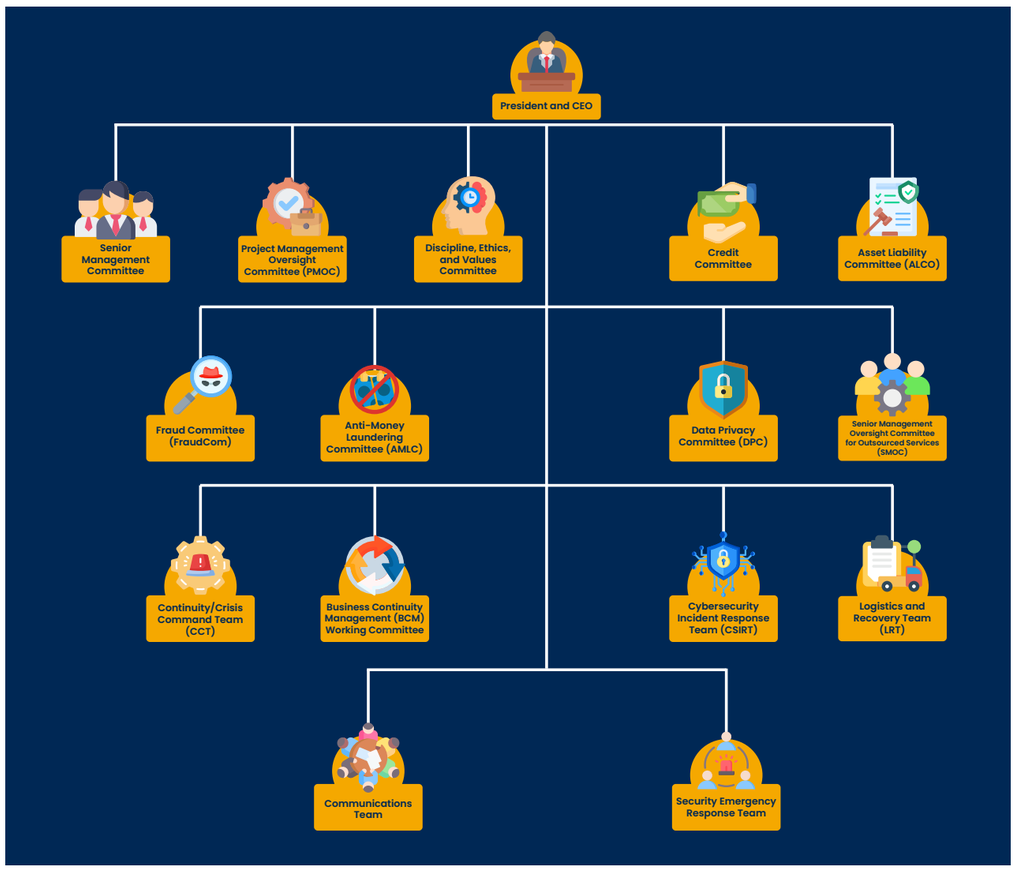
Business Continuity Management (BCM) Working Committee. The BCM Working Committee facilitates the development/ enhancement of the BCP. It develops the risk management framework to identify vulnerabilities to internal or external risks. It develops the Business Impact Analysis (BIA) template used to identify recovery strategy during a disaster scenario.

Cybersecurity Incident Response Team (CSIRT). The CSIRT is responsible for incident handling, including detection and analysis, containment, eradication, and recovery. It is also responsible for investigating cybersecurity incidents.

Logistics and Recovery Team (LRT). The LRT is responsible for the recovery of operations support, IT infrastructure, and facilities. It is responsible for coordinating logistics, inventory, and other requirements related to business operations.

Communications Team. The Communications Team ensures that internal and external communications are within the Bank's policies and guidelines. It is responsible for disseminating and communicating instructions and declarations to all required parties, including internal and external parties and regulators.

Security Emergency Response Team (SERT). It is responsible for managing and directing the activities of the different departments during an emergency.



D. Risk Management Group

Risk Management Committee (RMC) oversees Enterprise Risk Management (ERM) Framework. It is supported by the Risk Management Group (RMG), led by the Chief Risk Officer. Under the ERM framework, RMG creates and executes risk control and monitoring systems. It examines risk policies and alerts the Board and management to different risk factors. Additionally, it serves as a watchdog, monitoring the various units' risk-taking practices to ensure they remain within the boundaries established by the Board.

The **Credit Risk Management (CRM)** function identifies, assesses, and mitigates the risks associated with extending credit through lending or investments. The CRM performs this function through:

- Credit portfolio risk management and analytics
- Implementation of an Internal Credit Risk Rating System
- Credit risk identification, quantification, and assessment
- Detection of credit concentration and problem accounts
- Monitoring of adherence to credit limits and credit underwriting standards
- Credit policy development
- Model validation

The **Market and Liquidity Risk Management (MLRM)** function identifies, assesses, and mitigates market and liquidity risks associated with asset-liability management, capital management, and income generation. The MLRM performs this function through:

- Analytics of the Bank's market, liquidity, and interest rate risks
- Risk identification and assessment affecting Treasury and Trust operations including financial market activities
- Market risk quantification and assessment
- Contingency measures to address the impact of market shocks and liquidity crunch
- Model validation

The **Operational Risk Management (ORM)** function identifies, assesses, and mitigates operational risks that threaten the continuity of business transactions and processes, including those associated with disasters, system failures, people risk, human error, fraud, data privacy, and other operational risk categories. The ORM performs this function through:

- Operational Loss Data monitoring, tracking, and reporting
- Operational Risk identification, quantification, and assessment
- Operational Risk Management process analysis within the Bank
- Risk and Control Assessment methodologies implementation across the institution
- Risk Treatment Action Plans and Key Risk Indicators (KRIs) monitoring
- Business Continuity Management Program comprehensive implementation
- Incident Reporting Management
- Data Privacy Act (DPA) Implementation
- Fraud Risk Management
- Model validation

The **Information Technology & Information Security Risk Management (IT/ISRM)** function identifies, assesses, and mitigates technological and cybersecurity risks associated with the use of information technology in business operations and with exposure to information security threats. The IT/ISRM performs this function through:

- Information Technology (IT) risk management system
- Information security program management
- IT and IS risk identification, quantification, and assessment
- Access control reviews
- IS incident management
- Vulnerability Assessment and Penetration Testing
- Model validation

Risk Management Infrastructure

Sterling Bank of Asia's **Enterprise Risk Management (ERM) System** is a comprehensive framework that encompasses all aspects of risk management. It affects every part of the company and enables a paradigm shift from a silo mentality to a holistic view of risk integration and business. The framework acknowledges the inherent risks of commercial endeavors and the associated risk indicators.

The ERM focuses on people, processes, and technology. A multi-stakeholder approach is also used to establish the business process to ensure efficiency, eliminate redundancies, and address the Bank's key risk areas: credit, market, liquidity, and operational risks. Each business unit is further guided by policies on risk and risk-taking activities to keep them aligned with the risk appetite and tolerance levels mandated by the BOD. The policies are reviewed and updated as necessary to keep them responsive to evolving risk and business environments.

A vital component of the risk management system is the Information Technology, particularly the automation of critical processes and data management. The IT Group ensures that the necessary infrastructure is in place to support business activities, with sufficient controls and safeguards. IT is also responsible for designing the risk architecture, data management tools for risk reporting, and the Management Information System (MIS) to monitor business performance and promote informed decision-making.

Risk Intelligence

The Bank employs various risk measurement and monitoring tools to identify its vulnerabilities and formulate strategies to rebalance and address potential weaknesses. These provide trigger mechanisms for decision-making and strategic actions as the Bank faces changing regulatory and risk environments. By employing these tools, the Bank is able to establish a comprehensive limit structure that is continually improved. In addition, RMG regularly provides risk reports that include the results of these tools and detailed analyses of risk exposures to both management-level and Board-level committees. To ensure the models' predictive power in estimating risk levels, these are subject to model validation (i) prior to implementation and (ii) after major changes to the assumptions/ parameters of the model. Otherwise, the model will only undergo performance monitoring through periodic backtesting to ensure reliability.

CREDIT RISK

- Single Borrower's Limit
- Group Exposure Limits
- Industry Risk Exposure Limits
- Counterparty and Country Risk Limits
- DOSRI and RPT monitoring
- Loan Loss Provisioning
- Non-performing Loan (NPL) impact to Capital Adequacy Ratio (CAR)
- Consumer Credit Scorecard
- Internal Credit Risk Rating System (ICRRS)
- Stress Testing for credit activities
- Model Validation / Backtesting of credit risk models (to be performed by another risk unit)

MARKET & LIQUIDITY RISK

- Value-at-Risk (VaR)
- Marked-to-Market (MTM)
- Economic Value of Equity (EVE)
- Maximum Cumulative Outflow (MCO)
- Stop Loss and Position Limits
- Off-market Transactions and Unusual Trades monitoring
- Stress Testing for capital, market, and liquidity activities
- Capital Ratios monitoring
- Model Validation / Backtesting of market and liquidity risk models (to be performed by another risk unit)

OPERATIONAL RISK

- Risk Control and Self-assessment (RCSA)
- Loss Events Database (LED)
- Incident Reporting
- Key Risk Indicators (KRI) monitoring
- Business Impact Analysis (BIA)
- Business Continuity Management (BCM) Testing and Exercises
- Privacy Impact Assessment (PIA)
- Visa Risk Manager (VRM)

IT/IS RISK

- Access Management Monitoring
- Security Information and Event Management (SIEM)
- Threat Intelligence (TI)
- Malware Monitoring
- Patch Management Monitoring
- Phishing and Social Engineering Simulation
- IT/IS Risk Assessment
- Vulnerability Assessment and Penetration Testing (VAPT)

Given Sterling Bank of Asia's reliance on risk models for quantitative analysis and critical business decisions, it has a **Model Risk Management Framework** to manage model risks throughout the lifecycle, encompassing development, validation, implementation, use, and ongoing monitoring.

CAPITAL MANAGEMENT

Risk and Capital Management optimizes the level and mix of bank resources to increase shareholder value and ensure capital sufficiency to support asset growth and expansion.

Capital Adequacy Ratio
December 31 (in Millions)

	2025	2024
Tier 1 Capital	5,041.784	4,325.023
Tier 2 Capital	2,021.166	1,939.857
Gross Qualifying Capital	7,062.951	6,264.881
Less: Regulatory Deductions	578.439	409.002
TOTAL QUALIFYING CAPITAL	**6,484.512**	**5,855.878**
Credit Risk Weighted Assets	50,221.431	34,008.564
Market Risk Weighted Assets	168.889	1,253.145
Operational Risk Weighted Assets	3,102.556	2,957.017
TOTAL RISK-WEIGHTED ASSETS (RWA)	**53,492.876**	**44,183.015**
Tier 1 Capital Ratio Net	8.34%	8.86%
Total Capital Adequacy Ratio	12.12%	13.25%

Total Tier 1 Capital

	2025	2024
Paid-up Common Stock	3,320.000	2,920.000
Retained Earnings	1,311.255	1,115.558
Undivided Profits	321.700	256.166
Other Comprehensive Income	88.830	33.299
Gross Amount	**5,041.784**	**4,325.023**
Deductions:		
Deferred tax assets	35.428	21.870
Unsecured DOSRI	525.150	390.000
Defined benefit pension funds	17.861	(2.868)
Total Deductions	**578.439**	**409.002**
NET TIER 1 CAPITAL	**4,463.346**	**3,916.021**

Total Tier 2 Capital

	2025	2024
Preferred Stock	300.000	300.000
General Loan Loss Provision	428.416	347.107
Unsecured Subordinated Debt	1,292.750	1,292.750
NET TIER 2 CAPITAL	**2,021.166**	**1,939.857**

	CREDIT RISK		MARKET RISK		OPERATIONAL RISK	
	2025	2024	2025	2024	2025	2024
On-Balance Sheet (Net of Deductions)	50,200.401	39,961.517				
Off-Balance Sheet	19.854	10.138				
Counterparty (Trading/Banking)	1.176	1.197				
Interest Rate Exposure			136.694	1,244.489		
Foreign Exchange			32.196	8.656		
Operational Risk Weighted-Assets					3,102.556	2,957.017
Total	**50,221.431**	**39,972.852**	**168.889**	**1,253.145**	**3,102.556**	**2,957.017**
Capital Requirements	5,022.143	3,997.285	16.889	125.315	310.256	295.702

Capital Management Objectives

The capital level is the main component of the Bank's risk-taking activities. Thus, risk and capital management adhere to the following objectives:

- Maintain capital ratios above the minimum regulatory capital with a sufficient buffer to absorb shocks in periods of stress.
- Ensure capital availability to support asset growth and business activities.
- Balance risk and reward to optimize Risk Weighted Assets (RWA).

Governance

The Board of Directors (BOD), through the Risk Management Committee (RMC), is responsible for the strategic allocation of risk capital. RMC's primary responsibility is to oversee the alignment of corporate strategies and risk-taking activities with capital planning to ensure the best use of capital and maintain an optimal level and mix of resources. RMC is assisted by an independent unit, the Risk Management Group, in exercising its oversight function by providing RMC with an aggregated, firm-wide view of capital adequacy.

The Heads of the Business Units, as risk-taking units of the Bank, are accountable for capital risk. Their activities should be guided by the Bank's capacity to absorb risks.

ALCO is the committee responsible for balance sheet management. It actively manages the business portfolio, rationalizes the business mix, reallocates capital as necessary, and aligns activities with the funding capacity. ALCO reviews and considers any recommendations relating to capital utilization.

Credit Committee (Crecom) is the committee responsible for screening all big-ticket credit items requiring approval from the President, the Loan Committee, or the Board of Directors. The approvers shall factor in risk and capital utilization in their credit decision-making process.

Capital Management Mechanism

The RMC-approved target capital ratios serve as an Early Warning System and a trigger mechanism for activating the capital restoration and recovery plan. These targets are reviewed annually and set with consideration of the Bank's strategic direction, business objectives, growth and expansion plans, and sufficient financial buffers to withstand shocks under stressed scenarios. These capital ratios are monitored and reported to both ALCO and RMC to ensure capital adequacy and utilization. Escalation protocols were set to address near-breaches and/or breaches of limits, ensuring a timely and appropriate bank response.

The Bank's risk limits are aligned with its risk appetite and tolerance. In addition, the Bank has stress-testing in place that calculates the impact of predefined scenarios, reflecting varying degrees of severity on the Bank's capital position, covering both internal and external stress scenarios.

Recovery Plan

The Bank's Recovery Planning Process is designed to fully complement its enterprise risk management system through several frameworks that will allow the Bank to recover from low to extreme stress scenarios. It is closely linked to capital planning, liquidity planning, and business continuity planning, enabling the Bank to respond quickly, effectively, and credibly to situations of financial stress, and to ensure continuity of service delivery for critical banking activities and functions, safeguarding the public interest and maintaining shareholder value.

The Recovery Plan is based on its risk appetite statements and the results of various stress testing and simulations, including call tree exercises, tabletop exercises, disaster recovery testing, evacuation drills, and others. These activities helped identify the critical functions, preparatory measures, and recovery options needed to ensure readiness and timeliness of action response. It is reviewed and updated annually or as necessary.

RMC is the board-level committee responsible for approving and overseeing the development, maintenance, and implementation of the Recovery Plan. The President, as the owner of the Recovery Plan, is ably assisted by various management committees to ensure the Bank quickly recovers from various stress scenarios. ALCO will take the lead in case of capital, liquidity, and profitability crises. CreCom will take the lead on asset quality. CCT shall take the lead in the event of an operational crisis. CSIRT will take the lead in cybersecurity and technological crises.

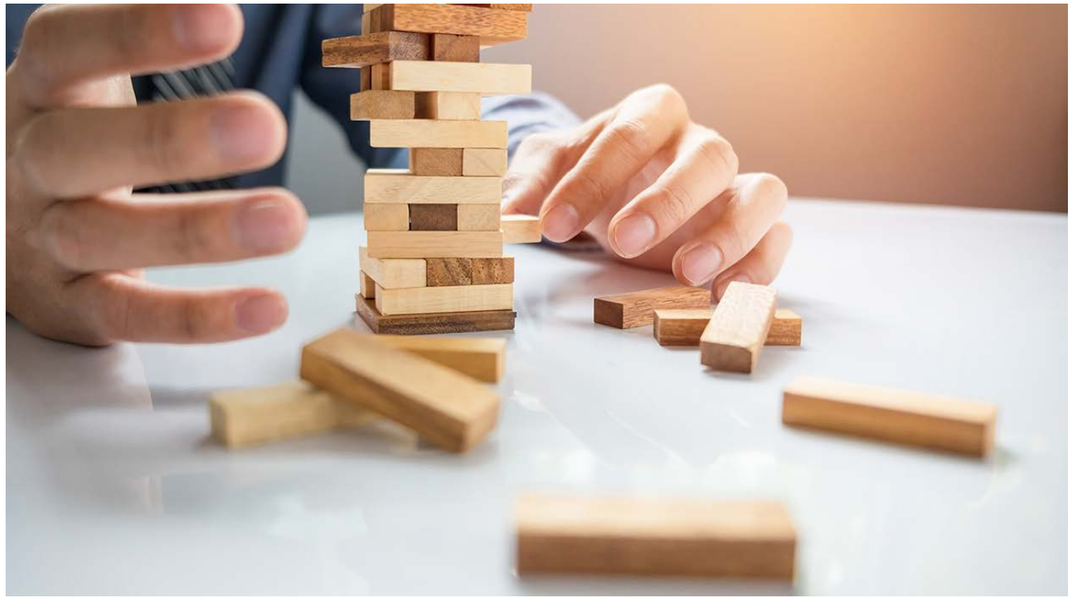
The Bank also has triggers and early warning indicators in place to regularly monitor its liquidity, capital, asset quality, and profitability. These enable the Bank to respond quickly and take preemptive actions at an early stage of stress. The Bank also has a communication strategy in place to ensure that all relevant stakeholders are adequately informed in a timely manner.

TYPES OF RISKS

Credit Risk

Credit risk refers to the potential loss the Bank may incur if the borrower or counterparty is unable to meet its contractual obligations, such as required payments.

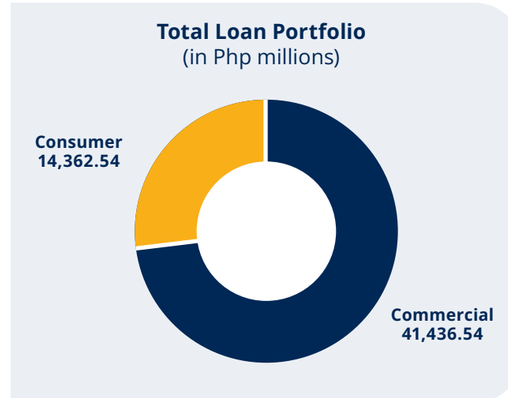
Credit risk is the Bank's most significant risk exposure. As of 2025, it contributes 93.88% of its risk-weighted assets. The capital charge for credit risk is calculated through the standardized approach.



CREDIT RISK WEIGHTED ASSETS				
	2025 Amount (in Millions)		2024 Amount (in Millions)	
0% Risk Weight				
Cash on hand	512.976		591.432	
Due from BSP	2,499.088		2,695.251	
Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)	7,365.424		4,014,842	
Loans and Receivables Arising from RA/CA/PR/SLB	1,550.496		–	
Claims guaranteed by central governments and central banks of foreign countries with highest credit quality	–		633.505	
Loans to the extent covered by hold-out	4,575.357		3,523.422	
Loans to the extent guaranteed by Philguarantee	4,090.451		3,379.208	
Total Subject to 0% Risk Weight	**20,593.792**	**–**	**14,837.660**	**–**
20% Risk Weight				
Claims guaranteed by foreign incorporated banks	1,943.923		1,568.915	
Total Subject to 20% Risk Weight	**1,943.923**	**388.785**	**1,568.915**	**313.783**
50% Risk Weight				
Loans to individual for housing purposes	3,291.444		3,282.334	
Qualified MSME loans	–		–	
Foreign currency denominated claims on or portions of claims guaranteed by or collaterized by foreign currency denominated securities issued by Philippine National Government and the BSP	1,144.583		315.980	
Total Subject to 50% Risk Weight	**4,436.027**	**2,218.014**	**3,598.314**	**1,799.157**
75% Risk Weight				
Qualified micro, small and medium enterprise (MSME) loan portfolio	1,398.989		1,777.950	
Total Subject to 75% Risk Weight	**1,398.989**	**1,049.242**	**1,777.950**	**1,333.462**
100% Risk Weight				
NPL to individuals for housing purposes	200.282		37.087	
Net Other assets	40,640.669		32,557.596	
Total Subject to 100% Risk Weight	**40,840.951**	**40,840.951**	**32,594.683**	**32,594.683**
150% Risk Weight				
All NPL except NPL individual for housing purposes	3,238.287		2,000.436	
Real Estate and other acquired properties and NCAHS	563.986		613.185	
Total Subject to 150% Risk Weight	**3,802.273**	**5,703.410**	**2,613.621**	**3,920.432**
Risk-weighted On Balance Sheet		50,200.401		39,961.517
Risk-weighted Off Balance Sheet		19.854		10.138
Counterparty (Trading/Banking)		1.176		1.197
TOTAL CREDIT RISK		**50,221.431**		**39,972.852**

The Bank's credit risk exposure primarily arises from its Commercial and Consumer Lending business lines, which together account for a total loan portfolio of Php55.81 billion as of 2025. Commercial Lending comprises 74.26% of the portfolio, while Consumer Lending makes up the remaining 25.74%. The larger portion of Commercial Loans reflects the Bank's strategic emphasis on business financing, the generally larger loan sizes in this segment, and the presence of collateral, which mitigates credit risk.

As of end-2025, the Commercial Lending portfolio stood at Php41.45 billion. It is largely composed of short-term business loans, including credit loans for working capital, trade finance facilities, factoring, and receivables financing. The loan terms are structured to meet the borrowers' financial needs. The Bank also offers medium-term loans for capital expenditures and floor stock financing for automotive dealers.



RISK RATING	CLASSIFICATION	CREDIT QUALITY
1	Excellent	High Grade
2	Strong	High Grade
3	Good	High Grade
4	Satisfactory	Standard Grade
5	Acceptable	Standard Grade
6	Weak	Standard Grade
7	Poor	Impaired
8	Substandard	Impaired
9	Doubtful	Impaired
10	Loss	Impaired

Commercial loan credit underwriting assesses the borrower's repayment capacity based on cash flow and industry analyses, management capability, and financial prospects. The Bank institutes risk and cash flow-based lending standards over collateral-based lending. Collateral, if any, serves only as one risk-mitigation technique and provides a second way out, rather than as a primary consideration in lending.

The Bank's Internal Credit Risk Rating System (ICRRS) is a 10-scale rating system used to classify borrowers into High Grade, Standard Grade, or Impaired categories. Credit ratings are considered in the credit underwriting and loan approval process. The ratings are reviewed and updated at least once a year or as needed, depending on the material changes and significant events that may impact the borrower's creditworthiness.

Consumer Lending underwriting relies on the credit acceptance criteria derived from borrower characteristics, which are incorporated into credit scorecards for each product offering. The Consumer Lending Group offers both secured and unsecured loans. Secured retail products include vehicle and home loans, while unsecured retail products feature personal, salary, and employee loans. These financing solutions assist the clients' personal and lifestyle needs.

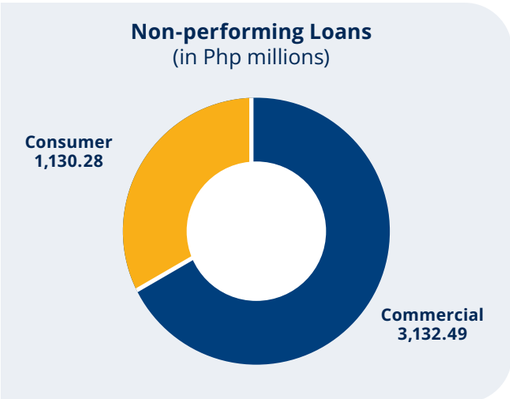
The Consumer Loan portfolio reached Php14.36 billion by 2025, with real estate financing representing the largest share at 75.61%, followed by auto loans at 21.17%. The remaining portion is distributed across personal and salary loans.

The Bank has credit limits in place to manage credit concentration risk from significant exposures to single-name/group borrowers, industry sectors, DOSRI/RPT, and country risk exposures. The Bank also uses a maker-checker-approver process and a system of delegated authorities to approve loan transactions.

CreCom is the management committee that oversees the Bank's credit risk-taking activities to ensure alignment with board-approved strategies. It also ensures that credit underwriting is carried out within set limits and thresholds. On the other hand, LoanCom is the board-level committee that oversees the implementation of credit risk strategies, approves credit policies, and credit risk-taking parameters.

Credit risk exposures are monitored and regularly reported to the Credit, Loan, and Risk Management Committees. The Credit Risk Management Department under RMG assists these committees in risk monitoring and reporting, credit policy creation, risk measurements, and other credit risk management mechanisms.

In 2025, the Bank's gross NPL ratio stood at 7.66%, higher than the industry average of 6.00%.



Credit risk arising from the Bank's treasury trading and investment activities is monitored and controlled through position, counterparty, and country limits. Meanwhile, netting arrangements, which provide a single net settlement for exposures, significantly minimize counterparty risk.

The Bank's FVPL and FVOCI portfolios are mostly government securities, while 45% of its HTC portfolio are private bonds, and the remaining 55% are government securities.

Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institution's trading book portfolio. The Bank's market risk originates from its holdings of domestic and foreign-denominated debt securities and financial instruments.

The Market Risk Management is collectively undertaken by the front office (Treasury Group), the back office (Treasury Operations Department), and the middle office (Market and Liquidity Risk Management Department of RMG). They create an ecosystem that balances business generation and risk-taking. In addition, ALCO serves as the management's oversight committee in charge of market risk.

Trading and investment activity is daily and monthly monitored by RMG's Market and Liquidity Risk Management Department (MLRD) to identify, manage, measure, and control market risk, ensuring that implementation is aligned with the Bank's policies and procedures. MLRD and ALCO annually review the Market Risk Management framework and secure approval from RMC.

Market Risk in the Trading Book

The Bank's Treasury portfolio, a significant source of market risk, is mostly composed of government securities, corporate bonds, and foreign currencies. Thus, day-to-day trading activities are monitored using the Historical Value-at-Risk (HVaR) model, and limits were set based on the Bank's risk appetite to manage the market risk exposures. Limits were reviewed and updated annually.

The HVaR model predicts market volatilities based on historical returns and market behavior. This model's acceptability and predictive power are monitored by an independent unit through quarterly backtesting.

The HVaR results and limit utilization serve as a guide for the Treasury Group's risk-taking activities. These are reported daily to the Treasury Group, Chief Risk Officer, and the President. Then, a monthly summary is reported to ALCO and RMC.

In addition, the Bank employs regular stress testing to assess the Bank's vulnerabilities and ability to absorb shocks under extreme market conditions.

The Bank's market risk exposure was low, comprising 0.32% of the Bank's risk-weighted assets for 2025. The capital charge for market risk exposure follows the standardized approach.

Interest Rate Risk in the Banking Books (IRRBB)

IRRBB is the current and prospective risk to earnings from movements in interest rates. Repricing, basis, and yield curve risks are all present in the current portfolios. These risks mostly relate to the positions on interest-rate-sensitive assets and liabilities in the domestic and international markets.

The Bank uses Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) to measure and manage IRRBB. EaR measures the potential impact of interest rate changes on the expected earnings, while EVE estimates the potential impact of interest rate changes on the Bank's net worth. The results and limit utilizations of these models are reported monthly to ALCO and RMC. Limits were reviewed annually and set based on the Bank's risk appetite to manage interest rate risk-taking activities. Moreover, stress tests are conducted quarterly to assess the impact of stress scenarios on the interest rate exposures.

The Bank adheres to prudent asset and liability management to ensure that exposure to interest rate movements is kept within acceptable levels, in line with existing regulatory guidelines.

Foreign Currency Risk

Foreign currency risk is the risk to earnings or capital arising from adverse movements in foreign exchange rates. This arises when there is a mismatch in the foreign currency assets and liabilities. By maintaining foreign currency exposure within acceptable limits and existing regulatory guidelines, the Bank manages its exposure to fluctuations in foreign currency exchange rates.

Liquidity Risk

Liquidity risk is the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Effective liquidity risk management is crucial to the viability of the Bank and to the greater stability of financial markets.

The Asset and Liability Committee (ALCO) is the management committee responsible for the balance sheet and allocating capital resources. ALCO ensures that the resources are maximized, funds are generated, and costs are minimized. It ensures that unexpected changes in the Bank's operating and funding requirements are met. It also serves as the Funding Crisis Committee if the situation warrants the activation of the contingency plan or recovery plan.

The Bank has early warning indicators (EWIs) in place to monitor potential liquidity problems. These include the Philippine credit rating, default ratios, funding concentration risk, negative publicity risk, and others. Moreover, the Bank regularly analyzes its balance sheet and liquidity profile using qualitative and quantitative assessments, including liquidity indicator ratios, cash flow analysis, scenario analysis, and stress testing.

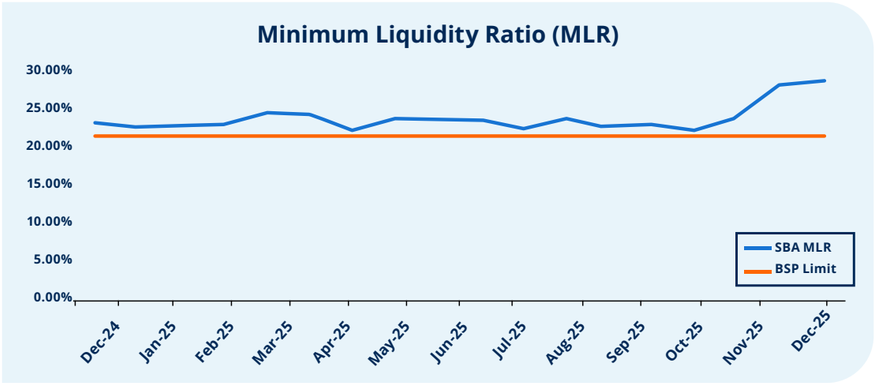
The Bank has a well-established Liquidity Contingency Funding Plan (LCFP) that details the corresponding risk response to ensure that net funding requirements are met under liquidity stress scenarios. It draws on a wide range of funding sources, including short-term bank deposits, all of which are practically accessible on demand or within three months. To ensure the effectiveness and operational feasibility of LCFP, the Bank annually performs an actual LCFP test and LCFP tabletop exercise. The results of these activities are reported to both ALCO and RMC.

The Bank uses the Maximum Cumulative Outflow (MCO) model monthly to estimate the liquidity gap across maturing assets, liabilities, and off-balance-sheet commitments. Moreover, the Bank conducts a quarterly MCO-integrated stress test, coupled with an LCFP simulation and a reverse stress test, to assess the Bank's tolerance and capability to recover from a crisis scenario. The results and limit utilizations are reported to both ALCO and RMC. Limits were reviewed annually and set based on the Bank's risk appetite to manage interest rate risk-taking activities.

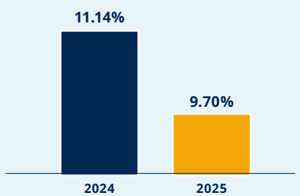
The Bank continuously works to maintain a high level of liquid assets and ensures its Minimum Liquidity Ratio (MLR) is above the regulatory requirement of 20%. MLR is calculated as a percentage of the eligible stock of liquid assets

divided by the total qualifying liabilities. The stock of liquid assets must be unencumbered and readily liquefiable, and the qualifying liabilities must include both on-balance and off-balance sheet commitments.

The Bank's MLR reflects a strong liquidity position, remaining above the regulatory requirement, ranging from 20.91% as of December 31, 2024, to 23.62% as of December 31, 2025.



Liquid Assets to Total Assets

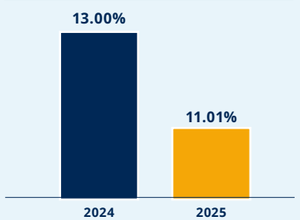


Liquid Assets to Total Assets Ratio

	2024	2025
Liquid Assets*	6,388,029,211	7,111,756,262
TOTAL ASSETS	57,468,252,046	73,348,262,236

**Sum of Cash, COCI, DF BSP, DF Other Banks, Interbank Loans and Financial Assets at Fair Value through Profit or Loss*

Liquidity Ratio

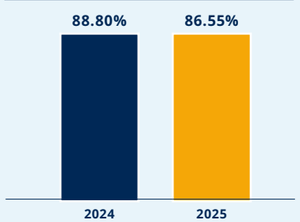


Liquidity Ratio

	2024	2025
Liquid Assets*	6,388,029,211	7,111,756,262
TOTAL DEPOSITS	49,152,892,081	64,568,709,000

**Sum of Cash, COCI, DF BSP, DF Other Banks, Interbank Loans and Financial Assets at Fair Value through Profit or Loss*

Loans to Deposits Ratio

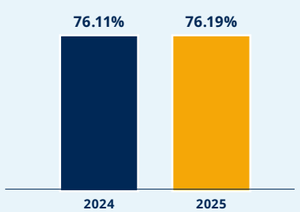


Loans to Deposits Ratio

	2024	2025
Loans and Receivables (net)*	44,756,456,532	55,886,426,743
TOTAL DEPOSITS	49,152,892,081	64,568,709,000

**less allowance for credit losses*

Loans to Assets Ratio



Loans to Assets Ratio

	2024	2025
Loans and Receivables (net)*	44,756,456,532	55,886,426,743
TOTAL ASSETS	57,468,252,046	73,348,262,236

**less allowance for credit losses*

MCO and liquidity ratios are viewed and used on a complementary basis. RMG calculates liquidity ratios every month.

Operational Risk

Operational risk is the current and prospective risk to earnings and capital arising from fraud, error, and inability to deliver products or services, maintain a competitive position, and manage information. This type of risk is inherent in every business function and must be continuously managed to safeguard the organization's integrity and profitability.

Central to the operational risk management framework, the Bank adopts the Three Lines of Defense model as its fundamental principle to ensure a structured and effective approach to risk oversight and control. The Bank also reinforces a disciplined risk management environment that is both agile and resilient by maintaining strict separation between front-, middle-, and back-office functions. This integrated, collective approach embodies the Bank's commitment to a proactive risk culture, ensuring that risk management is seamlessly woven into the business operations and the organizational ethos.

The Bank employs various risk management tools to identify, assess, and monitor its operational risk profile. These include the Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Database, and Incident Management.

Operational Risk Classifications

1. **Business Disruption and System Failure:** Losses arising from the disruption of business or system failures

2. **Clients, Products, and Business Practices:** Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.

3. **Damage to Physical Assets:** Losses arising from loss or damage to physical assets from natural disasters or other events.

4. **Employment Practices and Workplace Safety:** Losses arising from acts inconsistent with employment, health, or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events.

5. **Execution, Delivery, and Process Management:** Losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

6. **External Fraud:** Losses resulting from actions intended to defraud, misappropriate property, or circumvent the law by a third party.

7. **Internal Fraud:** Losses due to acts intended to defraud, misappropriate property, or circumvent regulations, the law, or company policy, excluding diversity/discrimination events, which involve at least one internal party.

Risk and Control Self-Assessment (RCSA) - The RCSA enables business units to regularly evaluate their processes against potential risks and assess the effectiveness of associated controls. It ensures that current risk levels remain aligned with the Bank's risk tolerance and that existing control measures remain effective in the prevailing environment. There are seven impact factors considered to assess inherent risk exposure across various processes: Financial, Operational Efficiency, Legal and Regulatory, Reputational, Customer Service, Employee Welfare, and Third-Party Relationships.

Key Risk Indicators (KRIs) – Following the completion of the RCSA, KRIs are established to monitor high-risk areas and define trigger levels for appropriate risk responses. The KRI report serves as a vital tool for tracking, managing, and mitigating risk exposures by identifying trends that highlight the Bank's vulnerability to specific risks, enabling proactive risk management.

Operational Loss Database – This data collection tool captures and categorizes the Bank's loss experience in accordance with Basel classification. Using this tool, losses are regularly consolidated to assess the overall impact of ineffective or failed operational risk management. The compiled loss data is systematically reported to the Risk Management Committee, facilitating informed decision-making and strengthening risk mitigation efforts.

Incident Management – This framework is a critical component of operational risk management. It requires all reportable incidents to be promptly escalated by respective units to the appropriate Bank authorities, ensuring timely responses and strengthening existing processes.

Business Continuity Management Program (BCMP) – Another vital component of any organization is business resiliency. To ensure continued service delivery during disruptions or disasters, the Bank has established a comprehensive BCMP. This program includes structured processes and procedures designed to restore core business operations and address disruptions at various levels and in scenarios such as personnel losses, property damage, restricted access to premises, and system interruptions. Periodic testing is a key component of the Business Continuity Lifecycle, as outlined in the Bank's BCMP. This testing ensures that continuity strategies remain effective and aligned with the evolving risk landscape. As part of its learning and training initiatives, the Bank conducts various exercises to assess preparedness. Critical business units are pre-identified to safeguard public interest and protect the Bank, ensuring the uninterrupted delivery of essential banking services during a disaster or crisis. Each unit maintains a Departmental Business Continuity Plan that serves as a comprehensive guide for employees, tailored to their specific functions and responsibilities.

For 2025, operational risk represents 5.80% of the Bank's risk-weighted assets, calculated using the Basic Indicator Approach to determine the capital charge for operational risk.

Data Privacy Risk

The Bank is also committed to safeguarding clients' rights to the privacy of their personal information while leveraging available data to enhance customer experience and optimize the delivery of products and services. Compliance with the Data Privacy Act of 2012 is ensured through established policies and procedures outlined in the Bank's data privacy manual. These policies are further supported by bank-wide awareness initiatives, including training programs and the issuance of information bulletins. Oversight of regulatory compliance is handled by the Data Privacy Committee, chaired by the Data Protection Officer (Head of the Risk Management Group). This cross-functional committee includes Deputy Data Protection Officers represented by the Legal Services Group, Compliance Office, Information Technology Group, Security Group, Operational Risk, and Information Technology and Information Security (IT/IS) Risk, ensuring a collaborative and comprehensive approach to data privacy management.

Fraud Risk

Fraud risk represents the susceptibility of both internal and external individuals to commit fraudulent acts against the Bank. Its impact is threefold: material losses, including the costs of managing or rectifying fraudulent events; reputational damage, resulting from service interruptions or compromised customer data; and financial losses due to theft, misappropriation of funds, or related financial crimes. The Bank mitigates this risk through the rigorous implementation of its Fraud Management Framework, reinforced by comprehensive policies, procedures, and effective fraud case resolution.

The Bank has deployed a Fraud Monitoring System (FMS) that enables automated, real-time fraud detection and monitoring. To ensure the system's rules and parameters remain aligned with customer behavior and evolving fraud patterns, periodic reviews and analyses of fraud incidents are conducted. Existing rules are recalibrated as necessary, and new parameters are introduced to enhance the system's effectiveness in identifying and mitigating fraudulent activities.

Information Technology and Information Security Risks

In today's digitally-driven financial landscape, the effective management of IT and information security risks is fundamental to maintaining operational resilience, safeguarding customer trust, and ensuring regulatory compliance. SBA's approach is built on a comprehensive framework that integrates Technology Resilience, Information Security, and Cybersecurity into a unified defense strategy. This enables the Bank to proactively identify, assess, and mitigate risks while fostering a culture of security awareness across the organization.

Technology Risk

The Bank recognizes that uninterrupted service delivery depends on the reliability and scalability of our technological infrastructure. Technology risks—including system outages, software malfunctions, and the challenges of rapid technological change—are managed through sustained investment and forward-looking planning.

Key Mitigation Initiatives

Strategic Infrastructure Investment: The Bank continuously invests in modern, resilient, and scalable technology systems. Proactive hardware and software upgrades are prioritized to enhance performance, ensure compatibility, and minimize potential downtime.

Redundancy and Business Continuity: Critical systems are supported by redundant infrastructure components and geographically dispersed backups. Regular recovery testing ensures we can restore operations swiftly in the event of a disruption.

Third-Party Risk Oversight: The Bank maintains rigorous vendor management processes, ensuring all technology partners adhere to its stringent performance, security, and resilience standards throughout the engagement lifecycle.

Information Security Risk

Protecting the confidentiality, integrity, and availability of sensitive information—particularly customer and institutional data—is at the core of the Bank's security philosophy. SBA employs a layered defense model to guard against unauthorized access, data breaches, and internal threats.

Key Mitigation Initiatives

End-to-End Data Protection: All sensitive data is encrypted using industry-leading algorithms, both in transit and at rest. The Bank's monitoring systems provide 24/7 surveillance to detect and respond to anomalous access patterns in real time.

Strict Access Governance: A robust, role-based access control framework ensures that employees and systems can only access information necessary for their functions. Permissions are regularly reviewed and audited to enforce the principle of least privilege.

Cybersecurity Risk

The evolving nature of cyber threats—including phishing, malware, ransomware, and advanced persistent threats—requires a dynamic and intelligence-led defense posture. The Bank's cybersecurity program combines advanced technology, continuous testing, and organization-wide engagement.

Key Mitigation Initiatives

Advanced Threat Detection and Response: The Bank utilizes next-generation security platforms enhanced with machine learning to enable real-time threat identification, analysis, and automated response.

Proactive Threat Intelligence: Through active collaboration with global cybersecurity networks and industry forums, the Bank stays informed of emerging threats and adapts its defensive measures proactively.

Continuous Security Validation: Regular vulnerability assessments, penetration testing, and tabletop exercises are conducted across our digital environment to identify and remediate weaknesses before these can be exploited.

Cultivating a Security-Aware Culture: The Bank conducts mandatory, role-specific security awareness training and realistic phishing simulations to empower every employee to recognize and respond appropriately to cyber threats.

Cybersecurity Incident Preparedness and Response

Despite robust preventive controls, preparedness remains critical. The Bank's established Cyber Incident Response Plan ensures a coordinated, swift, and effective reaction to any security event. The framework includes clear protocols for communication, containment, eradication, and recovery - minimizing operational impact and maintaining transparency with customers, regulators, and stakeholders.

Looking Ahead

As technology and threat landscapes continue to evolve, the Bank's risk management strategies will evolve alongside them. In the coming year, the Bank will further integrate cloud automation, rapid fraud detection, and advanced threat-hunting capabilities into its security operations. By embedding resilience and security into every layer of the Bank's technology ecosystem, the organization remains committed to protecting its assets, upholding trust, and enabling sustainable growth within a secure digital environment.

Compliance Risk

Compliance Risk is the likelihood of adverse effects on the Bank's financial and capital position due to the Bank's failure to comply with the law and other regulations, standards of operations, anti-money laundering and counter-terrorist financing regulations, and different rules governing the Bank's operations. Compliance risk covers the risk of sanctions by the regulators and financial losses, including possible reputational risk.

The Bank's Compliance Program is the pillar of the Compliance Risk Management System and involves:

- Identifying relevant laws and regulations
- Monitoring updates on regulatory guidelines
- Assessing the regulations' impact on operations and balance sheet implications

The program also includes testing of business units and ensures that relevant stakeholders are properly trained in compliance risk management. The operational risk capital charge includes capital charges arising from compliance risk.

One of the essential aspects of the compliance program is the Bank's Money Laundering and Terrorist Financing Prevention Program (MTPP). It strives to protect the Bank from becoming a channel for evolving money laundering (ML), terrorist financing (TF), and proliferation financing (PF) schemes. It likewise aims to preserve the integrity and confidentiality of banking transactions. The MTPP defines the risk-based policies related to customer due diligence, covered and suspicious transaction reporting procedures, record-keeping requirements, and AML/CTF/CPF training and education in line with relevant banking and AML regulations.

As part of the AML/CTF/CPF risk management, the Bank conducts an Institutional Risk Assessment (IRA) to identify and assess its exposure to ML/TF/PF risks across customers, products, services, delivery channels, and geographic locations. The result of the IRA is used in enhancing relevant policies, procedures, and systems in response to emerging risks and evolving regulatory requirements.

Through the Bank's Center for Learning, Sterling Bank employees are provided with continuous training and updates to promote a culture of AML Compliance. An AML System is in place to identify unusual transactions that warrant the conduct of enhanced due diligence and reporting of suspicious transactions to the regulator. In addition, a sanctions screening solution is being utilized to prevent dealing with sanctioned and/or watchlisted individuals and entities.

The AML Committee governs the implementation of AML/CTF compliance, while the Corporate Governance Committee oversees all compliance-related matters.

The Bank's Compliance Office (CO) provides relevant data on compliance risks and controls to the Corporate Governance Committee. The CO also makes sure that the stakeholders are updated on new regulations. There is a dedicated team for AML monitoring and compliance testing under the CO.

Meanwhile, the Legal Services Group (LSG) helps manage legal risks. This management is done through control structures such as LSG sign-off and stamping procedures for contracts and the issuance of legal opinions and advisories. There are also continuous training and awareness campaigns tackling common legal problems and various legal issues. These are done to mitigate the risk of possible losses, costs and expenses, sanctions and penalties, and adverse decisions in lawsuits or proceedings arising from breach of contractual and legal obligations.

Strategic Risk

Strategic Risk is the risk of loss arising from ineffective business plans and failure to respond appropriately to changes in the business environment. This type of risk is attributed to unfavorable business decisions, failed process implementations, and the inability to adapt to the changes in the industry.

The Board of Directors (BOD) sets the Bank's strategic plans with the Senior Management Committee (SMC). They ensure the Bank's goals align well with the business strategies, resources, and implementation plans. Extensive risk reviews and evaluations are performed before launching new products and services, as well as process and product enhancements.

The SMC and the Executive Committee/BOD periodically monitor and review the Bank's group performances versus the set objectives.

Reputational Risk

Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion of the Bank by key stakeholders, including customers, shareholders, investors, employees, market analysts, the media, regulators, and other government agencies. These adverse perceptions may impact the Bank's ability to maintain existing business relationships, establish new partnerships, and secure access to diverse funding sources.

This risk is mitigated through the effective implementation of structured processes and proactive management of customer complaints, which help prevent adverse consequences such as loss of public trust, a decline in the customer base, operational disruptions, and potential legal actions.

The rapid growth of social media as a platform for both positive and negative feedback continues to reshape the landscape of reputational risk management. In response, the Bank has introduced Viber as an additional customer touch point to enhance communication speed and efficiency. Furthermore, the Bank operates a 24/7 customer management helpline to promptly address client concerns and feedback. Customer issues are managed in accordance with the Bank's internal policies and regulatory guidelines on complaint management, ensuring adherence to the framework for financial consumer protection.

The Bank recognizes that reputational risk is an inherent aspect of its operations. To manage this effectively, the Bank employs a tailored approach to each type of risk exposure. As a result, reputational risks arising from various risk categories are addressed through the established frameworks designed for those specific risk types.

Environmental and Social (E&S) Risks

E&S risks are the potential negative consequences (financial, legal, and reputational) to the Bank from possible E&S issues, which include environmental pollution, climate risk (both physical and transition risks), hazards to human health, safety, and security, and threats to community, biodiversity, and cultural heritage, among others.

The Bank identified the following existing and emerging E&S Risks with their corresponding impacts and SBA's implemented mitigations:

The Philippines' high vulnerability to climate change poses significant risks to the Bank. The increasing frequency of typhoons, floods, and other extreme weather events threatens several physical assets and disrupts business operations. These climate-related disasters also exacerbate credit risk as affected individual and business borrowers struggle to meet their obligations, leading to higher default rates and liquidity challenges.

Income inequality, financial exclusion, and job displacement are also critical concerns of the Bank.

E&S Risks	Impact to the Bank	SBA Mitigation
• Possible credit default, business disruption, and damage to physical assets due to natural disaster and extreme weather events (i.e., severe flooding, violent typhoons, sweltering temperatures) • Health, safety, and security risk due to emerging infectious disease (i.e., new variant of Covid-19, monkeypox) • Safety and security risk due to geopolitical tension	• Poor credit performance of loans • Reduced earnings and overall profitability • Increased NPL and loan loss provisions • Increase in credit risk exposure • Increase in capital adequacy risk due to low deposits • Increased operational losses from damages to physical assets, healthcare costs, and security costs • Operational disruption or downtime • Low productivity resulting in increased absenteeism • Elevated operational and reputational risks • Regulatory non-compliance and legal liabilities	• Enhanced Internal Credit Risk Rating System (ICCRS), which includes sustainability parameters • Implementation of the E&S Screening Checklist for new and renewing clients • Risk mapping for branches using Hazard Hunter • Implementation of Alternative Work Arrangement • Business Continuity Management Testing and Exercise covering natural disaster scenarios • Periodic stress testing on risk models considering E&S exposures • Updated Risk and Control Self-Assessment and Key Risk Indicators covering E&S parameters • Employee Wellness Programs • Improved hiring with social impact considerations • Leadership programs on Sustainability

The Bank is instrumental in promoting financial inclusion, serving individuals and businesses that drive local economies. However, the Bank is increasingly exposed to emerging environmental and social risks that could undermine financial stability, credit quality, and regulatory compliance. Given the heightened regulatory focus on sustainability and risk mitigation, the Bank integrates its environmental and social risk management into its governance framework to ensure resilience and adherence to the evolving regulatory landscape.

The Philippine economy is undergoing structural shifts due to automation, globalization, and climate-induced displacement. These shifts affect borrowers' repayment capacity, increase overall credit risk exposure, and hinder deposit growth. Additionally, the rise of health-related risks, such as pandemics and pollution-related illnesses, has highlighted the Bank's vulnerability to systemic shocks, with loan defaults posing a threat to its stability. Furthermore, the digitalization of banking services has introduced cybersecurity threats, which present operational and compliance risks.

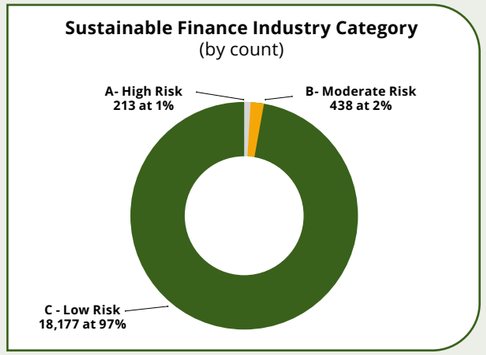
Environmental and Social Risk Management System (ESRMS)

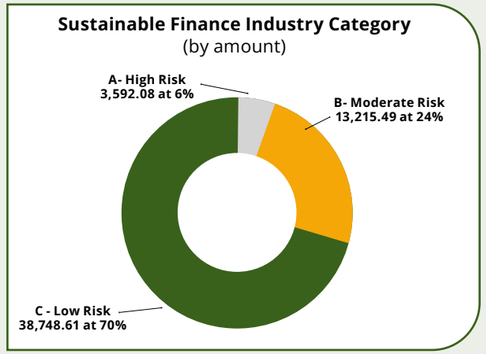
The Bank's environmental and social policy framework focuses on developing and implementing policies and procedures to manage direct and indirect environmental and social impacts arising from clients and engaging with counterparties or third-party service providers.

The following categories are to be considered in terms of the client's industry, project, or source of funding:

- **Category A** *(high risk)* – These are clients or industries with potentially significant adverse or irreversible environmental and societal impacts.
- **Category B** *(medium risk)* – These are clients or industries with potential limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.
- **Category C** *(low risk)* – These are clients or industries with minimal to no adverse social or environmental impacts.

Environmental and Social (E&S) Risk Exposure per Industry





CATEGORY A	CATEGORY B	CATEGORY C
Cement	Construction	Services
Chemicals, Plastic, and Paints	Crops and Gardening	Consulting
Electronic Products	Fishing and Hunting	Trading
Energy Supply	Food and Beverage	Retail Sales
Metal Products and Machinery	Forestry	
Mining and Quarrying	Garages and Petrol Stations	
Oil and Gas	Leather and Footwear	
Iron, Steel, and Other Metals	Livestock Farming	
Pharmaceuticals	Pulp and Paper	
Recycling and Waste Treatment	Glass and Ceramic Products	
Wood Products	Health Services	
	Laundry and Dry Cleaning	
	Precision Instruments	
	Printing	
	Textiles and Apparel	
	Tourism and Leisure	
	Transport	
	Water Supply	

[1]This refers to borrowing clients of Lending Units and RBG who are subject to credit evaluation.

Loan Portfolio Grouped by Sustainable Finance Industry Category

as of December 31, 2025

Sustainable Finance Industry Category	Count	Amount	Count (%)	Amount (%)
Category A - High Risk	**213**	**3,592.08**	**1.1%**	**6.5%**
Cement	20	950.00	0.1%	1.7%
Chemicals, Plastic, and Paints	60	524.81	0.3%	0.9%
Iron, Steel and Other Metals	30	1,002.98	0.2%	1.8%
Metal Products and Machinery	5	33.65	0.0%	0.1%
Mining and Quarrying	1	3.00	0.0%	0.0%
Oil and Gas	10	28.02	0.1%	0.1%
Wood Products	86	149.62	0.5%	0.3%
Energy Supply	1	900.00	0.0%	1.6%
Category B - Moderate Risk	**438**	**13,215.49**	**2.3%**	**23.8%**
Construction	171	7,395.28	0.9%	13.3%
Crops and Gardening	2	29.00	0.0%	0.1%
Food and Beverage	56	1,636.49	0.3%	2.9%
Garages and Petrol Stations	21	203.96	0.1%	0.4%
Health Services	7	32.40	0.0%	0.1%
Printing	5	29.18	0.0%	0.1%
Pulp and Paper	3	9.17	0.0%	0.0%
Textiles and Apparel	54	401.66	0.3%	0.7%
Tourism and Leisure	9	182.70	0.0%	0.3%
Transport	91	2,489.11	0.5%	4.5%
Water Supply	2	6.75	0.0%	0.0%
Livestock Farming	17	799.79	0.1%	1.4%
Category C - Low Risk	**18,177**	**38,748.61**	**96.5%**	**69.7%**
Consulting	24	880.00	0.1%	1.6%
Retail Sales*	17,233	16,808.98	91.5%	30.3%
Services	440	16,103.44	2.3%	29.0%
Trading	480	4,956.18	2.5%	8.9%
Grand Total	**18,828**	**55,556.18**	**100.0%**	**100.0%**

* The P14.36B Consumer Loan (16,922 accounts) is included in the Retail Sales category.

Sustainable Finance Framework

The Bank is committed to upholding its environmental and social responsibilities to achieve sustainable financing across all of its business activities and effectively serve its customers' needs. This includes integrating sustainability principles into its corporate governance, risk management system, strategic objectives, and overall operations.

Sustainability Strategic Objectives:

A. Credit Sustainability Strategy
The Bank will build a sustainable portfolio and promote its lending and investing activities by highlighting E&S risk assessment and sustainable initiatives of clients, counterparties, and third parties in the credit review process

B. Product Sustainability Strategy
The Bank will develop products and services that support sustainability principles and anticipate clients' evolving needs, including those of the underserved market.

C. People and Culture Sustainability Strategy
The Bank will develop experts and leaders in the sustainability campaign who will champion the sustainability culture and drive customer-centric initiatives and innovations

D. Operations Sustainability Strategy
The Bank is committed to embedding sustainability throughout its business operations. By continually refining internal processes and procedures, the Bank aims to reduce its carbon footprint and safeguard employee health and safety. This approach aligns with the Bank's broader strategic objectives, recognizing that sustainability is both an ethical imperative and a core driver of long-term resilience.

To operationalize these principles, the Bank has launched and unified the following initiatives:

- Treasury has invested in the RCBC 5-year and 1-day Unsecured Sustainability Notes, issued January 17, 2024, with a 5.50% annual coupon rate, maturing January 18, 2029.
- Consumer Lending is promoting green products such as financing for solar panels and electric vehicles, advancing environmentally responsible solutions for clients.
- Sustainability elements are being incorporated into the Integrated Community Risk Reduction Strategy (ICRRS), underscoring the organization's dedication to sustainable practices at every level.

Industry Attractiveness & Strength Profile		Environmental & Social Risk Profile		
		C-Low	B-Medium	A-High
Low	A-Protect Position	Low	Medium	High
	B-Lend To Build	Low	Medium	High
Medium	C-Build Selectively	Medium	Medium	High
High	D-Manage Earnings	Medium	High	High
	E-Divert	High	High	High

- The Credit and Loan Committees utilize Hazard Hunter for hazard assessment of SBA branch locations, integrating disaster risk reduction into operational planning.

- The Risk and Control Self-Assessment (RCSA) has been enhanced to include environment and social (E&S) risk parameters, ensuring that sustainability factors are considered in risk management processes.

- Human Resources Management Programs support the integration of sustainability in the performance appraisal system, with “Social Consciousness” comprising 10% of employees’ annual assessment, reinforcing a culture of environmental and social responsibility.

- Environmental programs include efforts to reduce single-use plastics in the Bank’s canteen and at events, active participation in tree-planting initiatives, and ongoing waste segregation and energy conservation efforts across all premises.

- Employees regularly participate in a range of sustainability-related training programs, including Leadership Forums on Sustainability, Pollution Control Officer Training, Occupational Safety and Health, and First Aid Training.

Through these unified efforts, the Bank consistently advances its operational sustainability strategy. Each initiative—whether focused on investment, product development, risk assessment, employee engagement, or environmental stewardship—is interconnected and designed to support the Bank’s long-term vision of responsible and resilient operations.

Corporate Social Responsibility

Sterling Bank of Asia Upholds Environmental Commitment through "Kind Heart Gives" Tree Planting Activity

Sterling Bank of Asia (SBA) reaffirmed its commitment to environmental sustainability and community engagement by successfully staging the "Kind Heart Gives" tree-planting initiative at the La Mesa Watershed in Quezon City. Marking the Bank's second consecutive year of participation at this site, the event served as a collaborative platform, bringing together bank employees and volunteers to align with corporate values and underscore SBA's dedication to corporate social responsibility (CSR).

The activity went beyond planting trees—it fostered camaraderie, teamwork, and a sense of collective purpose among SBA employees. It encouraged participants to take part in meaningful initiatives that advocate for a sustainable future.

For this initiative, the Bank partnered with the Department of Environment and Natural Resources (DENR) to support the rehabilitation of the La Mesa Watershed. As the last remaining rainforest of its size in Metro Manila, the watershed surrounds the primary reservoir supplying potable water to millions of residents.

The institution remains steadfast in its commitment to sustainability. Through programs like "Kind Heart Gives," SBA continues to embed a culture of volunteerism, compassion, and care, ensuring a positive, lasting contribution to the community and the ecosystem.

Promoting Wellness and Community Engagement Through Employee Participation

Haier Fun Run 2025: > Advancing Employee Well-Being: Members of the Sterling Bank of Asia team gather for the Haier Fun Run 2025, an initiative that promotes physical fitness, teamwork, and a healthy work-life balance across business units.

Sterling Bank of Asia (SBA) reinforced its commitment to employee well-being and social responsibility through its participation in the Haier Fun Run 2025 and the Tzu Chi Charity Run 2025.

The Haier Fun Run brought together employees from various business units to promote physical fitness, teamwork, and work-life balance. Meanwhile, the Tzu Chi Charity Run allowed the SBA team to combine wellness with social impact, supporting humanitarian programs for underserved communities.

By engaging in these initiatives, SBA continues to foster a healthy, purpose-driven workplace culture while actively creating value beyond banking.

Tzu Chi Charity Run 2025: > Commitment to Social Responsibility: Sterling Bank of Asia representatives join the Tzu Chi Charity Run 2025, aligning corporate wellness with humanitarian action to support community development and aid programs.

Corporate Governance

Sterling Bank of Asia Inc. remains committed to upholding the highest standards of good governance by promoting a sound corporate culture anchored on the principles of excellence, integrity, disclosure and transparency, accountability, and fairness.

Guided by its Board of Directors and Management, the Bank endeavors to promote the interests of its clients and stakeholders while fulfilling its corporate objectives. The Bank acts in accordance with applicable rules and regulations of the Bangko Sentral ng Pilipinas (BSP), including the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Payment Systems (MORPS), as well as issuances of the Securities and Exchange Commission (SEC), including SEC Memorandum Circular No. 6 (Series of 2009), SEC Memorandum Circular No. 9 (Series of 2014), and SEC Memorandum Circular No. 4 (Series of 2022). The Bank also adopts sound corporate governance practices and standards by enforcing robust organizational and procedural controls and conducting regular independent self-evaluations.

The Board of Directors plays a significant role in upholding the Bank's commitment to good governance.

Sterling Bank of Asia
A Savings Bank

Board of Directors

The Board of Directors plays a significant role in upholding the Bank's commitment to good governance. It is responsible for oversight functions, including providing sound leadership to Management by setting clear strategic direction and overseeing the implementation of the Bank's approved strategies. Accordingly, it is important that the members of the Board are periodically evaluated to ensure their continuing suitability for their respective roles, both individually and collectively, and to assess their effectiveness as leaders of the Bank.

Potential candidates for board membership must undergo a thorough selection process, which includes an assessment of their background, expertise, experience, and management style. The Bank continues to enhance its assessment practices by complying with the BSP's MORB under Section 132: Qualifications of a Director, and Section 138: Disqualification and Watchlisting of Directors and Officers, as amended by BSP Circular Nos. 1216 and 1226, as well as SEC Memorandum Circular No. 4, Series of 2022, on the Disqualifications of Directors, Trustees and Officers of Corporations and the Guidelines on the Procedure of their Removal.

CHAIRMAN OF THE BOARD

Led by the Chairman, the Board of Directors promotes a sound decision-making process by encouraging meaningful discussions and diverse viewpoints. The Chairman is also tasked with fostering a constructive working relationship between the Board and Management to achieve the Bank's corporate objectives while ensuring that the interests of clients and stakeholders are protected.

CORPORATE SECRETARY

The Board and the board-level committees are supported by the Corporate Secretary, who ensures that meetings and discussions are accurately documented and that records are securely maintained and preserved. The Corporate Secretary also provides guidance on the Board's governance and procedural responsibilities.

Atty. Anna Francesca C. Respicio serves as the Bank's Corporate Secretary, with Atty. Mariel Angeli R. Quines as Assistant Corporate Secretary.

BOARD COMPOSITION AND QUALIFICATION

Directors are expected to act in the best interests of the Bank and its stakeholders, guided by the principles of transparency, accountability, and fairness. The Bank's stockholders elect its directors annually on the basis of their integrity, relevant education, training, competencies, physical and mental suitability, and ability to devote adequate time to fulfill their duties.

As of 2025, the Board of Directors is composed of ten (10) directors, seven (7) of whom are non-executive directors, including four (4) independent directors.

Name of Director	Position/ Type of Directorship	Length of Service	Number of Direct and Indirect Shares Held	Percentage of Shares Held to Total Outstanding Shares of the Bank	No. of Board Meetings Attended	%
Ruben C. Tiu	Chairman of the Board, Non-Executive Director	19 years	36,175,467	9.52%	11	92%
Cecilio D. San Pedro	President & CEO, Executive Director	11 years	1	0.00%	12	100%
John Y. Tiu, Jr.	Chairman of the Executive Committee, Executive Director	19 years	40,784,320	10.73%	12	100%
Ignatius F. Yenko	Member, Executive Director	19 years	1	0.00%	12	100%
A. Bayani K. Tan	Member, Non-Executive Director	19 years	50,000	0.01%	10	83%
William L. Chua	Member, Non-Executive Director	19 years	50,000	0.01%	12	100%
Nestor H. Vasay	Member, Independent Director	5 years	1	0.00%	12	100%
Vicente C. Macasaet, Jr.	Member, Independent Director	8 years	1	0.00%	12	100%
Antonio R. Samson	Member, Independent Director	7 years	1	0.00%	11	92%
Patricia J. Custodio	Member, Independent Director	3 years	1	0.00%	11	92%
					Total No. of Meetings	*12*

The following stockholders own more than 20% of Sterling Bank of Asia Inc.'s shares as of December 31, 2025:

		Shares Subscribed				
Name of Stockholder	Nationality	Type	Number	Amount (in Php)	Paid-In Capital (in Php)	Percentage of Ownership
JTKC EQUITIES, INC.	Filipino	Common	132,749,996	1,327,499,960.00	1,327,499,960.00	34.93%
		Preferred	14,000,000	140,000,000.00	140,000,000.00	3.68%
STAR EQUITIES, INC.	Filipino	Common	99,450,000	994,500,000.00	994,500,000.00	26.17%
SUREWELL EQUITIES, INC.	Filipino	Common	99,600,000	996,000,000.00	996,000,000.00	26.21%
		Preferred	9,000,000	90,000,000.00	90,000,000.00	2.37%

BOARD-LEVEL COMMITTEES

The Board is supported by board-level committees that assist in the performance of its oversight functions. These committees operate within their respective mandates and help ensure that key areas of governance, risk management, audit, related party transactions, lending, information technology, procurement, and trust operations are appropriately reviewed and monitored.

AUDIT COMMITTEE

The Audit Committee oversees the adequacy and effectiveness of the Bank's internal control system by reviewing its accounting and financial reporting framework, risk management, governance systems, and related processes. It promotes compliance with legal and regulatory requirements, governance policies, and the Bank's Code of Ethics. The Committee also recommends appropriate actions to Management to address identified deficiencies, weaknesses, and other related issues.

Audit Committee Meetings		
Name of Director	**Attended**	**%**
NESTOR H. VASAY	12	100%
VICENTE C. MACASAET, JR.	12	100%
PATRICIA J. CUSTODIO	12	100%
Total Number of Meetings:	*12*	

Chairperson: Patricia J. Custodio
Members: Nestor H. Vasay
Vicente C. Macasaet, Jr.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee approves the Bank's risk strategy, together with related policies and procedures, to ensure that the Bank maintains effective risk management practices aligned with its strategic objectives and risk exposures. It also establishes and oversees the Risk Management Program of both the Bank and the Trust Group.

Risk Management Committee Meetings		
Name of Director	**Attended**	**%**
RUBEN C. TIU	11	92%
WILLIAM L. CHUA	12	100%
NESTOR H. VASAY	12	100%
VICENTE C. MACASAET, JR.	12	100%
ANTONIO R. SAMSON	12	100%
PATRICIA J. CUSTODIO	11	92%
Total Number of Meetings:	*12*	

Chairperson: Nestor H. Vasay
Members: Ruben C. Tiu
William L. Chua
Vicente C. Macasaet, Jr.
Antonio R. Samson
Patricia J. Custodio

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee oversees the Board nomination process and appointments to board-designated positions to ensure adherence to the Bank's corporate governance framework. It also supervises the Board's continuing education and training programs, performance evaluations, the development and implementation of remuneration and incentive policies, and the Bank's Compliance Program.

Corporate Governance Committee Meetings		
Name of Director	**Attended**	**%**
RUBEN C. TIU	11	100%
A. BAYANI K. TAN	10	91%
NESTOR H. VASAY	11	100%
VICENTE C. MACASAET, JR.	11	100%
ANTONIO R. SAMSON	11	100%
Total Number of Meetings:	*11*	

Chairperson: Antonio R. Samson
Members: Ruben C. Tiu
A. Bayani K. Tan
Nestor H. Vasay
Vicente C. Macasaet, Jr.

RELATED PARTY TRANSACTIONS COMMITTEE

The Related Party Transactions Committee promotes the careful and responsible review, vetting, and endorsement of related party transactions in accordance with approved policies and processes designed to safeguard the interests of the Bank and mitigate conflicts of interest. It reviews these transactions to ensure that they are carried out on an arm's length basis.

Related Party Transactions Committee Meetings		
Name of Director	**Attended**	**%**
A. BAYANI K. TAN	11	92%
WILLIAM L. CHUA	11	92%
NESTOR H. VASAY	12	100%
VICENTE C. MACASAET, JR.	12	100%
PATRICIA J. CUSTODIO	12	100%
Total Number of Meetings:	*12*	

Chairperson: Vicente C. Macasaet, Jr.
Members: A. Bayani K. Tan
William L. Chua
Nestor H. Vasay
Patricia J. Custodio

EXECUTIVE COMMITTEE

The Executive Committee assists the Board in overseeing the Bank's operations by providing guidance on strategic planning, policy development, investment initiatives, and risk management. The Committee also monitors the implementation of the Bank's business strategies to ensure that these are properly developed and effectively executed.

Executive Committee Meetings		
Name of Director	**Attended**	**%**
CECILIO D. SAN PEDRO	12	100%
JOHN Y. TIU, JR.	12	100%
IGNATIUS F. YENKO	12	100%
Total Number of Meetings:	*12*	

Chairperson: John Y. Tiu, Jr.
Members: Cecilio D. San Pedro
Ignatius F. Yenko

LOAN COMMITTEE

The Loan Committee oversees the Bank's lending activities and ensures that credit risks are properly and prudently assessed. It supervises lending activities to ensure alignment with Board-approved strategic plans and objectives, and evaluates the effectiveness of the Bank's credit management frameworks, policies, and procedures for identifying, monitoring, and controlling risk exposures.

Loan Committee Meetings		
Name of Director	**Attended**	**%**
CECILIO D. SAN PEDRO	24	100%
JOHN Y. TIU, JR.	24	100%
IGNATIUS F. YENKO	24	100%
Total Number of Meetings:	*24*	

Chairperson: Ignatius F. Yenko
Members: Cecilio D. San Pedro
John Y. Tiu, Jr.

INFORMATION TECHNOLOGY COMMITTEE

The Information Technology (IT) Committee provides guidance on the Bank's information technology governance and ensures that IT resources are effectively used to support the Bank's strategic and operational objectives. It also oversees the implementation of a comprehensive IT risk management system designed to identify, evaluate, manage, and mitigate technology-related risks faced by the Bank.

Information Technology Committee Meetings		
Name of Director	**Attended**	**%**
CECILIO D. SAN PEDRO	12	100%
JOHN Y. TIU, JR.	12	100%
IGNATIUS F. YENKO	12	100%
ANTONIO R. SAMSON	12	100%
Total Number of Meetings:	*12*	

Chairperson: John Y. Tiu, Jr.
Members: Cecilio D. San Pedro
Ignatius F. Yenko
Antonio R. Samson
Henry G. Hung *(IT Group Head, Non-voting)*

PRE-QUALIFICATION, BIDDING, AND AWARDS COMMITTEE

To support sound operational risk management, the Pre-qualification, Bidding, and Awards Committee oversees the Bank's procurement activities, including the pre-qualification of bidders, conduct of bidding, awarding, and implementation of contracts. The Committee also promotes transparency and ensures that procurement procedures are conducted in accordance with established principles of accountability and good governance.

Pre-Qualification, Bidding and Awards Committee Meetings		
Name of Director	**Attended**	**%**
CECILIO D. SAN PEDRO	12	100%
JOHN Y. TIU, JR.	12	100%
IGNATIUS F. YENKO	12	100%
Total Number of Meetings:	*12*	

Chairperson: John Y. Tiu, Jr.
Members: Cecilio D. San Pedro
Ignatius F. Yenko

TRUST COMMITTEE

The Trust Committee oversees the Trust Group's fiduciary functions, including policy development and the management of investment activities. It ensures that these activities are carried out in accordance with applicable laws and regulations, as well as prudent standards of practice.

Trust Committee Meetings		
Name of Director	**Attended**	**%**
RUBEN C. TIU	12	100%
CECILIO D. SAN PEDRO	12	100%
WILLIAM L. CHUA	11	92%
ANTONIO R. SAMSON	12	100%
Total Number of Meetings:	*12*	

Chairperson: William L. Chua
Members: Ruben C. Tiu
Cecilio D. San Pedro
Antonio R. Samson
Antonio C. Danao *(Trust Officer, Non-voting)*

Senior Management and Officers

Senior Management is responsible for managing the Bank's day-to-day operations and ensuring that these remain aligned with the Bank's overall strategies, objectives, and risk appetite. The Bank's organizational structure is designed to promote transparency, accountability, and effective oversight. With the support of the Bank's officers, Senior Management ensures that duties,

responsibilities, and reporting lines are clearly defined to support the effective implementation of the Bank's strategic objectives.

Senior Management also plays a key role in driving organizational performance, promoting accountability, and fostering collaboration across the Bank.

Candidates for Senior Management and Officer roles are evaluated through a combination of interviews, written exercises, assessments of ethical conduct, and psychological evaluations. The interviews focus on technical and leadership competencies, while the overall assessment process is intended to determine each candidate's suitability for the relevant role. A thorough review is also conducted to confirm that candidates meet the required standards on education, skills, experience, character, and professional competence. Hiring managers are actively involved throughout the process to ensure that selected candidates are suitable for the positions under consideration.

Candidates for Senior Officer positions at the level of Assistant Vice President and higher undergo an initial screening through competency-based interviews conducted by the Head of the Human Resources Group and the recommending Group Head. Selected candidates are required to submit the necessary documents for regulatory compliance purposes. They also undergo a comprehensive background review, which includes verification of prior employment, evaluation of character references, screening against negative lists and files, and confirmation of educational records and community reputation. Thereafter, approval is obtained from the Board of Directors, based on the endorsements of the President and CEO and the Corporate Governance Committee. This process helps ensure that candidates, particularly those appointed to key roles, meet the Bank's standards.

PERFORMANCE ASSESSMENT PROGRAM

To ensure strong governance, the Compliance Office conducts an annual self-assessment of the Board, Management, and board-level committees. This program reviews how effectively these groups have performed their duties under the Bank's policies, and identifies gaps and opportunities for improvement in governance practices. After the assessment is completed, the results are presented to Management and the Corporate Governance Committee for appropriate action.

The Bank's annual Performance Management Program for Officers reinforces a results-oriented culture by aligning individual goals with strategic business objectives. This alignment ensures fair performance evaluation and recognizes employee contributions that support sustainable growth, operational efficiency, and regulatory compliance. The results of the performance evaluation serve as the basis for the annual merit increase.

ORIENTATION AND EDUCATION PROGRAM

The Bank recognizes its people as its most valuable asset and remains dedicated to supporting their continuous learning. It strives to provide employees with accessible, relevant, and cost-efficient programs that foster both personal and professional development.

The Bank implements the New Hires Orientation (NHO), a comprehensive and mandatory onboarding program for all new employees and directors. The program is designed to familiarize employees and directors with key aspects of the Bank, including its mission, vision, core values, history, organizational structure, functions, business, products, and services. It also covers HR initiatives, such as the Bank's Code of Conduct, policies, and benefits package, as well as regulatory policies and procedures, including the Bank's Money Laundering and Terrorism Financing Prevention Program, the Data Privacy Act, Financial Consumer Protection, and internal controls. The program likewise provides an overview of the roles and mandates of the Bank's various board-level and management committees.

The Bank's training programs are designed to equip employees with the knowledge, skills, and competencies necessary to perform effectively in a dynamic banking environment. These programs cover regulatory compliance, customer service excellence, leadership development, officership training, IT-related competencies, and risk management, demonstrating the Bank's continued investment in building a competent and motivated workforce. Programs are delivered through a flexible training setup, either virtually or in person, depending on the intended learning outcomes, with each group following a tailored training plan based on a training needs assessment.

Sustainability-focused initiatives are also carried out, along with updates from various regulatory agencies such as the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, the Department of Labor and Employment, and the Department of Environment and Natural Resources.

Retirement and Succession Policy

SUCCESSION PLANNING

A succession plan for management roles, approved by the Board, is regularly reviewed and updated. Employees with leadership potential are evaluated based on their capabilities and are provided with individual development plans to bridge the gap between their current competencies and the skills required for future roles. This ensures that the Bank maintains a pool of qualified employees who are prepared to assume key positions in the event of vacancies.

RETIREMENT POLICY – DIRECTORS

Directors may be elected to the Board regardless of age, provided that they meet the applicable fit and proper standards. These standards consider factors such as integrity, uprightness, physical and mental fitness, relevant education, financial literacy and competence, diligence, independence of judgment, and ability to devote sufficient time to the performance of their duties.

The tenure of Independent Directors is limited to a maximum cumulative term of nine (9) years. After completing this term, they are no longer eligible to serve as independent directors, although they may continue to serve as regular directors.

RETIREMENT POLICY – EMPLOYEES

The Bank provides a retirement program for qualified employees. Employees may claim retirement benefits upon reaching sixty (60) years of age, provided that they have served the Bank for at least five (5) years. Subject to the Bank's approval, an employee may continue to work beyond the retirement age.

Remuneration Policy

The Bank's Remuneration Policy establishes a sustainable framework for compensation and employee benefits. It is designed to attract, retain, and motivate directors, officers, and staff, while ensuring alignment with the Bank's overall vision and objectives.

REMUNERATION – DIRECTORS

Members of the Board of Directors receive remuneration and benefits consisting of (i) a per diem allowance for participation in Board and committee meetings; and (ii) non-cash benefits, including medical coverage, group life insurance, and group accident insurance.

PERFORMANCE-BASED REMUNERATION

Under the current Remuneration Policy, the Bank applies an annual performance-based salary adjustment to reward employees for their contributions toward achieving the Bank's corporate objectives. This adjustment is directly tied to each employee's performance against the key performance areas and key performance indicators relevant to his or her group.

OFFICERS' COMPENSATION AND BENEFITS

The officers' compensation package includes both monetary and non-monetary benefits. Monetary benefits include monthly salary, guaranteed bonuses equivalent to three months' pay, annual clothing and medical allowances, monthly rice subsidy, official business and travel expense allowances, and milestone rewards for at least five (5) years of service and every five (5) years thereafter.

Non-monetary benefits include a healthcare plan for the officer and up to two qualified legal dependents, group life and accident insurance, leave privileges, hybrid work arrangements for eligible officers, a car plan, and access to employee loans for housing, vehicles, or other purposes.

The Bank's five (5) highest-paid officers are the President and CEO and four (4) Executive Vice Presidents.

Policies and Procedures on Related Party Transactions

Related Party Transactions (RPTs) are reviewed and processed in accordance with the Bank's comprehensive policies and controls to manage potential conflicts of interest. Material RPTs undergo careful assessment and are presented to the RPT Committee for vetting and endorsement to the Board for approval. This process helps ensure that related party transactions are conducted fairly and on an arm's length basis.

Self-Assessment Function

The Internal Audit and Compliance teams play an important role in maintaining the Bank's checks and balances. In coordination with each other, they assess operational strengths and opportunities for improvement, safeguard governance and control systems, and monitor compliance with relevant laws and regulations. The consistent performance of these functions supports the continuous improvement of the Bank's policies and procedures and forms a key component of sound governance.

COMPLIANCE FUNCTION

The Compliance function oversees the Bank's exposure to regulatory risks and promotes compliance with applicable requirements. As part of its advisory function, the Compliance Office aligns policies and procedures with regulatory requirements and provides guidance to the Board and Management on regulatory developments. As part of its self-assessment function, the Compliance Office assesses potential compliance risks in the Bank's processes and systems by conducting regular testing to monitor compliance with regulatory requirements and recommend corrective actions, as necessary. The Compliance Office reports directly to the Corporate Governance Committee.

INTERNAL AUDIT FUNCTION

The Internal Audit function operates independently and provides impartial assurance and advisory services to enhance value and strengthen the Bank's operations. It applies a structured and disciplined approach to assess the effectiveness of governance, risk management, and internal control systems. It also provides independent assessments of governance and control procedures, as well as the Bank's compliance with applicable laws and regulatory requirements. The Internal Audit Group reports directly to the Audit Committee and coordinates with other assurance functions, including Risk Management, the Compliance Office, and the external auditor. The results of these audit activities contribute to strengthening internal controls and support the Board and Management in safeguarding the Bank and protecting the interests of its stakeholders.

Dividend Policy

As provided in the Bank's Amended By-Laws, dividends shall be declared and paid out from the Bank's surplus profits at such time as may be determined by the Board of Directors, in accordance with applicable law and the regulations of the Bangko Sentral ng Pilipinas. No dividends were declared in 2025.

Consumer Protection

The Bank remains committed to upholding the highest standards of financial consumer protection by promoting fair treatment, responsible conduct, and trust-based relationships with its customers. This commitment is supported by a governance framework led by the Board of Directors and Senior Management, which ensures that consumer protection principles are embedded throughout the organization.

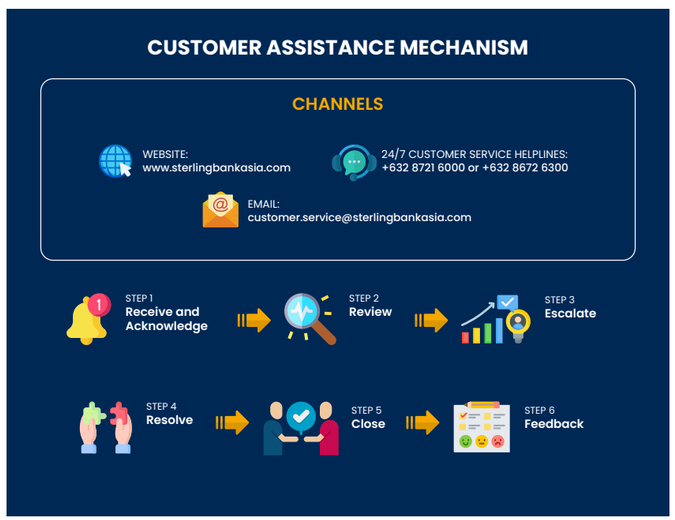
The Board of Directors provides strategic direction through the approval of policies and oversight of their implementation, while Senior Management executes these policies and maintains systems and controls to identify, monitor, and address consumer protection risks in a timely manner. Together, they reinforce accountability and continuous improvement in the Bank's consumer protection practices.

The Bank's Consumer Protection Risk Management System (CPRMS) enables the Bank to identify, measure, monitor, and control consumer protection risks across its business processes, in alignment with its Enterprise-wide Risk Management Framework. Using a multi-stakeholder approach involving the Board of Directors, Senior Management, business units, control functions, and support teams, the CPRMS helps embed consumer protection into daily operations through risk mapping, training, transparent product design, and ongoing assessment.

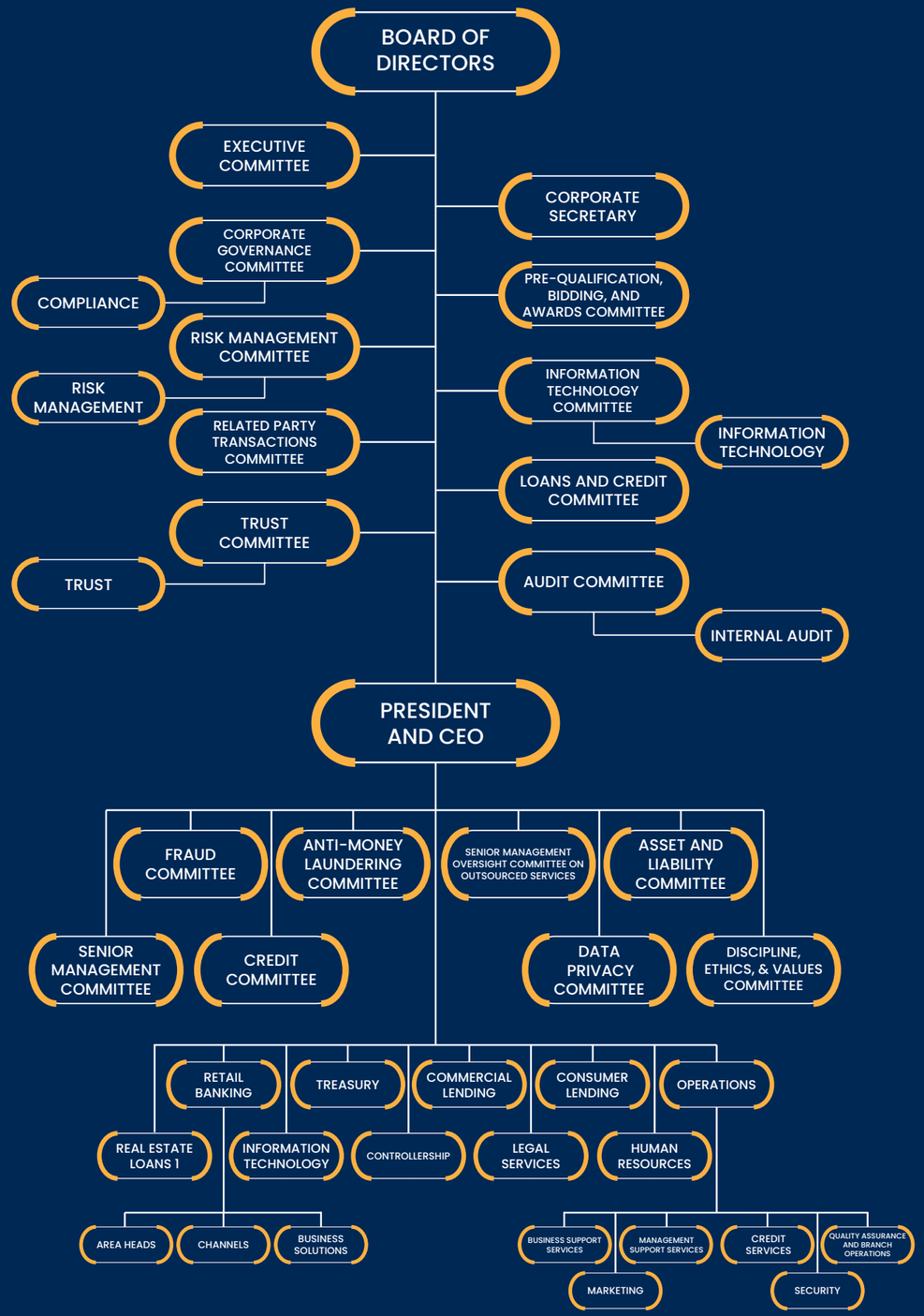
Complementing the CPRMS is the Consumer Assistance Management System (CAMS), which provides a structured process for efficiently and transparently managing and resolving customer inquiries, requests, and complaints.

Centralized under the Customer Management Department (CMD), CAMS promotes accountability in complaint handling, with designated Customer Assistance Officers (CAOs) in each business unit coordinating closely with the CMD. Customers may communicate their concerns through the Bank's website, 24/7 customer service helplines, email, or by visiting any branch. The CMD oversees the recording, monitoring, escalation, and resolution of complaints and ensures that customers are kept informed throughout the process.

In addition, the CMD analyzes complaint trends, recommends preventive and corrective actions, and reports significant matters to Senior Management. Through these mechanisms, the Bank continues to demonstrate its commitment to financial consumer protection, regulatory compliance, and customer satisfaction.



ORGANIZATIONAL CHART



The Management

Board of Directors

Sterling Bank of Asia
A Savings Bank

1 **Ruben C. Tiu**
Chairman of the Board
Non-Executive Director

2 **Cecilio D. San Pedro**
President &
Chief Executive Officer
Executive Director

3 **John Y. Tiu, Jr.**
Chairman of the
Executive Committee
Executive Director

4 **Ignatius F. Yenko**
Executive Director

5 **William L. Chua**
Non-Executive Director

6 **Atty. A. Bayani K. Tan**
Non-Executive Director

7 **Patricia J. Custodio**
Independent Director

8 **Vicente C. Macasaet, Jr.**
Independent Director

9 **Antonio R. Samson**
Independent Director

10 **Nestor H. Vasay**
Independent Director

BOARD OF DIRECTORS PROFILES

RUBEN C. TIU
Chairman of the Board
Non-Executive Director | 70 years old | Filipino

Mr. Ruben C. Tiu is the Chairman of the Board of Directors of Sterling Bank of Asia Inc. He has extensive executive experience and holds leadership positions in several corporations, including Chairman of JTKC Equities, Inc. and JSD Solutions, Inc. In the hospitality and real estate sectors, he serves as Chairman and Director of The Discovery Leisure Company, Inc., and as Chairman and President of Star Equities, Inc.

He also serves as Chairman, Director, and President of JTKC Land, Inc., JTKC Leisure Holdings Corporation (formerly JTKC Realty Corp.), Pan-Asean Multi Resources Corporation, Demikk Holdings, Inc., Demikk Realty, Inc., and Oakridge Properties, Inc. At Aldex Realty Corporation, he serves as Chairman, Director, President, and General Manager.

His other corporate positions include serving as President and Director of Club Asia, Inc., Director of Tera Investments, Inc., and as Vice President and Director of Goodyear Steel Pipe Corporation. Mr. Tiu holds a Bachelor of Science degree in Business Administration from De La Salle University.

CECILIO D. SAN PEDRO
President & Chief Executive Officer
Executive Director | 65 years old |Filipino

Mr. Cecilio D. San Pedro is the President and Chief Executive Officer of Sterling Bank of Asia Inc. He joined the Bank in November 2011 and was appointed President and Chief Executive Officer in 2015. Before his appointment, he served as Senior Executive Vice President, Chief Operating Officer, Treasurer, and Head of the Treasury Group.

Mr. San Pedro has extensive experience in the banking and financial services industry. He served for eight years as Executive Director of Global/Local Markets and Country Treasurer at The Royal Bank of Scotland, formerly ABN AMRO. He also spent twenty years at Bank of America NT & SA, where he served as Principal, Head of Global Markets, and Country Treasurer. He previously served for six years as President of the Chamber of Thrift Banks, the primary association of thrift banks in the country. During his term, the Chamber worked with the Bangko Sentral ng Pilipinas and other stakeholders on policy and regulatory initiatives affecting the thrift banking sector.

In addition to his role at the Bank, Mr. San Pedro serves as Director of Philippine Payments Management Inc., Chairman of the Banking and Capital Formation Committee of the Philippine Chamber of Commerce and Industry Inc., member of the Taxation Committee of the same institution, and Director and Treasurer of the Financial Executives of the Philippines Institute. He is also a member of the Management Association of the Philippines.

Mr. San Pedro earned his bachelor's degree in Business Administration, major in Accounting, from the University of the East. He also completed executive education courses in Corporate Finance Management at the University of Michigan Business School and Strategic Business Economics at the Center for Research and Communication, now the University of Asia and the Pacific.

JOHN Y. TIU, JR.
Chairman of the Executive Committee
Executive Director | 49 years old | Filipino

Mr. John Y. Tiu, Jr. is an Executive Director and Chairman of the Executive Committee of Sterling Bank of Asia Inc. He has held leadership positions in corporations engaged in real estate, hospitality, asset management, and technology-related services.

Mr. Tiu is the Chairman of the Board and Chief Executive Officer of Discovery World Corporation. He also serves as Director and President of JTKC Equities, Inc., The Discovery Leisure Company, Inc. and Discovery Country Suites, Inc. He is also Director, Chairman, and President of JT Perle Corporation, Ninety Nine Urdaneta Holdings Corporation, One Belmont Estate Corporation, One Cerrada Corporation, One Legaspi Corporation, One Luscara Corporation, and Tera Investments, Inc.

His other corporate directorships include serving as Director and Chairman of Balay Holdings Inc., Cay Islands Corporation, Discovery Hospitality Corporation, Euro-Pacific Resorts Inc., Katharo Water Solutions Inc., Long Beach Property Holdings Inc., Lucky Cloud 9 Resort Inc., Palawan Cove Corporation, Sonoran Corporation, One Davao Townships Inc., and Viper Energy Corp.

Mr. Tiu also serves as Treasurer and Director of JTKC Land Inc., Star Equities Inc., and SageSoft Solutions Inc.; Director and Executive Vice President of Aldex Realty Corporation; Director and First Vice President of JTKC Leisure Holdings Corporation (formerly JTKC Realty Corp.); and Vice President of Solkraft Power PH Corp. He is also a Director of DYT Equities Corporation, Evergreen Manufacturing Corporation, Lunch Bucks Gourmet Inc., Oakridge Properties Inc., Radenta Technologies Inc., and Whistler Investment Corp.

Mr. Tiu graduated from the University of Washington in Seattle, USA, with a bachelor's degree in Electrical Engineering and a minor in Mathematics.

IGNATIUS F. YENKO
Executive Director | 73 years old | Filipino

Mr. Ignatius F. Yenko is an Executive Director of Sterling Bank of Asia Inc. He has experience in banking, telecommunications, finance, and corporate governance.

His other corporate directorships include serving as Director of Discovery World Corporation, TKC Metals Corporation, formerly TKC Steel, and Global Integrated Contact Facilities. He also serves as Chief Finance Adviser and Director of Slashdotph Corporation.

Mr. Yenko previously served as First Vice President for Strategy and Support at the Philippine Long Distance Telephone Company and as Chief Financial Officer of Pilipino Telephone Corporation. His banking experience includes serving as Vice President of The Chase Manhattan Bank N.A., with assignments in Manila and Seoul.

Mr. Yenko earned his master's degree in Business Administration from the Asian Institute of Management, where he was a scholar. He completed his undergraduate studies at the Ateneo de Manila University, where he graduated with honors with a Bachelor of Arts degree in Economics.

WILLIAM L. CHUA
Non-Executive Director | 75 years old | Filipino

Mr. William L. Chua is a Non-Executive Director of Sterling Bank of Asia Inc. He has extensive experience in information technology, hardware and software distribution and the book publishing industry.

Mr. Chua serves as Chairman, President, and Chief Executive Officer of LSI Leading Technologies, Inc. and WSI Philippines, Inc., Chairman and Chief Executive Officer of WS Pacific Publications Inc.; Chairman and Director of Wordtext Systems, Inc., and Philmont Academic Solutions Inc. He is also the Vice Chairman, Director, and President of Aikontech Corporation.

He has held board positions at several other technology companies, including Nexus Technologies, Inc., Jupiter Systems, Inc., Information Technology Security Distributors, Inc., Extra Low Voltage Distributions, Inc., and I-Asiatic Innovations Phils., Inc.

Outside the technology sector, Mr. Chua serves as Director of Discovery World Corporation and as Trustee of the Adolfo S. Suzara Foundation Inc.

Mr. Chua earned his Bachelor of Science degree in Industrial Engineering from California State University and completed his Master of Business Administration at Santa Clara University.

ATTY. A. BAYANI K. TAN
Non-Executive Director | 70 years old | Filipino

He sits in the Board and holds executive and governance positions in a number of companies, both private and publicly-owned/listed, such as Discovery World Corporation, Tagaytay Highlands International Golf Club, Inc., Pascual Laboratories, Inc., Pure Energy Holdings Corporation, Sun Maru Energy Philippines, Inc. (Chairman), Bluepanel Equities and Resources, Inc., and Jin Navitas Electric Corporation.

Atty. Tan's other corporate directorships include Club Asia, Inc., Mandalore Manila Bay Development Corporation, Northpond Holdings & Development Corporation, Optimal Solar Power (PH), Inc., T&V Realty Holdings, Inc., and Ranyag Energy Development Corporation.

As Founding Partner of Tan Venturanza Valdez law firm, Atty. Tan serves as Corporate Secretary of Star Equities, Inc., JTKC Equities, Inc., Demikk Realty, Inc., Demikk Holdings, Inc., and Oakridge Properties, Inc.

Atty Tan sits in the Board of their family-owned corporations namely, Shamrock Development Corporation (President/ Managing Director), Destiny Lend Fund, Inc. (Chairman), Trifels, Inc. (Chairman & President), S. C. Tan Export Corp., SCT Electro-Component Corporation, SCT Furnishings Corporation and Yoshita Corporation.

Atty. Tan also serves in various non-governmental organizations, charitable foundations, and health and academic institutions, viz., WeSolve Foundation Inc. (Founding Chairman and currently Trustee), St. Scholastica's College Manila, Inc., (Vice Chairman), REBISCO Foundation Inc. (Trustee & Treasurer), SCTan Foundation, Inc. (Chairman & President), Philippine Jesuit Aid Association, Inc. (Corporate Secretary), Catarman Chamber Integrated School Foundation, Inc. (President), St. Scholastica's Hospital Inc. (Trustee & Corporate Secretary), Anhawan Foundation, Inc. and the Guimaras Forest Foundation, Inc., (Chairman), Karen Marie L. Ty Foundation. the Wellington Dee Ty Foundation; Wills International Foundation, Inc. (Corporate Secretary) and the UP Law '80 Foundation, Inc. (Trustee and Executive Vice President)

Atty. Tan earned his Bachelor of Arts in Political Science degree from San Beda College, Manila, where he graduated as Class Valedictorian and received the Medal for Academic Excellence. He obtained his Bachelor of Laws degree from the University of the Philippines, College of Law, where he ranked ninth in his class. He was also a member of the Order of the Purple Feather, the official honor society of the Juris Doctor program at the University of the Philippines College of Law. He placed sixth in the 1981 Bar Examinations Results and later earned a Master of Laws degree from New York University School of Law.

PATRICIA J. CUSTODIO
Independent Director | 66 years old | Filipino

Ms. Patricia Juarez-Custodio is an Independent Director of Sterling Bank of Asia Inc. She has more than thirty years of experience in banking, insurance, real estate, training, sales, and marketing.

Ms. Custodio is the Chief Executive Officer of PJC Consulting Inc., where she provides business and sales coaching to corporate clients.

She previously served for six years at China Banking Corporation as Senior Assistant Vice President and National Marketing Executive, with oversight of branch training programs nationwide. Prior to this, she spent fourteen years with Manulife, where she held several leadership roles, including Chief Agency Officer, Head of Recruitment, Head of Bank Partner Training, and Agency Sales and Marketing Head for Visayas and Metro Manila. Earlier in her career, she served as Agency Manager at Prudential Insurance Company of America and held various positions at Ayala Land, progressing from Training Specialist to Department Head. She began her professional career as Market Research Supervisor at Ayala Corporation.

Ms. Custodio earned her bachelor's degree in Psychology, Guidance, and Counselling from St. Scholastica's College, Manila.

VICENTE C. MACASAET, JR.
Independent Director | 88 years old | Filipino

Mr. Vicente C. Macasaet, Jr. is an Independent Director of Sterling Bank of Asia Inc. He has more than three decades of experience in international hospitality and aviation.

Mr. Macasaet began his professional career in aviation and served for seventeen years as Commercial Administration Manager at Air France. He later joined the hospitality sector and served for seven years as Executive Sales Director of The Regent Hotel Manila. He was also based in Riyadh, Saudi Arabia for nine years as Executive Sales Director for Northwest and American Airlines.

Mr. Macasaet completed a five-year course in French Language and Culture at the Alliance Française de Manille. He currently teaches French at Easter College and conducts monthly collage workshops in Baguio City. He holds a Bachelor of Science degree in Commerce, major in Banking with a minor in Finance, from the Colegio de San Juan de Letran.

ANTONIO R. SAMSON
Independent Director | 78 years old | Filipino

Mr. Antonio R. Samson is an Independent Director of Sterling Bank of Asia Inc.

He is also the Chairman and President of Philequity Fund, Inc., and serves as Chairman and Chief Executive Officer of Touch XDA.

Mr. Samson earned his bachelor's degree in Economics from the Ateneo de Manila University. He also holds a master's degree in Business Administration from the Asian Institute of Management and a master's degree in Business Economics from the Center for Research and Communication.

NESTOR H. VASAY
Independent Director | 72 years old | Filipino

Mr. Nestor H. Vasay is an Independent Director of Sterling Bank of Asia Inc. He has more than twenty years of experience in banking and finance, particularly in trust operations, credit management, and financial review.

Mr. Vasay held senior roles in several financial institutions, including Metropolitan Bank and Trust Company, Chase Manhattan Bank, and International Exchange Bank, where he served as Second Vice President and Head of Credit Services.

In 1997, he joined First Gas Power Corporation as Assistant Vice President for Credit Administration. He later served as Vice President and Comptroller until 2010. He subsequently joined Energy Development Corporation, where he served as Senior Vice President, Chief Finance Officer, and Treasurer until 2018.

Mr. Vasay is a Certified Public Accountant. He earned his Bachelor of Science degree in Business Administration from Angeles University.

Business Line Group Heads

Ralph B. Cadiz
Executive Vice President and
Retail Banking Group Head

58 years old | Filipino

Managing the retail banking network since September 2010, Mr. Cadiz joined Sterling Bank of Asia following his tenure as Senior Vice President of the Branch Banking and Consumer Lending Groups at Export Bank. His career includes management roles in retail banking, consumer finance, and overseas remittances at Security Bank, Union Bank, International Exchange Bank, Solid Bank, UCPB, and Export Bank. He earned a Bachelor of Science degree in Commerce with a major in Business Administration from the University of Santo Tomas.

Benson J. Hari-Ong
Executive Vice President and
Commercial Lending Group Head

60 years old | Filipino

Mr. Hari-Ong assumed management of the Commercial Lending Group in March 2008, bringing two decades of corporate banking experience from Rizal Commercial Banking Corporation (RCBC). He earned his Bachelor of Science in Industrial Management Engineering (minoring in Mechanical Engineering) from De La Salle University, where he also completed his Master of Business Administration in 1990.

Clayton T. Lee
Executive Vice President
Treasurer and Head – Treasury Group

57 years old | Filipino

Mr. Lee joined the Bank in November 2011, following positions in treasury management at domestic and international banks. His previous career history includes roles at Allied Bank, Bank of America, and The Royal Bank of Scotland (formerly ABN AMRO), where he served as Vice President and Head of Foreign Exchange for Global/Local Markets. He earned a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Mary Rose U. Mendez
Senior Vice President and
Consumer Lending Group Head

54 years old | Filipino

Ms. Mendez previously served as head of the Retail Lending Group at The Philippine National Bank, head of the Real Estate Loan Division at China Banking Corporation, and head of the Branch Sales Department of the Mortgage Banking Division at Philippine Savings Bank (PSBank). Additionally, she served as a grant administrator for a World Bank-funded project, capping more than 15 years of experience across lending operations and various banking sectors. Earlier in her career, she managed branch and trust operations at RCBC Savings Bank, Capitol Bank, and Asiatrust Bank. She graduated cum laude with a Bachelor of Science degree in Business Administration from the University of the Philippines, where she also earned her MBA.

Candice P. Quianzon
Senior Vice President and
Real Estate Loans 1 Head

54 years old | Filipino

Ms. Quianzon joined the Bank in May 2010, bringing a career history in sales, marketing, and consumer lending from ABN Amro, Urban Bank, LBC Development Bank, and GSIS Family Bank. A licensed real estate broker and appraiser, she completed a degree in Real Estate Management from the Lyceum of Alabang in July 2024 and earned a Master's degree in Management, specializing in Real Estate Management, from the University of San Jose-Recoletos in 2023. Her further qualifications include an Executive Diploma in Real Estate Management from De La Salle – College of Saint Benilde, MBA units from the University of Santo Tomas, and a Bachelor of Science degree in Biology from Far Eastern University.

Antonio C. Danao
First Vice President
Trust Officer and Head - Trust Group

63 years old | Filipino

Mr. Danao established his career history at Insular Investments & Trust Corp., Standard Chartered Bank, Metrobank, Bank of Commerce, and Maybank, accumulating three decades of experience in trust operations and portfolio management. He also served as a Board Director and Vice President of the Trust Officers Association of the Philippines (TOAP). He completed his Master's degree in Business Administration at the De La Salle University Professional Schools and graduated with distinction from the Trust Operations and Portfolio Management Course at the Philippine Trust Institute. He also earned a Bachelor of Science degree in Economics from Far Eastern University.

EXECUTIVE VICE PRESIDENT / SENIOR VICE PRESIDENTS

Luisito S. Mayor
Executive Vice President
Operations Group Head

Ruth M. Aniñon
Internal Audit Group Head

Girlie C. Galang
Chief Compliance Officer

Jose S. Ison, Jr.
Commercial Lending 3 Head

Kim Mc Ivans V. Pasion
Chief Risk Officer and
Risk Management Group Head

Dalisay N. Rubio
Controllership Group Head

Enrique D. Tan
Commercial Lending 2 Head

FIRST VICE PRESIDENTS

Felisa B. Alcala
Business Support
Services Head

Marc Christopher U. Carlos
Domestic Markets Head

Grego S. Cervantes, Jr.
Retail Banking Area 2 Head

Marvin Bryan S. Francisco
Senior Relationship Manager

FIRST VICE PRESIDENTS

Josefina S. Rivera
Retail Banking Area 1
Officer-In-Charge

Michelle R. Rodrigo
General Accounting Head

Ronald C. Santos
Treasury Marketing Head

Arlene N. Siongco
Human Resources Group
Head/Concurrent Compensation
and Benefits Head

Dan C. Guevara
Center for Learning Head

Henry G. Hung
Information Technology
Group Head

Marilou B. Labay
Financial Markets Sales
Head

Leila C. Quevedo-Amante
Vismin Consumer Lending
Head

Alma Valerie C. Soriano
Legal Services Group Head

Joseph T. Sulit
Credit Services Head/
Concurrent RBG Support
Head

Lisa T. Uy Tan
Retail Banking Area 5 Head

VICE PRESIDENTS

Claudine Monette P. Antonio
Application Systems Head

Glenn Ivan O. Arreza
Credit Risk Control Head

Janet A. Baguio
Branch Head - Marikina

Myla V. Basa
Real Estate Loans 1 Team Leader

Raquel C. Bumbay
Marketing Head

Maurice Mario R. Calingo
Senior Relationship Manager

Doris A. Chavez
Senior Relationship Manager

Michelle Ann A. Cordero
Business Analysis Head

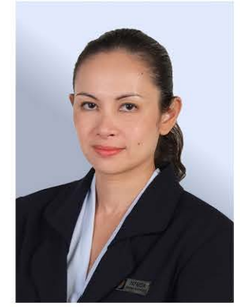
Reina Filipina V. Deacosta
Credit Evaluation and Approval Head

Mary Grace H. Enriquez
IT Controls and Standards Head

Rinaldi O. Gonzales
Technology Operations Head

Dominic L. Liwanes
IT Audit Head

Ethel L. Peralta
Management Support Services Head



Patricia Rose H. Ramirez de Arellano
Foreign Exchange Head

Norwina L. Reyes
Quality Assurance Head

Rachelle Eileen S. Reyes
Liquidity Head

Ma. Ruby N. Samson
Application Testing and User Support Head

Art Ryan L. Seachon
Corporate Advisory Department Head

Avon Joy M. Stoney
Deputy Compliance Officer and Associated Person

Melanie M. Tan
Branch Head - Ayala

Ariel F. Yang
Regulatory Reports and Reconciliation Head

Audited Financial Statements

Sterling Bank of Asia
A Savings Bank

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Accreditation No. 4782-SEC Group A
Issued August 11, 2022
Valid for Financial Periods 2021 to 2025

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1209 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Sterling Bank of Asia Inc. (A Savings Bank)
Sterling Bank Corporate Center
8004 Ortigas Avenue
Greenhills, 1500, San Juan
Metro Manila

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Sterling Bank of Asia Inc. (A Savings Bank) (the Bank), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended December 31, 2025 but does not include the financial statements and our auditors' report thereon. The Annual Report for the year ended December 31, 2025 are expected to be made available to us after the date of this auditors' report.

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

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

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

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, these could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

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

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

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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended December 31, 2025 and 2024 required by the Bangko Sentral ng Pilipinas under Section 174 and Appendix 55 of the Manual of Regulations for Banks as disclosed in Note 26 to financial statements is presented for additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

GRACE M. ALBUNIAN
Partner
CPA Certificate No. 0144364
Tax Identification No. 410-858-879-000
BOA Accreditation No. 4782/P-024; Valid until June 6, 2026
SEC Accreditation No. 144364-SEC Group A
Issued October 21, 2025
Valid for Financial Periods 2025 to 2029
BIR Accreditation No. 08-005144-018-2024
Valid until November 25, 2027
PTR No. 10764003
Issued January 2, 2026, Makati City

March 24, 2026
Makati City, Metro Manila

STERLING BANK OF ASIA INC. (A Savings Bank)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2025	2024
ASSETS			
Cash and other cash items		**₱513,006,024**	₱591,461,645
Due from Bangko Sentral ng Pilipinas		**2,498,435,346**	2,693,012,542
Due from other banks		**2,428,980,563**	2,185,035,209
Interbank loans receivable	6	**1,550,000,000**	–
Investment securities	7	**8,687,052,156**	5,368,259,593
Loans and receivables	8	**55,886,426,743**	44,756,456,532
Foreclosed assets:	9		
Investment properties		**494,882,259**	541,214,403
Assets held for sale		**20,769,081**	33,741,786
Other foreclosed assets		**7,327,039**	3,568,031
Property and equipment	10	**654,908,467**	667,672,714
Intangible assets	11	**299,339,748**	311,672,041
Net deferred tax assets	21	**49,195,736**	41,548,874
Other assets	12	**257,939,074**	274,608,676
		₱73,348,262,236	₱57,468,252,046
LIABILITIES AND EQUITY			
Liabilities			
Interbank loans payable	6	**₱–**	₱175,000,000
Deposit liabilities	13	**64,568,709,000**	49,152,892,081
Manager's checks		**113,427,962**	131,325,324
Accrued interest, taxes and other expenses	14	**220,707,367**	181,709,442
Unsecured subordinated debt	15	**1,300,000,000**	1,300,000,000
Lease liabilities	18	**235,269,918**	280,178,502
Retirement liability	19	**79,848,522**	53,027,284
Income tax payable		**–**	5,151,338
Other liabilities	16	**939,588,052**	1,061,754,295
Total Liabilities		**67,457,550,821**	52,341,038,266
Equity			
Perpetual preferred stock	22	**300,000,000**	300,000,000
Common stock	22	**3,320,000,000**	2,920,000,000
Reserves	22	**403,106,932**	324,737,869
Other equity reserves		**88,667,814**	54,027,748
Retained earnings		**1,778,936,669**	1,528,448,163
Total Equity		**5,890,711,415**	5,127,213,780
		₱73,348,262,236	₱57,468,252,046

See accompanying Notes to Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)

STATEMENTS OF INCOME

	Note	Years Ended December 31 2025	2024
INTEREST INCOME ON:			
Loans and receivables	8	**₱4,272,630,397**	₱3,357,255,050
Investment securities	7	**390,680,996**	313,223,604
Interbank loans receivable	6	**109,322,802**	104,056,341
Due from Bangko Sentral ng Pilipinas and other banks		**88,041,508**	100,395,994
		4,860,675,703	3,874,930,989
INTEREST EXPENSE ON DEPOSIT AND OTHER FINANCIAL LIABILITIES	13	**2,399,507,120**	1,847,642,538
NET INTEREST INCOME		**2,461,168,583**	2,027,288,451
OTHER INCOME			
Service charges, fees and commissions		**155,810,202**	147,930,813
Net trading and securities gains from investment securities	7	**114,736,306**	46,122,227
Net gains from assets sold or acquired	9	**42,205,062**	12,975,274
Net foreign exchange gains		**3,327,434**	4,005,352
Others - net		**3,940,059**	5,018,679
		320,019,063	216,052,345
PROVISIONS FOR CREDIT AND IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES	8	**184,423,040**	18,116,005
OPERATING EXPENSES	20	**2,153,370,562**	1,867,898,453
INCOME BEFORE INCOME TAX		**443,394,044**	357,326,338
PROVISION FOR (BENEFIT FROM) INCOME TAX	21		
Current		**122,129,137**	104,201,405
Deferred		**(7,592,662)**	(20,467,356)
		114,536,475	83,734,049
NET INCOME		**₱328,857,569**	₱273,592,289

See accompanying Notes to Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)

STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31 2025	2024
NET INCOME		**₱328,857,569**	₱273,592,289
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss:			
Net unrealized gains on fair value changes of investment securities	7	**32,903,427**	23,993,849
Translation adjustment		**1,899,239**	1,995,230
Item not to be reclassified to profit or loss -			
Remeasurement gain (loss) on retirement liability, net of deferred tax	19	**(162,600)**	20,728,491
		34,640,066	46,717,570
TOTAL COMPREHENSIVE INCOME		**₱363,497,635**	₱320,309,859

See accompanying Notes to Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)
STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31 2025	2024
PERPETUAL PREFERRED STOCK	22	**₱300,000,000**	₱300,000,000
COMMON STOCK	22		
Balance at beginning of year		**2,920,000,000**	2,370,000,000
Issuance of shares		**400,000,000**	550,000,000
Balance at end of year		**3,320,000,000**	2,920,000,000
RESERVES	22		
Balance at beginning of year		**324,737,869**	235,770,411
Transfer from retained earnings for:			
General loan loss provision		**76,377,026**	87,004,861
Trust business		**1,992,037**	1,962,597
Balance at end of year		**403,106,932**	324,737,869
OTHER EQUITY RESERVES			
Cumulative Unrealized Gains (Losses) on Fair Value Changes of Investment Securities	7		
Balance at beginning of year		**20,602,325**	(3,391,524)
Net unrealized gains		**32,903,427**	23,993,849
Balance at end of year		**53,505,752**	20,602,325
Cumulative Remeasurement Gains (Losses) on Retirement Liability	19		
Balance at beginning of year		**17,860,713**	(2,867,778)
Net remeasurement gains (losses)		**(162,600)**	20,728,491
Balance at end of year		**17,698,113**	17,860,713
Cumulative Translation Adjustment			
Balance at beginning of year		**15,564,710**	13,569,480
Translation adjustment		**1,899,239**	1,995,230
Balance at end of year		**17,463,949**	15,564,710
		88,667,814	54,027,748
RETAINED EARNINGS			
Balance at beginning of year		**1,528,448,163**	1,343,823,332
Net income		**328,857,569**	273,592,289
Transfer to reserves for:	22		
General loan loss provision		**(76,377,026)**	(87,004,861)
Trust business		**(1,992,037)**	(1,962,597)
Balance at end of year		**1,778,936,669**	1,528,448,163
		₱5,890,711,415	₱5,127,213,780

See accompanying Notes to Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)
STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱443,394,044**	₱357,326,338
Adjustments for:			
Depreciation and amortization	10	**203,874,097**	181,806,175
Provisions for credit and impairment losses on:			
Loans and receivables	8	**184,423,040**	18,116,005
Foreclosed assets	9	**32,438,831**	12,806,939
Net gains from assets sold or acquired	9	**(42,205,062)**	(12,975,274)
Retirement benefits	19	**26,604,438**	23,536,580
Net amortization of premium on investment securities	7	**(19,336,596)**	(17,672,487)
Interest expense on lease liabilities	18	**14,995,149**	14,181,099
Operating income before working capital changes		**844,187,941**	577,125,375
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Financial assets at fair value through profit or loss		**797,185,485**	(918,404,833)
Loans and receivables		**(11,314,393,251)**	(9,817,131,125)
Other assets		**10,542,371**	(43,997,983)
Increase (decrease) in:			
Deposit liabilities		**15,415,816,919**	10,459,075,770
Interbank loans payable		**(175,000,000)**	175,000,000
Accrued interest, taxes and other expenses		**38,997,925**	(89,213,368)
Manager's checks		**(17,897,362)**	10,315,145
Other liabilities		**(122,166,244)**	66,560,584
Net cash generated from operations		**5,477,273,784**	419,329,565
Income taxes paid		**(121,153,243)**	(106,056,650)
Retirement contributions	19	**–**	(20,000,000)
Net cash flows provided by operating activities		**5,356,120,541**	293,272,915
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment securities	7	**(44,897,028,047)**	(31,316,840,000)
Property and equipment	10	**(112,179,856)**	(79,607,445)
Computer software	11	**(10,781,627)**	(39,519,726)
Proceeds from:			
Maturity of investment securities	7	**39,648,130,022**	30,625,530,540
Sale of investment securities	7	**1,185,160,000**	–
Sale of foreclosed assets	9	**32,612,184**	26,844,350
Sale of property and equipment	10	**16,921,298**	8,684,769
Net cash flows used in investing activities		**(4,137,166,026)**	(774,907,512)

(Forward)

	Note	Years Ended December 31 2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Issuance of capital stock	22	**₱366,250,000**	₱550,000,000
Collection of subscriptions receivable	22	**33,750,000**	–
Payments of lease liabilities	18	**(99,941,217)**	(85,666,631)
Net cash flows provided by financing activities		**300,058,783**	464,333,369
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,899,239**	1,995,230
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,520,912,537**	(15,305,998)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		**591,461,645**	578,568,031
Due from Bangko Sentral ng Pilipinas		**2,693,012,542**	2,056,165,929
Due from other banks		**2,185,035,209**	1,502,080,267
Interbank loans receivable		**–**	1,348,001,167
		5,469,509,396	5,484,815,394
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Cash and other cash items		**513,006,024**	591,461,645
Due from Bangko Sentral ng Pilipinas		**2,498,435,346**	2,693,012,542
Due from other banks		**2,428,980,563**	2,185,035,209
Interbank loans receivable		**1,550,000,000**	–
		₱6,990,421,933	₱5,469,509,396
OPERATING CASH FLOWS FROM INTEREST			
Interest received		**₱5,030,829,480**	₱2,999,592,034
Interest paid		**2,418,378,459**	1,742,248,649
NONCASH INFORMATION			
Foreclosure of assets	9	**₱44,185,070**	₱26,451,354
Recognition of right-of-use assets and lease liabilities	10, 18	**40,037,484**	83,190,996

See accompanying Notes to Financial Statements.

1. General Information

Sterling Bank of Asia Inc. (A Savings Bank) (the Bank) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP). The Bank was formerly known as Far East Savings Bank (FESB) and was originally issued with a Certificate of Incorporation by the SEC on January 20, 1998. The Bank is primarily engaged in the general business of savings and mortgage banking. The Bank offers a wide range of products and services such as deposit products, loans, treasury and trust functions.

The Bank was granted authority to engage in trust operations in 2008 and to issue foreign letters of credit in 2010.

As at December 31, 2025 and 2024, the Bank operates a total of 47 branches.

In 2006, JTKC Equities, Inc. (JEI), Surewell Equities, Inc. (SEI) and Star Equities, Inc. acquired all the outstanding shares of stock of FESB from the Bank of the Philippine Islands. In 2007, the Bank changed its corporate name from FESB to Sterling Bank of Asia Inc. (A Savings Bank) as approved by the BSP and the SEC.

In 2009, the BSP approved the Bank's application to acquire 100% of the shares of stock of Centennial Savings Bank (CSB). In 2010, as approved by the BSP and the SEC, the Bank, as the surviving entity, merged with CSB.

The ultimate parent company of the Bank is JEI, through a direct equity interest of 38.28% and 38.11% as at December 31, 2025 and 2024, respectively, and an indirect equity interest of 25.40% and 25.01% as at December 31, 2025 and 2024, respectively, through Star Equities, Inc., a wholly owned subsidiary of JEI.

The registered office address of the Bank is Sterling Bank Corporate Center, 8004 Ortigas Avenue, Greenhills, 1500, San Juan, Metro Manila.

Approval of the Financial Statements

The financial statements of the Bank as at and for the years ended December 31, 2025 and 2024 have been approved and authorized for issue by the Board of Directors (BOD) on March 24, 2026, as recommended for approval by the Audit Committee on March 17, 2026.

2. Summary of Material Accounting Policy Information

Basis of Preparation and Compliance

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) Accounting Standards issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), and the SEC pronouncements.

Measurement Bases
The financial statements have been prepared under the historical cost basis, except for:

- certain investment securities measured at fair value;
- assets held for sale that are measured at the lower of cost and fair value less cost-to-sell;
- retirement liability that is carried at the present value of defined benefit obligation less the fair value of plan assets; and
- lease liabilities recognized at the present value of the unpaid lease payments.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The fair value measurement is based on the presumption that these transactions take place either:

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

The principal or the most advantageous market must be accessible to the Bank. The Bank measures the fair value of an asset or liability using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or liability measured at fair value has both bid and ask prices, the Bank uses the price within the bid-ask price spread, which is the most representative of fair value in the circumstances.

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

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

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

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

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

Information about the assumptions made in measuring fair values is included in Note 5, *Fair Value Measurement*.

Functional and Presentation Currency
The financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and FCDU is the Philippine Peso and United States Dollar (USD), respectively. For financial reporting purposes, the FCDU accounts and foreign currency-denominated accounts in the RBU are translated into Philippine Peso equivalent amounts, which is the functional and presentation currency of the Bank. The financial statements of RBU and FCDU are combined after eliminating inter-unit accounts.

All values are rounded to the nearest Philippine Peso unless otherwise stated.

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

Adoption of Amendments to PFRS Accounting Standards
The material accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability,* effective for annual periods beginning on or after January 1, 2025.

The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable.

The adoption of the amendments to PFRS Accounting Standards did not materially affect the financial statements of the Company. Accordingly, no adjustment to the opening balance of retained earnings was recognized upon adoption. Additional disclosures have been included in the financial statements, where applicable.

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

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

- Amendments to PFRS 9, *Financial Instruments,* and PFRS 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Assets* – These amendments provide clarifications on the recognition and derecognition of financial instruments, including guidance on the derecognition of financial liabilities settled through electronic payment systems. The amendments also clarify the assessment of contractual cash flow characteristics, including guidance on contingent features, non-recourse loans and contractually linked instruments. In addition, new disclosure requirements are introduced for certain equity instruments measured at fair value through other comprehensive income (FVOCI). Earlier application is permitted.

- Annual Improvements to PFRS Accounting Standards Volume 11 - These amendments provide clarifications to PFRS 7, PFRS 9 and PAS 7, *Statement of Cash Flows*. The amendments include guidance on the derecognition of financial instruments and the presentation of cash flows, and remove certain obsolete references in the standards.

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

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1, *Presentation of Financial Statements*, and sets out requirements for the presentation and disclosure of information in general purpose financial statements. The standard introduces new categories and sub-totals in the statements of comprehensive income, additional disclosures on management-defined performance measures, and enhanced requirements for grouping information. Full retrospective application is required. Earlier application is permitted.
  The Company expects the adoption of PFRS 18 to result in changes in presentation and additional disclosures in the financial statements. The standard is not expected to have an impact on the recognition or measurement of the Company's assets, liabilities, income or expenses.

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

Financial Instruments

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

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

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

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

Financial Assets

Classification. The Bank classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets FVOCI and (c) financial assets at amortized cost. The classification of a financial asset largely depends on its contractual cash flow characteristics and the Bank's business model for managing them.

Financial Assets at FVPL. Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated as FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting year, with any fair value gains or losses, including foreign exchange gains or losses, recognized in profit or loss to the extent that these are not part of a designated hedging relationship. Interest income (calculated using the effective interest rate method) is recognized directly in profit or loss.

Certain investments in government securities that are held for trading are included in this category (presented under "Investment securities" account).

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

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

Interest income (calculated using the effective interest rate method) and foreign currency gains or losses on debt instruments measured at FVOCI are recognized directly in profit or loss. After initial recognition, debt instruments are carried at fair value. Unrealized gains or losses from changes in fair values are recognized in other comprehensive income and presented in the equity section of the statement of financial position. When the financial asset is derecognized, the cumulative unrealized gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

Equity instruments that are not held for trading may be irrevocably designated as a financial asset to be measured at FVOCI on initial recognition. Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. After initial recognition, equity instruments are carried at fair value. Foreign currency gains or losses and unrealized gains or losses from changes in fair values are recognized in other comprehensive income and presented in the equity section of the statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent years.

In limited circumstances, cost may be an appropriate estimate of fair value of equity securities designated as financial asset measured at FVOCI, such as if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Certain investments in government securities, private bonds and unquoted equity security are included in this category (presented under "Investment securities" account).

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

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

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

Cash and other cash items, due from BSP and other banks, interbank loans receivable, loans and receivables, certain government securities and private bonds measured at amortized cost (presented under "Investment securities" account), restricted cash, refundable deposits, and returned checks and other cash items (RCOCI) (included under "Other assets" account) are classified under this category.

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

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

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

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

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

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

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

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

The Bank recognizes impairment loss based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within 12 months after the reporting year. The Bank measures impairment loss at an amount equivalent to the 12-month ECL for financial assets that are determined to have low credit risk and those financial assets for which credit risk has not increased significantly since initial recognition. Financial instruments for which a 12-month ECL is determined are referred to as "Stage 1 financial assets."

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial asset as at the reporting year with the risk of a default occurring on the financial asset as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Bank also considers downgrade of credit risk rating or changes in the computed probabilities of default to determine whether significant increase in credit risk has occurred subsequent to initial recognition date. As a backstop indicator, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due for consumer loans or seven days for commercial loans.

At each reporting date, the Bank assesses whether the financial assets at amortized cost are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. ECL for credit-impaired financial assets is based on the difference between the gross carrying amount and present value of estimated future cash flows. The Bank transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both the quantitative and qualitative indicators of probable collection prior to the transfer. The quantitative indicator is characterized by payments made within an observation period. The qualitative indicator pertains to the results of assessment of the borrower's financial capacity. As a general rule, full collection is probable when payments of interest and/or principal are received for at least 12 months.

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

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

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

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

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

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

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

Financial Liabilities

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

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

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

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

Deposit liabilities, interbank loans payable, accrued interest and other expenses, manager's checks, unsecured subordinated debt, lease liabilities, and other liabilities [excluding due to Philippine Deposit Insurance Corporation (PDIC), withholding taxes and statutory obligations] are included under this category.

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Bank could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

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

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

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

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

Foreclosed Assets
Foreclosed assets are composed of investment properties, assets held for sale and other foreclosed assets.

Investment Properties. Foreclosed real estate properties are classified as investment properties upon (a) entry of judgment in case of judicial foreclosure; (b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or (c) notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

The investment property acquired in settlement of loans is initially measured at fair value of the asset acquired unless the fair value of the asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the settled loan amount. Any difference between the fair value of an investment property acquired and the carrying amount of the loan upon foreclosure is recognized in profit or loss.

The Bank applies the cost model in subsequently measuring its investment properties. Land is carried at cost less any impairment in value and depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Cost is the fair value of the asset at acquisition date plus transaction costs, which include non-refundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or ten years, whichever is shorter. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

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

Repairs and maintenance costs relating to investment properties are normally charged to profit or loss in the period in which the costs are incurred.

An investment property is derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the derecognition of an investment property is recognized in profit or loss in the year of derecognition.

Assets Held for Sale. Foreclosed assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than continuing use. Assets held for sale are accounted for at the lower of cost and fair value less cost to sell. Impairment loss is recognized in profit or loss for any subsequent write-down of the asset to fair value less cost to sell. Gain on any subsequent increase in fair value less costs to sell of an asset is recognized in profit or loss to the extent of the cumulative impairment loss.

Assets held for sale that cease to be classified as such is measured at the lower of (a) carrying amount before the assets were classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the assets not been classified as held for sale, and (b) recoverable amount at the date of the subsequent decision not to sell. Any adjustment on the carrying amount of assets held for sale that cease to be classified as held for sale is recognized in profit or loss.

Other Foreclosed Assets. Other foreclosed assets include non-real estate properties such as chattel mortgage that are not expected to be sold within one year as at report date. Other foreclosed assets are initially measured at the fair value of the asset acquired.

Any difference between the fair value and the carrying amount of the loan upon foreclosure is recognized in profit or loss.

Subsequent to initial recognition, other foreclosed assets are carried at cost less accumulated depreciation and any impairment in value. Depreciation is computed on a straight-line basis over the estimated useful life of the asset or three years, whichever is shorter. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other foreclosed assets.

Other foreclosed assets are derecognized upon disposal or when no economic benefits are expected from its use or disposal. Any gain or loss on the derecognition of other foreclosed asset is recognized in profit or loss in the year of derecognition.

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

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

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to profit or loss in the year when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

The cost of replacing a part of the property and equipment is capitalized when that cost is incurred and all the relevant asset recognition criteria are met. The carrying amount of a part of an item of property and equipment that has been replaced is derecognized.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the property and equipment are as follows:

Asset Category	Number of Years
Building and condominium units	30
ROU assets	3 to 10 or the related lease term, whichever is shorter
Furniture, fixtures and equipment	5
Leasehold rights and improvements	10 or the related lease term, whichever is shorter

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the years and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of depreciable property and equipment.

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

Fully depreciated items are retained as property and equipment until these are no longer being used in the operations.

Intangible Assets

Branch Licenses. Branch licenses are capitalized on the basis of the costs incurred to acquire and of bringing the asset to its use in the operations. Branch licenses are not amortized and deemed to have an indefinite economic life as there is no foreseeable limit to the period over which these are expected to generate net cash inflows for the Bank.

Branch licenses are reviewed annually to determine whether events and circumstances continue to support an indefinite economic life assessment. Any change in assessment from indefinite to finite life will be accounted prospectively.

Computer Software. Computer software is measured on initial recognition at cost. Subsequently, computer software is measured at cost less accumulated amortization and any impairment losses. Internally-generated computer software, excluding capitalized development costs, is not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred.

Computer software is amortized using straight-line method over the estimated useful life of five years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortization period and method used for computer software are reviewed annually. Changes in the estimated useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization on computer software is recognized in profit or loss.

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

Prepaid Expenses

Prepaid expenses are expenses paid in advance and recorded as asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to appropriate accounts in profit or loss when incurred.

Impairment of Non-financial Assets

Non-financial assets, except for branch licenses, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Branch licenses are assessed for impairment annually, either individually or at the cash generating unit (CGU) level, as appropriate. The Bank assesses at the end of the reporting year whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Equity

Capital Stock. Common stock is measured at par value per share issued. Incremental costs directly attributable to the issuance of new shares are recognized as deduction from equity, net of tax.

Perpetual preferred stock is classified as equity if it is non-redeemable, or redeemable only at the Bank's option, and any dividends thereon are discretionary. Perpetual preferred stock is classified as a liability if this is redeemable on a specific date or at the option of the stockholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

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

Other Equity Reserves. Other equity reserves comprise items of income and expenses that are not recognized in profit or loss. These pertain to cumulative unrealized gains (losses) on fair value changes of investment securities, cumulative remeasurement gains (losses) on retirement liability and cumulative translation adjustment.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, effects of the changes in accounting policy and other capital adjustments.

Revenue Recognition

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

The Bank also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Bank has assessed that it acts as a principal in all of its revenue sources, except for activities where the Bank acts in a fiduciary or custodian capacity such as nominee, trustee or agent. Income from fiduciary and custodianship activities are included under "Service charges, fees and commissions" account in the statement of income.

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

Interest Income. Interest income is recognized in profit or loss as the interest accrues, taking into account the effective yield of the asset.

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

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Bank calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Service Charges, Fees and Commissions. Service charges and penalties, which are presented as part of "Service charges, fees and commissions" in profit or loss, are recognized upon collection or being accrued when there is reasonable degree of certainty as to its collectability. Fees and commissions arising from providing transaction services are recognized upon completion of the transaction. Fees or components of the fees that are linked to a certain performance of a service or a condition are recognized after performing the service or fulfilling the condition.

Gains from Assets Sold or Acquired. Income or loss from sale of properties is recognized upon completion of the earning process and the collectability of the sales price is reasonably assured. Gain or loss on foreclosure of properties is recognized when the risks and rewards of the property have been transferred to the Bank based on the difference between the fair value of the foreclosed asset upon foreclosure and the carrying amount of the loan.

Other Income. Other income is recognized when the earning process is complete and the flow of economic benefit is reasonable assured.

Costs and Expense Recognition

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

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

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

Employee Benefits

Short-term Benefits. Short-term employee benefits given by the Bank to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits. The Bank recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the year.

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

Retirement Benefits. Retirement benefit costs are actuarially determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Bank recognizes service costs, comprising of current service and past service costs, gains and losses on curtailments and non-routine settlements, and net interest expense or income in profit or loss. Net interest expense or income is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Bank recognizes restructuring-related costs.

Remeasurements comprising of actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent years.

The retirement liability is the difference of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting year.

The Bank contributes to the retirement fund based on the actuarial valuation report. The contributions to the retirement plan consist of annual normal cost and amortization of any unfunded past service liability. The Bank is not required to contribute when the fair value of plan assets exceeds the present value of retirement liability.

Leases

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

The Bank as a Lessee

At commencement date of the lease, the Bank recognizes ROU assets and corresponding lease liabilities on the statement of financial position.

ROU Assets. ROU assets are initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred, less any incentives received. ROU assets are subsequently amortized on a straight-line basis using the expected useful life or lease term, whichever is shorter. In addition, ROU assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liabilities. The Bank presents the ROU asset as part of "Property and equipment" account in the statement of financial position.

Lease Liabilities. Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of lease liabilities comprise the fixed payments, including in-substance fixed payments, and if applicable:

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

Lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the ROU assets, or is recorded in profit or loss if the carrying amount of the ROU assets has been reduced to zero.

Short-term Leases. The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Income Taxes

Current Tax. Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rate and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting year.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity as other comprehensive income.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Bank plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fiduciary Activities

The Bank excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customer, where the Bank acts in a fiduciary capacity such as a nominee, trustee or agent.

Foreign Currency Transactions

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

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

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

Related Party Relationship and Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Related party transactions consist of transfer of resources, services or obligations between the Bank and its related parties.

Provisions

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting year, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessment and the risks specific to the obligation. Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

Contingencies

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

Events after the Reporting Year

Subsequent events that provide additional information about the Bank's financial position at the reporting year are reflected in the financial statements when material. Subsequent events that are non-adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments

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

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

The Bank exercises judgment in determining the business model to be used in managing its financial instruments to achieve their business objectives. The following are the factors considered by the Bank in its business model assessment:

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

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

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

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

The fair values of the Bank's financial instruments are disclosed in Note 5.

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

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

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

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

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

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

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

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

Significant management judgment was likewise exercised by the Bank in determining the discount rate, whether implicit rate, if readily available or incremental rate, to be used in calculating the present value of ROU assets and lease liabilities. The discount rate ranging from 3.89% to 7.72% are incremental borrowing rates based on the Bloomberg Valuation Service (BVAL) rates adjusted by credit spread of the Bank.

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

The amounts recognized in the financial statements in relation to the Bank's lease agreements are disclosed in Notes 10 and 18.

Classifying the Acquired Assets. The Bank classifies its acquired assets as property and equipment if these are properties expected to be used in operations, investment properties if these assets are properties held for currently undetermined future use and is regarded as held for capital appreciation or for sale but the disposal is expected not to materialize within one year, or assets held for sale if the Bank expects that these assets will be recovered through sale rather than use or the Bank remains committed to sell the assets through active marketing and disposal program if the sale will not materialize within one year. Foreclosed assets, other than real estate properties that the Bank expects to sell for a period longer than one year, are classified as other foreclosed assets.

Evaluating Contingencies. The Bank is currently involved in some legal proceedings mainly pertaining to collectability of its loans and receivables. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the Bank's defense in these matters and is based on an analysis of potential results. Based on the opinion of its legal counsels, the Bank is in a good position to secure a favorable judgment in most of these cases. Management therefore believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Bank's financial position and performance (see Note 25).

Estimates and Assumptions

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

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

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

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

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

- The account is considered as loans especially mentioned based on the BSP guidelines.
- The account has a missed payment for more than 30 days for consumer loans or seven days for commercial loans.
- The account is downgraded by two risk ratings based on the Bank's Internal Credit Risk Ratings (ICRR).

In estimating impairment loss of receivables from customers, the Bank estimates the amounts and timing of future cash flows, collateral values and the assessment of a significant increase in credit risk. Below are the components considered in the calculation of ECL.

- Net flow and default rates of receivables from customers based on historical experience of the Bank.
- ICRR and certain qualitative factors in determining whether there has been a significant increase in credit risk to determine when to measure lifetime credit losses.
- Latest fair values of collaterals and historical recovery rates of foreclosed assets for loss given default calculations.
- Segmentation of financial assets for collective assessment of ECL.
- Use of regression analysis in determining macroeconomic factors that affect non-performing status of loan accounts.

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

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

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

Loans and Receivables

Provision for credit and impairment losses on loans and receivables is disclosed in Note 8.

The carrying amount of loans and receivables, and the related allowance for credit and impairment losses, are disclosed in Note 8.

Investment Securities - Debt Instruments not Measured at FVPL

Impairment loss was recognized on the Bank's investment securities amounting to ₱413,453 and ₱257,978 in 2025 and 2024, respectively. The carrying amount of financial assets at FVOCI (excluding unquoted equity security) and investment securities at amortized cost are disclosed in Note 7.

Other Financial Assets at Amortized Cost

No impairment loss was recognized on the Bank's cash and other cash items, due from BSP and other banks, interbank loans and receivables, refundable deposits, restricted cash and RCOCI because these are placements or receivables with reputable counterparties that possess good ratings. The details and carrying amount of other financial assets at amortized cost are disclosed in Note 4.

Assessing the Impairment of Branch Licenses. Branch license is determined to be an intangible asset with an indefinite economic life because there is no foreseeable limit to the period on which the branch license is expected to generate net cash inflows for the Bank. The branch license is required to be assessed for impairment annually by comparing its carrying amount with its recoverable amount, irrespective of whether there is any indication that it may be impaired.

The branches have been identified as the CGU for purposes of impairment assessment of branch licenses.

When the branch license's fair value less cost of disposal is lower than its carrying amount, the recoverable amount is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the projection for the next five years and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset base of the branch being tested. The recoverable amount is most sensitive to the discount rate as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

No impairment losses were recognized in 2025 and 2024. The carrying amount of the branch licenses is disclosed in Note 11.

Assessing the Impairment of Significant Nonfinancial Assets. The Bank assesses impairment of foreclosed assets, property and equipment and computer software whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.

The relevant factors that the Bank considers whether to perform an asset impairment review include, among others, the following:

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

There is no indication that property and equipment and computer software may be impaired. Accordingly, no impairment losses were recognized in 2025 and 2024.

Provision for impairment loss and the related allowance for impairment losses on foreclosed assets are disclosed in Note 9.

The carrying amounts of foreclosed assets, property and equipment and computer software are disclosed in Notes 9, 10 and 11.

Estimating the Useful Lives of Foreclosed Assets, Property and Equipment and Computer Software. The Bank estimates the useful lives of depreciable foreclosed assets and property and equipment, and computer software based on the year over which the assets are expected to be available for use. The estimated useful lives are reviewed annually and changed if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of foreclosed assets, property and equipment and computer software. However, it is possible that future results of operations could be materially affected by changes in factors mentioned in the foregoing. The amounts and timing of recorded expenses for any year would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the foregoing would increase the recorded expenses and decrease assets.

There was no change in the estimated useful lives of the depreciable foreclosed assets, property and equipment, and computer software in 2025 and 2024.

The carrying amounts of the depreciable assets of the Bank are disclosed in Notes 9, 10 and 11.

Determining the Retirement Liability. The determination of the obligation and cost of retirement benefits is dependent on selection of certain assumptions determined by management and used by the actuary in calculating such amounts. These assumptions include, among others, discount rate and salary increase rate. Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligations in such future years.

In determining the appropriate discount rate, management considers the interest rate of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Further details about the assumptions used are provided in Note 19 to financial statements.
The amount of recognized retirement benefits and the carrying amount of the retirement liability are disclosed in Note 19.

Assessing the Realizability of Deferred Tax Assets. The Bank reviews the carrying amount of deferred tax assets at each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting year and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

As at December 31, 2025 and 2024, deferred tax assets on certain temporary differences were not recognized. Management assessed that it is not probable that sufficient future taxable profit will be available to allow the deferred tax assets to be utilized.

The details of recognized and unrecognized deferred tax assets are disclosed in Note 21.

4. Financial Risk Management Objectives and Policies

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

- Credit risk
- Liquidity risk
- Market and interest rate risk

Risk Governance
The Bank's BOD has overall responsibility for the oversight of the Bank's risk management process. The established risk governance framework together with the supporting structure provides for the mechanism to ensure oversight and accountability for risk at various levels in the organization. Various board and management committees, which are responsible for developing, managing and monitoring specific risks that the Bank is exposed to, are as follows.

Board Level:

1. Risk Management Committee (RMC)
2. Audit Committee (AC)
3. Corporate Governance Committee (CorGov)
4. Related Party Transaction (RPT)
5. Loan Committee (LOANCOM)
6. Bids & Awards Committee (BAC)
7. IT Committee (ITCOM)
8. Trust Committee (TRUSTCOM)
9. Executive Committee (EXCOM)

Management Level:

1. Senior Management Committee (SMCOM)
2. Credit Committee (CRECOM)
3. Fraud Committee (FRAUDCOM)
4. Anti-Money Laundering Committee (AMLCOM)
5. Data Privacy Committee (DPC)
6. Asset-Liability Committee (ALCO)
7. Senior Management Oversight Committee for Outsourced Services (SMOC)

RMC is responsible for developing the Bank's risk strategy and the supporting risk management policies, ensuring the soundness of risk management practices in relation to the risks faced by the Bank.

RMC is supported by the Risk Management Group (RMG) in the exercise of its risk oversight functions. RMG, which is independent of the business units and is directly reporting to the RMC, performs daily market risk analyses to measure market risk exposures and ensure compliance with the Bank's policies, procedures and limit structures, and makes recommendations based on such analyses. RMG, likewise, monitors credit risk exposures and portfolio movements. They also take the lead in the development of the Bank's credit acceptance policies, risk classification and profiling through the administration of the internal credit rating system and the determination of appropriate levels of allowances for credit losses.

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

CorGov assists the board in fulfilling its corporate governance responsibilities and oversees periodic assessment of board performance, as well as the various Board Committees and Executive Management.

RPT is responsible for screening related party accounts for BOD approval.

LOANCOM is a Board Committee that acts as the highest approving body for loan and other credit related matters, except for directors, officers, stockholders and related interest (DOSRI) loans. It ensures that the credit approval or endorsement of credit facilities is based on a diligent, sound and prudent evaluation of the risks involved and is aligned with the Bank's strategic objectives in terms of asset quality.

BAC oversees the Bank's procurement processes and the implementation of procurement contracts as part of the Bank's operational risk management, while also ensuring transparency and good governance in the process.

ITCOM oversees the development of the Bank's information Technology System and Infrastructure. It ensures that systems are embedded with multi-layered controls in order to protect bank information and technical infrastructure.

TRUSTCOM is responsible for overseeing the investment activities of the Bank's Trust unit.

EXCOM assists the board in the general supervision, administration and management of the Bank's affairs, and is actively engaged in overseeing the development and execution of the Bank's business strategies.

SMCOM exercises general supervision, administration and management of the bank's operations, and as such oversees the operational and strategic risk management.

CRECOM is the management level committee that evaluates and screens all credit proposals that requires the approval of the President, LOANCOM or the BOD, and likewise monitors credit underwriting activities performed at management level. It ensures that credit risk is within the BOD established risk tolerance levels and that proposals comply with the credit underwriting standards as established in the Bank's policies and procedures.

FRAUDCOM addresses the increasing threat landscape for fraud incidents committed against the Bank and its clients. The primary responsibility of the FRAUDCOM is to determine actions to be taken when a fraud incident is reported and recommend changes in the processes, procedures and policies of the Bank whenever applicable.

AMLCOM was established assists the BOD in fulfilling its oversight responsibility over AML activities to ensure that the Bank complies with the provisions of the Anti-Money Laundering Act (AMLA), as amended, its Implementing Rules and Regulations (IRR), and BSP regulations.

DPC, headed by the Data Protection Officer (DPO), oversees the implementation of the Data Privacy Act (DPA). The Bank adopted a committee approach to DPA compliance with Deputy Data Protection Officers representing the different areas namely, Compliance, Risk, Legal, Information Technology and Security

ALCO is responsible for ensuring that the Bank maintains adequate liquidity, sufficient capital and the appropriate funding to meet business requirements and comply with regulatory requisites. It is also responsible for building a stable funding structure by managing the Bank's asset and liability profile. Moreover, it manages the Bank's financial position and ensures that the Bank's liquidity, capital and funding structure support the business strategies. It likewise establishes the Bank's asset-liability pricing policies.

SMOC is tasked to oversee the outsourcing arrangements with third party business partners.

Credit Risk

Credit risk is the risk of financial loss to the Bank when a customer or counterparty fails to meet its contractual obligations. The Bank's credit risk exposure arises largely from the lending, trade finance and investment activities. The Bank manages credit risk through an established risk control framework that provides for policies and guidelines to the business units together with a system of limits reflective of the Bank's risk tolerance and capacity. A monitoring mechanism is also in place to ensure that exposures to individual counterparties, related accounts, countries and industries are within BOD established and approved limits and that any credit concentration is within acceptable levels.

While the Credit Risk Control Department of RMG (CRC-RMG) provides for an independent risk monitoring and control of credit exposures, each business unit is responsible for the quality and performance of its credit portfolio. As the first line of defense, business units are responsible for monitoring and controlling the credit risks in its portfolio. The CRC-RMG, meanwhile, provides an independent evaluation of the Bank's credit risk exposure through review of loan proposals and credit processes, borrower risk assessments and credit administration. This is complemented by regular audits of business units and credit processes undertaken by IA that provide for assurance and feedback mechanisms to determine sufficiency and effectiveness of established risk controls.

The Bank extends various types of loans, several on clean/unsecured basis, and others against hard collaterals and other form of securities. Personal and salary loans are generally granted on a clean/unsecured basis. Other consumer lending products are largely asset-backed financing with auto loans secured by chattel mortgage on the vehicles and real estate loans secured by first real estate mortgage on residential or commercial properties. The Bank's commercial/small-medium enterprise loans cover a mix of clean/unsecured (which includes those under personal guarantees) as well as secured credit facilities (i.e., those supported by real estate and chattel mortgages, guarantees and other registered securities). Estimates of fair value are based on the value of the collateral assessed at the time of the borrowing.

All loan applications, covering the different types of loans, undergo strict credit evaluation in accordance with established risk acceptance criteria. The essential elements that the Bank considers for all its credit dealings and account relationships are: favorable credit checking; good credit standing and track record with other counterparties, banks and trade partners alike; financial strength and cash generating capabilities (fund sourcing), which translate into determination of paying capacity that establishes repayment expectations; and acceptable collateral/security, if applicable. Furthermore, credit underwriting is performed within a framework of delegated credit authorities that take into account facility risks and magnitudes of potential exposures.

Management of Credit Risk

The BOD, through RMC and LOANCOM, is assisted in the monitoring and management of credit risk by the CRC-RMG, which continuously implements its risk control programs, in line with its oversight function over the Bank's lending activities. CRC-RMG is principally tasked with identifying, monitoring, reporting and controlling the Bank's credit risk. The specific functions of CRC-RMG are as follows:

- Takes charge of administering the Bank's lending policies, ensuring compliance by those concerned with continuous issuance of updates on policies and process guidelines for bank-wide implementation and compliance.
- Facilitates the activities of the CRECOM, whose main objective is to evaluate and screen loan proposals requiring approvals beyond line management levels.
- Classifies borrowing accounts according to several levels of risk, based on the ICRR system and loan portfolio assessments, to regularly determine loan impairments for the purpose of determining the appropriate loan loss reserves.
- Conducts credit stress testing and regularly evaluates and monitors the quality of the Bank's loan portfolio via the Portfolio Profile Report, as part of the scheme of controlling large concentration and Bank exposures.

Maximum Exposure to Credit Risk after Collateral Held or Other Credit Enhancements

The Bank's maximum exposure to the credit risk is equal to the carrying amount of the financial assets, except for the following loans and receivables:

	2025			
	Carrying Amount	**Fair Value of Collaterals or Credit Enhancements**	**Financial Effects of Collaterals or Credit Enhancements**	**Maximum Exposure to Credit Risk**
Loans and receivables:				
Receivables from customers:				
Corporate loans[1]	**₱41,093,663,657**	**₱12,601,761,178**	**₱7,561,056,707**	**₱33,532,606,951**
Consumer loans[2]	**13,951,281,807**	**18,099,230,480**	**15,087,468,254**	**1,136,186,447**
	55,044,945,464	**30,700,991,658**	**22,648,524,961**	**34,668,793,398**
Sales contracts receivable[2]	**46,852,802**	**72,898,041**	**46,852,801**	**–**
	₱55,091,798,266	**₱30,773,889,699**	**₱22,695,377,762**	**₱34,668,793,398**

[1]*Net of allowance for credit and impairment losses and unearned discounts and capitalized interest.*
[2]*Net of allowance for credit and impairment losses.*

	2024			
	Carrying Amount	Fair Value of Collaterals or Credit Enhancements	Financial Effects of Collaterals or Credit Enhancements	Maximum Exposure to Credit Risk
Loans and receivables:				
Receivables from customers:				
Corporate loans[1]	₱32,340,756,272	₱15,919,335,111	₱9,551,601,067	₱22,671,087,093
Consumer loans[2]	11,401,531,561	14,159,929,263	11,811,391,703	484,249,174
	43,742,287,833	30,079,264,374	21,362,992,770	23,155,336,267
Sales contracts receivable[2]	27,542,541	55,730,120	27,542,541	–
	₱43,769,830,374	₱30,134,994,494	₱21,390,535,311	₱23,155,336,267

[1]*Net of allowance for credit and impairment losses and unearned discounts and capitalized interest.*
[2]*Net of allowance for credit and impairment losses.*

Concentration of Credit Risk Exposure of Financial Assets

The Bank monitors concentration of credit risk by industry. The distribution of the Bank's financial assets and off-balance sheet items by industry sector, before taking into account collaterals held or other credit enhancements (maximum exposure) are as follows:

	2025				
	Loans and Receivables[1]	**Loans and Advances to Banks[2]**	**Investment Securities[3]**	**Others[4]**	**Total**
Real estate	**₱15,404,658,189**	**₱–**	**₱–**	**₱38,640,386**	**₱15,443,298,575**
Other community, social and personal activities	**10,055,930,899**	**–**	**–**	**352,428**	**10,056,283,327**
Wholesale and retail trade	**–**	**–**	**8,600,676,814**	**28,691,707**	**8,629,368,521**
Government	**7,943,342,083**	**2,498,435,346**	**–**	**–**	**10,441,777,429**
Financial intermediaries	**6,588,702,529**	**2,428,980,563**	**70,301,879**	**125,880,140**	**9,213,865,111**
Manufacturing	**5,148,045,938**	**–**	**–**	**14,256,696**	**5,162,302,634**
Transportation, storage and communication	**5,148,630,023**	**–**	**–**	**16,138,110**	**5,164,768,133**
Construction	**2,577,462,078**	**–**	**–**	**3,157,791**	**2,580,619,869**
Hotel and restaurant	**978,888,733**	**–**	**–**	**–**	**978,888,733**
Electricity, gas and water supply	**909,144,127**	**–**	**–**	**228,997**	**909,373,124**
Agricultural, hunting and forestry	**831,251,372**	**–**	**–**	**–**	**831,251,372**
Mining and quarrying	**223,000,000**	**–**	**–**	**–**	**223,000,000**
	55,809,055,971	**4,927,415,909**	**8,670,978,693**	**227,346,255**	**69,634,796,828**
Allowance for credit and impairment losses	**(1,034,949,699)**	**–**	**–**	**–**	**(1,034,949,699)**
	₱54,774,106,272	**₱4,927,415,909**	**₱8,670,978,693**	**₱227,346,255**	**₱68,599,847,129**

[1]*Comprised of receivables from customers, gross of unearned discounts and capitalized interests.*
[2]*Comprised of due from BSP, due from other banks, and interbank loans receivable.*
[3]*Comprised of financial assets at FVPL, FVOCI (excluding unquoted equity security) and investment securities at amortized cost.*
[4]*Comprised of restricted cash, RCOCI, refundable deposits and contingencies relating to outstanding guarantees and domestic letters of credit.*

	2024				
	Loans and Receivables[1]	Loans and Advances to Banks[2]	Investment Securities[3]	Others[4]	Total
Real estate	₱13,700,664,176	₱–	₱–	₱29,869,793	₱13,730,533,969
Other community, social and personal activities	10,702,305,117	–	–	2,236,455	10,704,541,572
Wholesale and retail trade	–	–	–	31,138,610	31,138,610
Government	7,390,910,919	2,693,012,542	5,215,084,277	–	15,299,007,738
Financial intermediaries	3,851,563,392	2,185,035,209	137,101,853	125,239,320	6,298,939,774
Manufacturing	4,507,044,369	–	–	45,130,000	4,552,174,369
Transportation, storage and communication	2,326,005,704	–	–	2,342,723	2,328,348,427
Construction	1,037,064,818	–	–	–	1,037,064,818
Hotel and restaurant	878,816,189	–	–	–	878,816,189
Mining and quarrying	173,434,313	–	–	–	173,434,313
Agricultural, hunting and forestry	33,316,470	–	–	–	33,316,470
Electricity, gas and water supply	1,499,598	–	–	99,913	1,599,511
	44,602,625,065	4,878,047,751	5,352,186,130	236,056,814	55,068,915,760
Allowance for credit and impairment losses	(848,398,690)	–	–	–	(848,398,690)
	₱43,754,226,375	₱4,878,047,751	₱5,352,186,130	₱236,056,814	₱54,220,517,070

[1]*Comprised of receivables from customers, gross of unearned discounts and capitalized interests.*
[2]*Comprised of due from BSP, due from other banks,*
[3]*Comprised of financial assets at FVPL, FVOCI (excluding unquoted equity security) and investment securities at amortized cost.*
[4]*Comprised of restricted cash, RCOCI, refundable deposits and contingencies relating to outstanding guarantees and domestic letters of credit.*

The Bank regularly assesses impairment losses on its financial assets (except those held for trading) based on historical loss experience and adjusted for appropriate forward-looking estimates. The Bank addresses impairment assessment in two areas: individual or specific assessment and collective assessment.

Individual or Specific Assessment. The Bank determines the credit and impairment loss appropriate for each individually significant loan or receivable on an individual account basis. Factors considered in determining the appropriate amounts of impairment loss include an account's age, payment and collection history, short and medium-term prospects in the industry, timing of expected cash flows, realizable value of collateral and forward-looking factors such as inflation and interest rates, and consumer price index.

The Bank establishes criteria for specific loan impairment testing and uses the discounted cash flow method to compute for impairment loss.

Collective Assessment. Collective assessment for loan impairment losses are performed on loans and receivables that are not individually significant. Generally, the Bank applies the probability of loss method in determining the collective impairment loss, where such probability is derived from the product of default rate, and loss rate and adjusted using forward-looking factors such as interest rates, and consumer price index.

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

Other indications may include, among others, indications that a borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in principal and/or interest payments, probability that the borrower will enter bankruptcy or other financial reorganization/ restructuring, and other observable data indicating measurable decrease in the estimated future cash flows, such as changes in business or economic conditions that correlate with defaults.

Definition of Default. The Bank considers default to have occurred when: (a) the obligor is past due for more than 90 days on any material credit obligation to the Bank; or (b) the obligor is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing collateral, as applicable. The Bank no longer considers an instrument to be in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

Credit Quality per Class of Financial Assets

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

For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure. Credit risk arising from financial assets at FVPL is managed independently, but reported as a component of market risk exposure.

The following table provides the analysis of credit quality of the of the Bank's financial assets (gross of allowance for credit and impairment losses) classified as Stage 1, 2 or 3 as at December 31, 2025 and 2024.

	2025			
Amounts in Thousands	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial Assets at FVOCI				
Government securities				
High grade	**₱8,409,437**	**₱–**	**₱–**	**₱8,409,437**
Financial Assets at Amortized Cost				
Due from BSP				
High grade	**2,498,435**	**–**	**–**	**2,498,435**
Due from other banks				
High grade	**2,428,981**	**–**	**–**	**2,428,981**
Government securities				
High grade	**85,979**	**–**	**–**	**85,979**
Private bonds				
High grade	**70,302**	**–**	**–**	**70,302**
Interbank loans receivable				
High grade	**1,550,000**	**–**	**–**	**1,550,000**
Consumer loans				
High grade	**13,066,002**	**–**	**–**	**13,066,002**
Standard grade	**3,919**	**196,500**	**–**	**200,419**
Past due but not individually impaired	**–**	**86,726**		**86,726**
Individually impaired			**1,009,388**	**1,009,388**
Corporate loans				
High grade	**11,999,516**	**–**	**–**	**11,999,516**
Standard grade	**25,966,832**	**317,669**	**–**	**26,284,501**
Individually impaired	**–**	**–**	**3,152,524**	**3,152,524**
Others				
Individually impaired	**–**	**–**	**9,980**	**9,980**
Accrued interest income				
High grade	**211,335**	**929**	**159**	**212,423**
Standard grade	**306,752**	**3,673**	**26,882**	**337,307**
Past due but not individually impaired	**32**	**1,112**	**152,919**	**154,063**
Individually impaired	**1,222**	**170**	**–**	**1,392**
Accounts receivable				
High grade	**349,591**	**–**	**13,012**	**362,603**
Sales contracts receivables				
High grade	**46,594**	**–**	**–**	**46,595**
Individually impaired	**–**	**–**	**1,190**	**1,190**
Other assets*				
High grade	**158,215**	**–**	**–**	**158,215**
	₱67,153,144	**₱606,779**	**₱4,366,054**	**₱72,125,978**

**Includes restricted cash, refundable deposits and RCOCI.*

	2024			
Amounts in Thousands	Stage 1	Stage 2	Stage 3	Total
Financial Assets at FVOCI				
Government securities				
High grade	₱4,208,990	₱–	₱–	₱4,208,990
Private bonds				
High grade	67,474	–	–	67,474
Financial Assets at Amortized Cost				
Due from BSP				
High grade	2,693,013	–	–	2,693,013
Due from other banks				
High grade	2,185,035	–	–	2,185,035
Government securities				
High grade	87,575	–	–	87,575
Private bonds				
High grade	69,628	–	–	69,628

(Forward)

	2024			
Amounts in Thousands	Stage 1	Stage 2	Stage 3	Total
Consumer loans				
High grade	₱10,765,948	₱–	₱–	₱10,765,948
Standard grade	3,772	95,783	–	99,555
Past due but not individually impaired	–	98,945	–	98,945
Individually impaired	–	–	846,248	846,248
Corporate loans				
High grade	9,507,720	–	–	9,507,720
Standard grade	20,591,828	846,836	–	21,438,664
Individually impaired	–	–	1,835,565	1,835,565
Others				
Individually impaired	–	–	9,980	9,980
Accrued interest income				
High grade	331,856	–	–	331,856
Standard grade	451,397	715	–	452,112
Past due but not individually impaired	–	1,366	26,131	27,497
Individually impaired	–	–	63,874	63,874
Accounts receivable				
High grade	101,308	–	–	101,308
Sales contracts receivables				
High grade	21,392	–	–	21,392
Standard grade	–	269	–	269
Individually impaired	–	–	9,092	9,092
Other assets*				
High grade	155,578	–	–	155,578
	₱51,242,514	₱1,043,914	₱2,790,890	₱55,077,318

**Includes restricted cash, refundable deposits and RCOCI.*

The Bank classifies its neither past due nor impaired financial assets subject to credit risk into the following credit grades:

- High Grade – This pertains to accounts with very low probability of default because of the borrower's/counterparty's established ability to tap its liquid resources to fully service its obligations as they become due. The borrower/counterparty has no history of default and uses leverage sparingly.
- Standard Grade – This pertains to accounts with an acceptable probability of default. Nevertheless, the borrower/counterparty has a strong debt service record and has demonstrated the ability to readily service its debts. Collateral cover, if applicable, should be adequate.
- Substandard Grade – Risk of default is higher than normal. The borrower/counterparty is expected to be able to service its debt under normal economic and business conditions. Any prolonged economic or business downturn would however ostensibly create liquidity issues for the borrower/counterparty. The borrower/counterparty may have a history of default but have regularized its debt service performance as at reporting year.

Past due but not impaired pertains to items where contractual payments are past due but the Bank believes that impairment is not appropriate based on the probability of collection of amounts owed to the Bank. Impaired pertains to receivables for which the Bank determines that it is probable that it will not be able to collect all principal and interest due based on the contractual terms and agreements.

The credit quality of investment securities is generally monitored through the external ratings of eligible external credit rating institutions.

Presented below is the mapping of the credit risk rating from external rating agencies with the Bank's internal risk rating for investment securities:

A. Moody's Rating

Credit Quality	**Rating**				
	Long-term				**Short-term**
High Grade	Aaa	Aa	A	Baa	Prime
Standard Grade	Ba	B			Not Prime
Substandard Grade	Caa	Ca			
Impaired	C				

B. Standard & Poors (S&P) Rating

Credit Quality	**Rating**				
	Long-term				**Short-term**
High Grade	AAA	AA	A	BBB	A
Standard Grade	BB	B			B
Substandard Grade	CCC	CC	C		C
Impaired	D				D

C. Fitch Rating

Credit Quality	**Rating**				
	Long-term				**Short-term**
High Grade	AAA	AA	A	BBB	A
Standard Grade	BB	B			B
Substandard Grade	CCC				C
Impaired	DDD	DD	D		D

D. Philratings

Credit Quality	**Rating**				
	Long-term				**Short-term**
High Grade	Philippine Rating Service (PRS) Aaa	PRS Aa	PRS A	PRS Baa	PRS 1
					PRS 2
					PRS 3
Standard Grade	PRS Ba	PRS B			PRS 4
Substandard Grade	PRS Caa	PRS Ca			PRS 5
Impaired	PRS C				PRS 6

For debt securities not rated by any rating agency, the Bank performs the credit rating review for the issuers of the debt securities based on quantitative and qualitative analyses, the data of which are provided by the Treasury/Trust Group.

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

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

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

Risk Rating	Classification	Credit Quality
1	Excellent	High Grade
2	Strong	High Grade
3	Good	High Grade
4	Satisfactory	Standard Grade
5	Acceptable	Standard Grade
6	Weak	Standard Grade
7	Poor	Substandard Grade
8	Substandard	Past Due but Not Impaired
9	Doubtful	Impaired
10	Loss	Impaired

Risk Rating 1 – Excellent. The borrower's ability to meet its financial commitments is extremely strong and there is a very low probability that it will default on payments due in the coming year. The borrower has a high degree of stability, substance and diversity.

A borrower in this category has access to substantial amounts of funds through the public capital market at any time. It has a strong debt service capacity and has conservative balance sheet leverage (the industry in which the borrower operates). The track record in profit terms is very good.

The borrower is of the highest quality, operating reliably under virtually any and all economic conditions.

Risk Rating 2 – Strong. The borrower's ability to meet its financial commitments is very strong and there is a low probability that it will default on payments due in the coming year. The borrower normally has a comfortable degree of stability, substance and diversity. Under normal market conditions, borrowers in this category have good access to public capital market to raise funds.

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

These borrowers herein categorized are described as quality corporations or enterprises, which are adequately capitalized and operating profitably.

Risk Rating 3 – Good. The borrower's ability to meet its financial commitments is strong. It may be described as a big or small corporation whose access to public capital market or to alternative financial market is easy, may be limited to periods of favorable economic and/or market conditions.

A borrower in this category usually exhibits characteristics of some degree of stability and substance and the probability of default is still quite low. However, it may still be susceptible to the negative effects of cyclical business changes.

Typical traits include a combination of comfortable asset protection and an acceptable balance sheet structure (vis-à-vis that industry). The debt service capacity as measured by cash flow analysis is strong.

Risk Rating 4 – Satisfactory. The borrower has adequate capacity to meet its financial commitments. Borrower operates in an environment where clear risk elements exist and the probability of default is somewhat greater. This probability is reflected in volatility of earnings and overall performance. A borrower in this category normally has limited access to public financial market. It should be able to withstand normal business cycles, but any prolonged unfavorable economic climate may create gradual deterioration in its financial health.

Typical for this kind of borrower is the combination of reasonably sound asset and cash flow protection. The debt service capacity as measured by cash flow is deemed adequate. The borrower has reported profit for the past fiscal year and is expected to report a profit in the current year.

Risk Rating 5 – Acceptable. The borrower is less vulnerable but faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to its inadequate capacity to meet its financial commitments.

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

This category will apply where the risk is still acceptable for the following reasons:

- There is sufficient cash flow either historically or expected for the future, in spite of an economic downturn combined with asset protection; or
- There is a new business or project finance transaction.

Risk Rating 6 – Weak. The borrower is more vulnerable but currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial requirements.

This category represents the type of borrower for which unfavorable industry or Bank-specific risk factors represent a concern. Operating performance and financial strength may be marginal and it is uncertain whether the borrower can attract alternative sources of financing. Typically, the borrower will find it very hard to cope with any significant economic downturn and a default in such a case is more than a possibility.

Generally, a borrower in this category incurs net losses for one or more years. Normally, there is an expectation that conditions will improve and the rating may be upgraded. Any deterioration, however, will almost certainly result in an automatic downgrade.

In summary, this category includes those borrowers where the credit exposure is not at risk of loss at the moment, but wherein performance has weakened, and unless present trends are reversed, could lead to losses.

Risk Rating 7 – Poor. The borrower is currently vulnerable and is dependent on favorable business, financial and economic conditions to meet its financial obligations.

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

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

Risk Rating 8 – Substandard. The borrower is currently highly vulnerable and is in a state of default. Substandard loans are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Bank because of unfavorable or unsatisfactory characteristics. These well-defined adverse elements exist in such loans where there is a possibility of future loss to the institution unless given closer supervision. Such may include adverse trends or development of a financial, managerial, economic or political nature or significant weakness in collateral.

Basic characteristics are:

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

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

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

The extent of probability of loss cannot be exactly quantified at this time. Although the possibility of loss is significant, there may be certain important and reasonably specific pending factors that can work to the advantage of the Bank and result in a strengthening of assets of the borrower. Pending factors include merger, acquisition, capital injection and additional cover.

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

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

These are loans, 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. The amount of loss is difficult to measure and it is neither practical nor desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.

Basic characteristics are:

- Past due clean loans, the interest of which has remained unpaid for a period of six months;
- Loans payable in installments where amortization applicable to interest is past due for a period of six months, unless the loan is fully secured;
- When the borrower's whereabouts are unknown, or he is insolvent, or his earning power is permanently impaired and his co-makers or guarantors are insolvent or that their guarantee is not financially supported;
- Where the collaterals securing the loans are considered worthless and the borrower and/or his co-makers are insolvent; and
- Loan considered as absolutely uncollectible.

Collateral and Other Credit Risk Mitigation

The amount and type of collateral required depends on an assessment of the credit risk of the obligor. The Bank implements certain requirements regarding the acceptability of types of collateral and valuation.

Collateral comes in the form of financial or nonfinancial assets. The main types of collateral obtained include cash or securities, charges over real estate or chattel properties, inventory and trade receivables and mortgages over residential properties. The Bank also obtains guarantees from parent companies for loans of borrowing entities belonging to a group of companies.

The Bank monitors the market value of collateral, and request for additional collateral in accordance with the underlying agreement.

The following table shows the fair value of collaterals held against the loans and receivables that are neither past due nor impaired:

	2025	2024
Properties	**₱29,323,474,239**	₱25,600,860,994
Deposits	**336,594,973**	3,539,719,111
	₱29,660,069,212	₱29,140,580,105

It is the Bank's policy to sell foreclosed assets through public bidding (only after the assets are appraised anew to determine current market value, and duly bid based on the approved minimum bid price).

Liquidity Risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when these become due, without incurring unacceptable losses or costs. Specifically, this pertains to events that may necessitate the Bank to enter into transactions that would realize significant losses or costs in order to meet its obligations when these fall due.

ALCO is responsible for formulating the Bank's liquidity risk management policies, whereas the RMG is responsible for monitoring such risks. Liquidity management is among the most important activities conducted within the Bank. The Bank manages its liquidity risk through analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning. The Bank utilizes a diverse range of sources of funds, although short-term deposits made with the Bank's network of domestic branches comprise the majority of such funding.

The Bank's liquidity risk is managed by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met with minimum sacrifice to market price and by maintaining a balanced loan portfolio, which is re-priced on a regular basis. Deposits with banks are made on a short-term basis with almost all being available on demand within three months.

The Bank's Treasury Department uses liquidity forecast models that estimate the Bank's cash flow requirements based on the Bank's actual contractual obligations under normal circumstances and extraordinary circumstances. RMG prepares a monthly maximum cumulative outflow report, which is an analysis of maturity gaps of the Bank's assets and liabilities.

Aging of Financial Assets and Liabilities by Remaining Contractual Maturities

The tables below summarize the maturity profile of the Bank's financial assets and liabilities used for liquidity management based on contractual undiscounted payments and receipts as at December 31:

	2025						
	On Demand	**Within 30 Days**	**31 to 60 Days**	**61 to 180 Days**	**181 to 360 Days**	**Over 360 Days**	**Total**
Financial Assets							
Financial assets at FVPL	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱ 121,334,329**	**₱121,334,329**
Financial assets at FVOCI	**–**	**6,484,968,436**	**–**	**75,415,992**	**–**	**1,849,052,200**	**8,409,436,628**
Financial assets at amortized cost:							
Cash and other cash items	**513,006,024**	**–**	**–**	**–**	**–**	**–**	**513,006,024**
Due from BSP	**–**	**2,498,435,346**	**–**	**–**	**–**	**–**	**2,498,435,346**
Due from other banks	**2,428,980,563**	**–**	**–**	**–**	**–**	**–**	**2,428,980,563**
Interbank loans receivable	**–**	**1,550,000,000**	**–**	**–**	**–**	**–**	**1,550,000,000**
Government securities	**–**	**–**	**–**	**–**	**–**	**85,979,320**	**85,979,320**
Private bonds	**–**	**–**	**–**	**–**	**–**	**70,301,879**	**70,301,879**
Loans and receivables:							
Receivables from customers	**–**	**18,913,781,868**	**4,464,118,661**	**11,839,859,517**	**1,929,442,263**	**11,854,698,909**	**49,001,901,218**
Accrued interest income	**–**	**223,952,528**	**116,600,752**	**96,608,184**	**17,903,417**	**246,362,346**	**701,427,227**
Accounts receivable	**–**	**55,589,424**	**–**	**305,751,529**	**–**	**–**	**361,340,953**
Sales contracts receivable	**–**	**–**	**–**	**270,907**	**–**	**46,323,687**	**46,594,594**
Other assets*	**–**	**352,428**	**–**	**–**	**–**	**31,982,386**	**32,334,814**
	₱2,941,986,587	**₱29,727,080,030**	**₱4,580,719,413**	**₱12,317,906,129**	**₱1,947,345,680**	**₱14,306,035,056**	**₱65,821,072,895**
Financial Liabilities							
Deposit liabilities:							
Savings	**₱44,990,909,593**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱44,990,909,593**
Demand	**10,118,993,184**	**–**	**–**	**–**	**–**	**–**	**10,118,993,184**
Time	**–**	**4,736,055,240**	**1,268,111,988**	**1,014,154,511**	**631,104,526**	**1,809,379,958**	**9,458,806,223**
	55,109,902,777	**4,736,055,240**	**1,268,111,988**	**1,014,154,511**	**631,104,526**	**1,809,379,961**	**64,568,709,000**
Manager's checks	**–**	**113,427,962**	**–**	**–**	**–**	**–**	**113,427,962**
Accrued interest and other expenses**	**–**	**196,920,349**	**–**	**–**	**–**	**–**	**196,920,349**
Unsecured subordinated debt	**–**	**–**	**–**	**–**	**–**	**1,300,000,000**	**1,300,000,000**
Lease liabilities	**–**	**7,288,084**	**7,288,084**	**36,107,646**	**35,733,648**	**214,681,441**	**301,098,903**
Other liabilities***	**–**	**836,452,817**	**–**	**–**	**–**	**–**	**836,452,817**
	₱55,109,902,777	**₱5,890,144,452**	**₱1,275,400,072**	**₱1,050,262,157**	**₱666,838,174**	**₱3,324,061,402**	**₱67,316,609,031**

**Comprised of restricted cash, refundable deposits and RCOCI.*
***Excluding accrued gross receipts tax.*
****Excluding due to PDIC, withholding taxes and statutory obligations.*

	2024						
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
Financial Assets							
Financial assets at FVPL	₱–	₱859,867,389	₱–	₱58,652,425	₱–	₱–	₱918,519,814
Financial assets at FVOCI	–	2,264,617,867	912,390,017	219,420,947	91,464,864	804,643,426	4,292,537,121
Financial assets at amortized cost:							
Cash and other cash items	591,461,645	–	–	–	–	–	591,461,645
Due from BSP	–	2,693,012,542	–	–	–	–	2,693,012,542
Due from other banks	2,185,035,209	–	–	–	–	–	2,185,035,209
Government securities	–	–	–	58,652,425	–	28,922,500	87,574,925
Private bonds	–	–	–	–	–	69,627,733	69,627,733
Loans and receivables:							
Receivables from customers	–	13,081,590,150	2,853,171,720	10,969,419,859	3,211,586,755	10,163,213,662	40,278,982,146
Accrued interest income	–	841,921,521	–	–	–	–	841,921,521
Accounts receivable	–	101,307,603	–	–	–	–	101,307,603
Sales contracts receivable	–	–	–	–	–	30,752,942	30,752,942
Other assets*	–	468,736	–	–	–	29,869,793	30,338,529
	₱2,776,496,854	₱19,842,785,808	₱3,765,561,737	₱11,306,145,656	₱3,303,051,619	₱11,127,030,056	₱52,121,071,730
Financial Liabilities							
Deposit liabilities:							
Savings	₱24,368,291,618	₱–	₱–	₱–	₱–	₱–	₱24,368,291,618
Demand	10,703,889,573	–	–	–	–	–	10,703,889,573
Time	–	6,193,239,254	2,194,587,561	3,384,792,161	724,432,949	1,583,658,965	14,080,710,890
	35,072,181,191	6,193,239,254	2,194,587,561	3,384,792,161	724,432,949	1,583,658,965	49,152,892,081
Interbank loans payable	–	175,000,000	–	–	–	–	175,000,000
Manager's checks	–	131,325,324	–	–	–	–	131,325,324
Accrued interest and other expenses**	–	167,852,719	–	–	–	–	167,852,719
Unsecured subordinated debt	–	–	–	–	–	1,300,000,000	1,300,000,000
Lease liabilities	–	5,416,554	5,442,510	20,168,686	42,297,466	206,853,286	280,178,502
Other liabilities***	–	970,702,206	–	–	–	–	970,702,206
	₱35,072,181,191	₱7,643,536,057	₱2,200,030,071	₱3,404,960,847	₱766,730,415	₱3,090,512,251	₱52,177,950,832

**Comprised of restricted cash, refundable deposits and RCOCI.*
***Excluding accrued gross receipts tax.*
****Excluding due to PDIC, withholding taxes and statutory obligations.*

The Bank manages its short-term negative gap by making available funds sourced from various other financial institutions and taking measures to maintain long-term core deposits from regular clients. The Bank may also dispose its financial assets at FVOCI when the need for liquidity arises.

Minimum Liquidity Ratio (MLR)
Under Section 145, *Liquidity Risk Management*, of the Manual of Regulations for Banks (MORB), thrift banks, rural/cooperative banks (RBs and Coop Banks), and quasi-banks (QBs) that are not subsidiaries of universal or commercial banks (UBs/KBs) are required to maintain a prudential Minimum Liquidity Ratio (MLR) of 20% daily to promote short-term resilience to liquidity shocks. MLR is expressed as a percentage of eligible stock of liquid assets to its total qualifying liabilities. The stock of liquid assets is required to be unencumbered and readily liquefiable, while the qualifying liabilities include both on-balance sheet and off-balance sheet commitments.

The Bank is compliant with the requirement having an MLR of 23.62% and 20.91% as at December 31, 2025 and 2024, respectively.

Market Risk
Market risk is the risk of loss of future earnings, fair values or future cash flows as a result of changes in interest rate, foreign exchange rate, commodity prices, equity prices and other market changes. The Bank's market risk originates from its holdings of debt securities.

ALCO, chaired by the Head of Treasury, is the management level committee responsible for review and management of market risk. In managing market risk, the Bank uses a framework of policies and procedures, measurement tools, controls and limits. The Bank's Treasury Group manages asset/liability risks arising from both normal banking operations and from trading operations in financial market. Daily monitoring of compliance with the policies, procedures and limits is performed by the Market Risk Department under RMG. The limits are annually reviewed by the ALCO and RMG and approved by RMC. RMG performs regular reporting to ALCO and to the RMC, which is a sub-committee of the BOD.

Interest Rate Risk
The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rate, is kept within acceptable limits.

The Bank measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of Earnings-at-Risk (EaR). EaR is a measure of likely earnings volatility for accrual portfolios. It is calculated as the change in income over the next 12 months, given current exposures that will result from one-year standard deviation change in interest rate, updated monthly. EaR is calculated based on 99.00% confidence level. It is accomplished monthly, with quarterly stress test.

The following tables demonstrate the sensitivity to a reasonable possible change in interest rate of the Bank's net income and equity with all other variables held constant:

	2025				2024			
	Increase (Decrease) in Basis Points				Increase (Decrease) in Basis Points			
	50	**50**	**(50)**	**(50)**	50	50	(50)	(50)
Amounts in Millions	**Net Income**	**Equity**	**Net Income**	**Equity**	Net Income	Equity	Net Income	Equity
Changes in net interest income:								
Loans and receivables	**₱37.49**	**₱18.75**	**(₱37.49)**	**(₱18.75)**	₱31.91	₱15.95	(₱31.91)	(₱15.95)
Investment securities at amortized cost	**(4.56)**	**(2.30)**	**4.73**	**2.34**	3.69	1.89	(3.86)	(1.91)
Deposit liabilities	**(53.81)**	**(26.90)**	**53.81**	**26.90**	(40.96)	(20.48)	40.96	20.48
As a percentage of the net interest income for the year	**(0.7%)**	**(0.3%)**	**0.7%**	**0.3%**	(0.4%)	(0.2%)	0.4%	0.2%
Changes in equity* - Financial assets at FVOCI	**(86.13)**	**(43.65)**	**91.04**	**44.89**	(36.94)	(18.60)	39.37	19.54

**The impact on the Bank's equity already excludes the impact of transactions affecting the profit or loss.*

In June 2024, the Bank adopted the Economic Value of Equity (EVE) as an additional measure to complement the EaR by determining the potential impact of interest rates on the Bank's economic value relative to its equity. It is defined as the net present value of bank's assets, liabilities, and off-balance sheet items subject to interest rate shocks and stress scenarios.

Foreign Currency Risk
Foreign currency risk is the risk of an investment's value erosion due to an adverse movement in foreign exchange rate. It arises due to a mismatch in the Bank's foreign currency-denominated assets and liabilities.

Foreign currency-denominated deposits are generally used to fund the Bank's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency-denominated liabilities with the foreign currency-denominated assets held under the FCDU books. In addition, the BSP requires 100% asset coverage for its FCDU liabilities, 30% of which should be in the form of liquid assets. As at December 31, 2025 and 2024, the Bank is in compliance with the said regulation.

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The following table summarizes the Bank's foreign currency-denominated financial assets and liabilities as at December 31, 2025 and 2024. Included in the table are assets and liabilities at carrying amounts in Philippine Peso equivalent, categorized by currency.

	2025			2024		
	USD	**Others***	**Total**	USD	Others*	Total
Financial Assets						
Cash and other cash items	**₱48,266,943**	**₱2,522**	**₱48,269,465**	₱45,590,305	₱3,843	₱45,594,148
Due from other banks	**2,344,011,184**	**21,904,154**	**2,365,915,338**	2,104,053,117	16,817,372	2,120,870,489
Investment securities	**1,318,510,971**	**–**	**1,318,510,971**	1,080,827,707	–	1,080,827,707
Loans and receivables	**329,224,000**	**–**	**329,224,000**	650,756,250	–	650,756,250
	4,040,013,098	**21,906,676**	**4,061,919,774**	3,881,227,379	16,821,215	3,898,048,594
Financial Liabilities						
Deposit liabilities	**3,952,905,104**	**5,882,819**	**3,958,787,923**	3,777,320,561	7,675,872	3,784,996,433
Net Exposure	**₱87,107,994**	**₱16,023,857**	**₱103,131,851**	₱103,906,818	₱9,145,343	₱113,052,161

**Consist of Euro, United Kingdom Pound, Canadian Dollar, Australian Dollar, Hong Kong Dollar, New Zealand Dollar, Singapore Dollar, Japanese Yen, Swiss Franc and Chinese Yuan.*

The following table sets forth the impact of reasonably possible changes in the USD exchange rate on the Bank's net income:

	Increase (Decrease) in Currency			
Amounts in Millions	5.0%	10.0%	(5.0%)	(10.0%)
USD				
2025	**₱0.65**	**₱1.31**	**(₱0.65)**	**(₱1.31)**
2024	₱0.58	₱1.15	(₱0.58)	(₱1.15)

The increase in USD exchange rate represents depreciation of Philippine Peso while the decrease in USD exchange rate represents an appreciation of Philippine Peso. The increase or decrease in exchange rate of other currencies is not significant.

There is no other impact in the Bank's equity other than those already affecting the net income.

Market Risk in the Trading Book
The Bank is exposed to the potential loss in its trading portfolio because the value of its trading positions is sensitive to changes in market prices and rate. The trading activities of the Bank include investments in fixed income securities and foreign exchange trading, which exposes the Bank to interest rate and foreign exchange risks. In the trading book, market risk is controlled by a daily analysis of the Value-at-Risk (VaR) of financial instruments under normal market conditions.

Objectives and Limitations of the VaR Methodology
The Bank uses the VaR approach in assessing possible changes in the market value of the trading portfolio based on historical data for a rolling one year period. The Bank employs the use of historical methodology in calculating the VaR. This model assumes that the exact distribution of past returns does not apply during sudden changes in market condition. The use of historical VaR model has limitations and requires a significant amount of risk factor history. It does not capture probabilities that have not yet occurred while it captures irregularities present in the historical database.

The VaR figures are backtested to validate the robustness of the VaR model. The Bank performs the hypothetical and actual backtesting procedures for both RBU and FCDU securities. Likewise, to complement VaR measurement, the Bank performs stress tests wherein the trading portfolios are valued under extreme market scenarios.

VaR Assumptions/Parameters
The VaR that the Bank measures is an estimate that uses actual historical rates and revalues positions for any changes in the market. It is appropriate for all types of instruments, linear and non-linear, with stable risk factors for which there is a rich historical database. Since VaR is an integral part of the Bank's market risk management, VaR limits have been established annually for all financial trading activities and exposures against the limits are monitored on a daily basis. Limits are based on the tolerable risk appetite of the Bank.

The Market Risk Officer of the Bank prepares a daily VaR report containing details on the VaR amount, VaR limit utilization, and VaR limit breaches, if any. This report is submitted to the traders concerned, the Treasury Head, Chief Risk Officer, Treasury Operations Head and the President. Moreover, the VaR results are discussed and reported in the monthly Risk Management Committee meetings.

The following table provides the VaR summary of the Bank for the years ended December 31:

	2025		2024	
Amounts in Thousands	**Foreign Exchange**	**Fixed Income**	Foreign Exchange	Fixed Income
December 28	**₱1,834**	**₱1,547**	₱778	₱4,315
Average Daily	**876**	**6,448**	598	4,820
Highest	**2,215**	**11,162**	1,310	6,957
Lowest	**250**	**716**	0.11	772

Fixed income VaR includes value-at-risk for investment securities denominated in currencies other than Philippine Peso. VaR, being a measure of risk in the trading book, only includes held for trading portfolio.

The Bank's trading in fixed income securities is exposed to movements in interest rate. The high and low of the total portfolio may not equal to the sum of the individual components as the high and low of the individual portfolios may have occurred on different trading days. The VaR of foreign exchange is the foreign exchange risk throughout the Bank. The Bank, when aggregating the foreign exchange VaR and interest VaR, does not consider the correlation effects between the two risks.

Capital Management
The primary objectives of the Bank's capital management are to ensure that it complies with externally-imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it where there are changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital, or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

Regulatory Qualifying Capital
Under Appendix 59, *Risk-based Capital Adequacy Framework for the Philippine Banking System*, of the MORB, the determination of compliance with regulatory requirements and ratios is based on the amount of the "qualifying capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS Accounting Standards in some respects.

The risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10%. Qualifying capital and risk-weighted assets (RWA) are computed based on the BSP regulations. RWA consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letter of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. RWA is the sum of credit RWA, market RWA, and operational RWA, as defined under Appendix 59 of MORB.

The details of CAR as at December 31, as reported to the BSP are as follows:

Amounts in Thousands	**2025**	2024
Common Equity Tier 1 (CET1) capital	**₱5,041,784**	₱4,325,023
Additional Tier 1 (AT1) capital	**–**	–
Tier 1 capital	**5,041,784**	4,325,023
Required deductions	**578,439**	409,002
	4,463,345	3,916,021
Excess from Tier 2 deducted from Tier 1 Capital*	**–**	–
Net Tier 1 Capital	**4,463,345**	3,916,021
Tier 2 capital	**2,021,166**	1,939,857
Required deductions	**–**	–
	2,021,166	1,939,857
Excess of Tier 2 deducted from Tier 1 Capital*	**–**	–
Net Tier 2 Capital	**2,021,166**	1,939,857
Total Qualifying Capital	**₱6,484,511**	₱5,855,878

**Deductions to Tier 2 Capital are capped at its total gross amount and any excess shall be deducted from Tier 1 Capital.*

	2025	2024
Credit RWA	**₱50,221,431**	₱39,972,852
Market RWA	**168,889**	1,253,145
Operational RWA	**3,102,556**	2,957,017
Total RWA	**₱53,492,876**	₱44,183,014
CET1/Tier 1 capital ratio	**8.34%**	8.86%
Total capital ratio	**12.12%**	13.25%

The Bank's regulatory qualifying capital consists of Tier 1 (core) capital, which comprises paid-up common stock, surplus including current year profit, and cumulative foreign currency translation less required deductions such as unsecured credit accommodations to DOSRI and deferred tax assets and defined benefits pension. Certain adjustments are made to results and reserves based on PFRS Accounting Standards, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes paid-up preferred stock, unsecured subordinated debt and general loan loss provision (GLLP).

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the ratings by S&P, Moody's, Fitch and Philratings on exposures to sovereigns, multilateral development banks, banks, local government units, government corporations and corporates.

The Bank has complied with all externally imposed capital requirements in 2025 and 2024.

Leverage Ratio

The BSP also requires the maintenance of leverage ratio of not less than 5.00%, which is designed to act as a supplementary measure to risk-based capital requirements.

The Bank's leverage ratio, which is computed by dividing the total capital by the total exposure measure, is as follows:

Amounts in Thousands	**2025**	2024
Total capital	**₱5,041,784**	₱4,325,023
Total exposure measure	**73,865,242**	58,444,493
Leverage ratio	**6.83%**	7.40%

As at December 31, 2025 and 2024, the Bank is compliant with the leverage ratio requirements of the BSP.

5. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Bank's assets measured at fair value and for which fair values are disclosed, and the corresponding hierarchy.

	2025			
		Fair Value		
	Carrying Amount	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets Measured at Fair Value				
Financial assets at FVPL - Government securities	**₱121,334,329**	**₱121,334,329**	**₱–**	**₱–**
Financial assets at FVOCI - Government securities	**8,393,363,165**	**8,393,363,165**	**–**	**–**
	8,514,697,494	**8,514,697,494**	**–**	**–**
Assets for which Fair Values are Disclosed				
Financial assets at amortized cost:				
Government securities	**85,979,320**	**85,979,320**	**–**	**–**
Private bonds	**70,301,879**	**70,301,879**	**–**	**–**
Loans and receivables:				
Receivable from customers:				
Consumer loans	**13,928,979,609**	**–**	**–**	**14,583,596,531**
Corporate loans	**40,851,962,917**	**–**	**–**	**41,309,351,879**
Sales contracts receivable	**46,852,802**	**–**	**–**	**47,952,942**
	54,984,076,527	**156,281,199**	**–**	**55,940,901,352**
Foreclosed assets:				
Investment properties	**494,882,259**	**–**	**866,935,465**	**–**
Assets held for sale	**20,769,081**	**–**	**20,769,081**	**–**
Refundable deposits	**31,982,386**	**–**	**–**	**31,982,386**
Total Assets	**₱64,046,407,747**	**₱8,670,978,693**	**₱887,704,546**	**₱55,878,843,398**
Liabilities for which Fair Values are Disclosed				
Time deposits	**₱9,458,806,223**	**₱–**	**₱9,458,806,223**	**₱–**
Unsecured subordinated debt	**1,300,000,000**	**–**	**1,211,762,361**	**–**
Lease liabilities	**235,269,918**	**–**	**–**	**235,269,918**
Total Liabilities	**₱10,994,076,141**	**₱–**	**₱10,670,568,584**	**₱235,269,918**

	2024			
		Fair Value		
	Carrying Amount	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Financial assets at FVPL -				
Government securities	₱918,519,814	₱918,519,814	₱–	₱–
Financial assets at FVOCI:				
Government securities	4,208,989,538	4,208,989,538	–	–
Private bonds	67,474,120	67,474,120	–	–
	5,194,983,472	5,194,983,472	–	–
Assets for which Fair Values are Disclosed				
Financial assets at amortized cost:				
Government securities	87,574,925	87,415,258	–	–
Private bonds	69,627,733	69,148,206	–	–
Loans and receivables:				
Receivable from customers:				
Consumer loans	11,401,531,561	–	–	12,044,085,693
Corporate loans	32,342,715,214	–	–	33,301,450,702
Sales contracts receivable	27,542,541	–	–	30,939,352
	43,928,991,974	156,563,464	–	45,376,475,747
Foreclosed assets:				
Investment properties	541,214,403	–	692,547,673	–
Assets held for sale	33,741,786	–	33,741,786	–
Refundable deposits	29,869,793	–	–	29,869,793
Total Assets	₱49,728,801,428	₱5,351,546,936	₱726,289,459	₱45,406,345,540
Liabilities for which Fair Values are Disclosed				
Time deposits	₱14,080,710,890	₱–	₱14,080,710,890	₱–
Unsecured subordinated debt	1,300,000,000	–	1,149,349,068	–
Lease liabilities	280,178,502	–	–	280,178,502
Total Liabilities	₱15,660,889,392	₱–	₱15,230,059,958	₱280,178,502

There were no transfers between levels/hierarchies of fair value measurements in 2025 and 2024.

The methods and assumptions used by the Bank in estimating the fair value of the assets and liabilities of the Bank that are carried at fair value and those whose fair values are disclosed are as follows.

Investment Securities. Fair values are generally based upon quoted market prices, if available. If the market prices are not readily available, fair values are estimated by either using values obtained from adjusted quoted market prices of comparable investments.

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

	Range (weighted average)	
Significant Unobservable Inputs	**2025**	2024
Transfer pool rate	**6.74% - 7.13%**	7.05% - 7.79%
Credit spread	**2.49% - 3.88%**	3.46% - 4.41%

Certain loans are subject to quarterly repricing. Hence, the carrying amounts of these loans approximate fair values.

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

Foreclosed Assets. Fair value is based on valuation using the market data approach, as determined by an independent and/or in-house appraiser. Valuations were derived on the basis of recent sales of similar properties in the same area as the properties and taking into account the economic conditions prevailing at the time the valuations were made. The most significant input into this valuation approach is the price per square meter for investment properties and the unit price for assets held for sale, hence, the higher the price per square meter or unit price, the higher the fair value. The fair value measurement is categorized as Level 2 (significant observable inputs).

Refundable Deposits. Fair value is based on discounted cash flows using the prevailing credit-adjusted interest rate.

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

Time Deposits and Unsecured Subordinated Debt. Fair values of these instruments are estimated using the discounted cash flow methodology using the Bank's current incremental borrowing rates for similar borrowings with maturities consistent with the remaining liabilities being valued.

Lease Liabilities. Fair values are estimated using the discounted cash flow methodology, using the Bank's incremental borrowing rates upon commencement of leases.

Sensitivity Analysis. Generally, significant increases (decreases) in rate would result in a significantly (lower) higher fair value measurement.

The table below presents the financial assets and liabilities of the Bank, whose carrying amounts approximate fair values due to the short-term nature or demand feature of the transactions:

	2025	2024
Financial Assets		
Cash and other cash items	**₱513,006,024**	₱591,461,645
Due from BSP	**2,498,435,346**	2,693,012,542
Due from other banks	**2,428,980,563**	2,185,035,209
Interbank loans receivable	**1,550,000,000**	–
Loans and receivables:		
Accrued interest income	**705,185,178**	875,338,955
Accounts receivable	**362,602,665**	101,307,603
Other assets*	**126,232,568**	125,708,056
	₱8,184,442,344	₱6,571,864,010
Financial Liabilities		
Deposit liabilities		
Savings	**₱44,990,909,593**	₱24,368,291,618
Demand	**10,118,993,184**	10,703,889,573
	55,109,902,777	35,072,181,191
Interbank loans payable	**–**	175,000,000
Manager's checks	**113,427,962**	131,325,324
Accrued interest and other expenses	**196,920,349**	167,852,719
Other liabilities**	**836,452,816**	970,702,205
	₱56,256,703,904	₱36,517,061,439

**Comprised of restricted cash and RCOCI.*
***Excluding due to PDIC, withholding taxes, and statutory obligations.*

6. Interbank Loans Receivable and Payable

Interbank loans receivable and payable amounting to ₱1,550.0 million and ₱175.0 million as at December 31, 2025 and 2024, respectively, pertain to short-term loans with local and foreign banks with maturities up to three months.

Interbank loans payable and receivable bear interest rates as follows:

	2025	2024
Local banks	**3.75% to 6.00%**	4.25% to 6.56%
Foreign banks	**3.25% to 3.98%**	4.19% to 4.98%

Interest income on interbank loans receivable amounted to ₱109.3 million and ₱104.1 million in 2025 and 2024, respectively.

Interest expense on interbank loans payable amounted to ₱2.8 million and ₱443,550 in 2025 and 2024, respectively (see Note 13).

7. Investment Securities

This account consists of:

	2025			
	Financial Assets at			
	FVPL	**FVOCI**	**Amortized Cost**	**Total**
Balances at beginning of year	**₱918,519,814**	**₱4,292,537,121**	**₱157,202,658**	**₱5,368,259,593**
Additions	**8,520,571,509**	**44,836,100,000**	**60,928,047**	**53,417,599,556**
Matured investments	**–**	**(39,589,340,022)**	**(58,790,000)**	**(39,648,130,022)**
Disposals	**(9,317,756,994)**	**(1,185,160,000)**	**–**	**(10,502,916,994)**
Net unrealized fair value gain	**–**	**32,903,427**	**–**	**32,903,427**
Amortization of premium (discount)	**–**	**22,396,102**	**(3,059,506)**	**19,336,596**
	₱121,334,329	**₱8,409,436,628**	**₱156,281,199**	**₱8,687,052,156**

	2024			
	Financial Assets at			
	FVPL	FVOCI	Amortized Cost	Total
Balances at beginning of year	₱114,982	₱3,573,813,409	₱142,950,574	₱3,716,878,965
Additions	6,635,317,814	31,247,426,000	69,414,000	37,952,157,814
Matured investments	–	(30,573,873,040)	(51,657,500)	(30,625,530,540)
Disposals	(5,716,912,982)	–	–	(5,716,912,982)
Net unrealized fair value gain	–	23,993,849	–	23,993,849
Amortization of premium (discount)	–	21,176,903	(3,504,416)	17,672,487
	₱918,519,814	₱4,292,537,121	₱157,202,658	₱5,368,259,593

Financial Assets at FVPL

Financial assets at FVPL primarily consist of government securities held by the Bank for trading.

Financial Assets at FVOCI

Financial assets at FVOCI are comprised of the following:

	2025	2024
Government-issued securities	**₱8,393,363,165**	₱4,208,989,538
Unquoted equity security	**16,073,463**	16,073,463
Private bonds	**–**	67,474,120
	₱8,409,436,628	₱4,292,537,121

Financial assets at FVOCI bear annual effective interest rates as follows:

	2025	2024
Philippine Peso-denominated	**4.82% to 6.13%**	5.90% to 6.18%
Foreign currency-denominated	**3.96% to 4.57%**	4.09% to 5.33%

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

	2025	2024
Balance at beginning of year	**₱20,602,325**	(₱3,391,524)
Net unrealized gains	**32,903,427**	23,993,849
Balance at end of year	**₱53,505,752**	₱20,602,325

The unquoted equity security pertains to the Bank's investment in shares of stock of Bancnet, Inc. (Bancnet), which the Bank intends to hold for long-term.

Net trading and securities gains from investment securities are as follows:

	2025	2024
Financial assets at:		
FVPL	**₱85,441,812**	₱46,122,227
FVOCI	**29,294,494**	–
	₱114,736,306	₱46,122,227

Financial Assets at Amortized Cost

Financial assets at amortized cost comprised of:

	2025	2024
Government securities	**₱85,979,320**	₱87,574,925
Private bonds	**70,301,879**	69,627,733
	₱156,281,199	₱157,202,658

In 2025 and 2024, effective interest rates of financial assets at amortized cost range from 4.16% to 4.42% and 4.09% to 5.26%, respectively.

Interest income on investment securities are as follows:

	2025	2024
Financial assets at:		
FVOCI	**₱319,226,942**	₱248,341,374
FVPL	**63,025,216**	57,533,245
Amortized cost	**8,428,838**	7,348,985
	₱390,680,996	₱313,223,604

8. Loans and Receivables

This account consists of:

	2025	2024
Receivables from customers	**₱55,806,886,391**	₱44,600,666,123
Accrued interest	**705,185,178**	875,338,955
Accounts receivable	**362,602,665**	101,307,603
Sales contracts receivable	**47,784,640**	30,752,942
	56,922,458,874	45,608,065,623
Allowance for credit and impairment losses	**(1,036,032,131)**	(851,609,091)
	₱55,886,426,743	₱44,756,456,532

Receivables from customers consist of:

	2025	2024
Loans and discounts:		
Corporate loans	**₱41,436,540,956**	₱32,781,948,701
Consumer loans	**14,362,535,416**	11,810,696,764
Others	**9,979,600**	9,979,600
	55,809,055,972	44,602,625,065
Unearned discounts and capitalized interest	**(2,169,581)**	(1,958,942)
	₱55,806,886,391	₱44,600,666,123

Accounts receivable include receivables relating to car lease agreements amounting to ₱43.4 million and ₱45.6 million as at December 31, 2025 and 2024, respectively, and withdrawals made by depositors of other banks to the Bank's Automated Teller Machines (ATM).

Sales contracts receivable pertain to receivables from buyers of foreclosed real estate properties bearing 8.00% to 11.00% nominal interest, with terms of three to 15 years.

Details of interest income on loans and receivables are as follows:

	2025	2024
Corporate loans	**₱3,048,887,443**	₱2,405,924,494
Consumer loans	**1,199,014,921**	940,808,085
Sales contracts receivable	**2,915,461**	2,028,865
Others	**21,812,572**	8,493,606
	₱4,272,630,397	₱3,357,255,050

Of the total loans and receivables as at December 31, 2025 and 2024, 92.64% and 91.77%, respectively, are subject to periodic interest repricing. The remaining peso-denominated loans have annual fixed interest ranging from 2.50% to 30.00% in 2025 and 2.574% to 29.56% in 2024.

Movements in the allowance for credit and impairment losses on loans and receivables are as follows:

	2025			
	Corporate Loans	Consumer Loans	Others	Total
Balances at beginning of year	**₱439,233,487**	**₱409,165,203**	**₱3,210,401**	**₱851,609,091**
Provision	**145,344,552**	**24,390,604**	**14,687,884**	**184,423,040**
Balances at end of year	**₱584,578,039**	**₱433,555,807**	**₱17,898,285**	**₱1,036,032,131**

	2024			
	Corporate Loans	Consumer Loans	Others	Total
Balances at beginning of year	₱450,630,703	₱436,119,071	₱2,103,298	₱888,853,072
Write-offs	–	(55,359,986)	–	(55,359,986)
Provision (reversal)	(11,397,216)	28,406,118	1,107,103	18,116,005
Balances at end of year	₱439,233,487	₱409,165,203	₱3,210,401	₱851,609,091

Below is the analysis of corporate loans (gross of unearned discounts and capitalized interest):

	2025			
	Stage 1	Stage 2	Stage 3	Total
Gross Amount				
Balances at beginning of year	**₱30,099,548,498**	**₱846,836,302**	**₱1,835,563,901**	**₱32,781,948,701**
Loan releases	**9,318,302,913**	**–**	**–**	**9,318,302,913**
Payments or reclassifications upon foreclosure	**(120,299,973)**	**(529,167,125)**	**(14,243,560)**	**(663,710,658)**
Transfers to stage 3	**(1,331,203,690)**	**–**	**1,331,203,690**	**–**
Balances at end of year	**37,966,347,748**	**317,669,177**	**3,152,524,031**	**41,436,540,956**
Allowance for Credit and Impairment Losses				
Balances at beginning of year	**30,932,292**	**16,861,863**	**391,439,332**	**439,233,487**
Provisions (reversals)	**9,977,086**	**6,236,374**	**129,131,092**	**145,344,552**
Transfers to stage 3	**(2,710,020)**	**–**	**2,710,020**	**–**
Balances at end of year	**38,199,358**	**23,098,237**	**523,280,444**	**584,578,039**
Carrying Amount	**₱37,928,148,390**	**₱294,570,940**	**₱2,629,243,587**	**₱40,851,962,917**

	2024			
	Stage 1	Stage 2	Stage 3	Total
Gross Amount				
Balances at beginning of year	₱23,144,695,299	₱1,055,545,400	₱1,575,136,419	₱25,775,377,118
Loan releases	7,124,937,955	–	–	7,124,937,955
Payments or reclassifications upon foreclosure	(85,900,560)	(4,749,398)	(27,716,414)	(118,366,372)
Transfers to stage 3	(84,184,196)	(203,959,700)	288,143,896	–
Balances at end of year	30,099,548,498	846,836,302	1,835,563,901	32,781,948,701
Allowance for Credit and Impairment Losses				
Balances at beginning of year	40,274,229	59,139,332	351,217,142	450,630,703
Provisions (reversals)	(1,010,660)	12,055,244	(22,441,800)	(11,397,216)
Transfers to stage 3	(8,331,277)	(54,332,713)	62,663,990	–
Balances at end of year	30,932,292	16,861,863	391,439,332	439,233,487
Carrying Amount	₱30,068,616,206	₱829,974,439	₱1,444,124,569	₱32,342,715,214

Below is the analysis of movements of consumer loans (gross of unearned discounts and capitalized interest):

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross Amount				
Balances at beginning of year	**₱10,769,720,316**	**₱194,728,276**	**₱846,248,172**	**₱11,810,696,764**
Loan releases	**4,833,078,934**	**48,976,377**	**218,328,239**	**5,100,383,550**
Payments or reclassifications upon foreclosure	**(2,414,892,590)**	**(24,488,189)**	**(109,164,119)**	**(2,548,544,898)**
Transfers to stage 1	**23,843,194**	**(22,027,739)**	**(1,815,455)**	**–**
Transfers to stage 2	**(93,894,808)**	**97,993,874**	**(4,099,066)**	**–**
Transfers to stage 3	**(47,933,653)**	**(11,956,416)**	**59,890,069**	**–**
Balances at end of year	**13,069,921,393**	**283,226,183**	**1,009,387,840**	**14,362,535,416**
Allowance for Credit and Impairment Losses				
Balances at beginning of year	**4,465,832**	**868,282**	**403,833,089**	**409,167,203**
Provisions	**13,648,616**	**4,830,470**	**5,909,518**	**24,388,604**
Transfers to stage 1	**14,033**	**(14,033)**	**–**	**–**
Transfers to stage 2	**(292,743)**	**433,606**	**(140,863)**	**–**
Transfers to stage 3	**(3,695,809)**	**(4,430,375)**	**8,126,184**	**–**
Balances at end of year	**14,139,929**	**1,687,950**	**417,727,928**	**433,555,807**
Carrying Amount	**₱13,055,781,464**	**₱281,538,233**	**₱591,659,912**	**₱13,928,979,609**

	2024			
	Stage 1	Stage 2	Stage 3	Total
Gross Amount				
Balances at beginning of year	₱8,245,985,627	₱196,345,103	₱888,388,274	₱9,330,719,004
Loan releases	4,974,381,648	39,408,136	23,663,357	5,037,453,141
Payments or reclassifications upon foreclosure	(2,347,715,108)	(72,675,882)	(81,724,405)	(2,502,115,395)
Write-offs	–	–	(55,359,986)	(55,359,986)
Transfers to stage 1	30,382,969	(28,343,132)	(2,039,837)	–
Transfers to stage 2	(79,456,783)	83,771,589	(4,314,806)	–
Transfers to stage 3	(53,858,037)	(23,777,538)	77,635,575	–
Balances at end of year	10,769,720,316	194,728,276	846,248,172	11,810,696,764
Allowance for Credit and Impairment Losses				
Balances at beginning of year	6,335,154	714,540	429,069,377	436,119,071
Write-offs	–	–	(55,359,986)	(55,359,986)
Provisions	4,832,821	4,498,949	19,074,348	28,406,118
Transfers to stage 1	12,419	(12,419)	–	–
Transfers to stage 2	(314,777)	463,054	(148,277)	–
Transfers to stage 3	(6,399,785)	(4,797,842)	11,197,627	–
Balances at end of year	4,465,832	866,282	403,833,089	409,165,203
Carrying Amount	₱10,765,254,484	₱193,861,994	₱442,415,083	₱11,401,531,561

9. Foreclosed Assets

Details of foreclosed assets are as follows:

	2025	2024
Investment properties	**₱494,882,259**	₱541,214,403
Assets held for sale	**20,769,081**	33,741,786
Other foreclosed assets	**7,327,039**	3,568,031
	₱522,978,379	₱578,524,220

In 2025 and 2024, loans with an aggregate carrying amount of ₱44.2 million and ₱26.5 million, respectively, were derecognized in exchange for foreclosed properties.

As at December 31, 2025 and 2024, cumulative unrealized losses on foreclosure amounted to ₱44.4 million and ₱38.0 million, respectively.

Investment Properties

Details and movements in investment properties are as follows:

	2025			2024		
	Land	**Buildings and Improvements**	**Total**	Land	Buildings and Improvements	Total
Cost						
Balance at beginning of year	**₱245,402,035**	**₱389,051,292**	**₱634,453,327**	₱266,168,887	₱384,361,335	₱650,530,222
Disposals	**(13,500,000)**	**(57,327,346)**	**(70,827,346)**	(20,766,852)	(31,079,083)	(51,845,935)
Additions	**13,009,000**	**33,911,338**	**46,920,338**	–	35,769,040	35,769,040
Balance at end of year	**244,911,035**	**365,635,284**	**610,546,319**	245,402,035	389,051,292	634,453,327
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**93,238,924**	**93,238,924**	–	65,187,515	65,187,515
Depreciation (see Note 10)	**–**	**30,854,432**	**30,854,432**	–	31,457,999	31,457,999
Disposals	**–**	**(8,429,296)**	**(8,429,296)**	–	(3,406,590)	(3,406,590)
Balance at end of year	**–**	**115,664,060**	**115,664,060**	–	93,238,924	93,238,924
Carrying Amount	**₱244,911,035**	**₱249,971,224**	**₱494,882,259**	₱245,402,035	₱295,812,368	₱541,214,403

No income was recognized related to the investment properties.

The aggregate fair values of the investment properties amounted to ₱866.9 million and ₱692.5 million as at December 31, 2025 and 2024, respectively. The fair value of the investment properties is determined using the Market Data Approach and is based on recent sale transactions involving properties within the same areas or vicinities taking into account the economic conditions prevailing at the time the valuations were made. The fair value measurement is categorized as Level 2.

Assets Held for Sale

Assets held for sale, which mainly consist of non-real estate foreclosed assets, are those determined to be saleable within one year from the classification as assets held for sale.

Movements of allowance for impairment losses of assets held for sale is as follows:

	Note	**2025**	2024
Balance at beginning of year		**₱20,834,873**	₱8,027,934
Provision	20	**32,438,831**	12,806,939
Disposals		**(13,348,661)**	–
Balance at end of year		**₱39,925,043**	₱20,834,873

Other Foreclosed Assets

This account, which pertains to foreclosed assets other than real estate properties, amounted to ₱7.3 million and ₱3.6 million as at December 31, 2025 and 2024, respectively.

Depreciation on other foreclosed assets amounted to ₱1.5 million and ₱2.0 million in 2025 and 2024, respectively (see Note 10).

Proceeds from sale of foreclosed assets amounted to ₱32.6 million and ₱26.8 million in 2025 and 2024, respectively.

Details of net gains from assets sold or acquired are as follows:

	Note	2025	2024
Foreclosed properties:			
Gain on sale		**₱37,686,674**	₱8,749,705
Gain on foreclosure		**4,150,165**	3,694,484
Gain on sale of property and equipment	10	**368,223**	531,085
		₱42,205,062	₱12,975,274

10. Property and Equipment

Movements in this account are as follows:

	2025					
	Land	Building and Condominium Units	ROU Assets (see Note 18)	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Cost						
Balances at beginning of year	₱164,344,500	₱250,826,035	₱716,894,127	₱465,458,799	₱306,674,679	₱1,904,198,140
Additions	–	1,211,431	40,037,484	57,051,520	53,916,905	152,217,340
Disposals	–	–	–	(45,555,176)	(12,163,197)	(57,718,373)
Balances at end of year	164,344,500	252,037,466	756,931,611	476,955,143	348,428,385	1,998,697,107
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	147,222,211	463,908,586	339,999,346	285,395,283	1,236,525,426
Depreciation and amortization	–	6,912,296	87,028,048	44,490,108	9,998,060	148,428,512
Disposals	–	–	–	(40,517,298)	(648,000)	(41,165,298)
Balances at end of year	–	154,134,507	550,936,634	343,972,156	294,745,343	1,343,788,640
Carrying Amount	₱164,344,500	₱97,902,959	₱205,994,977	₱132,982,987	₱53,683,042	₱654,908,467

	2024					
	Land	Building and Condominium Units	ROU Assets (see Note 18)	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Cost						
Balances at beginning of year	₱164,344,500	₱249,385,860	₱633,703,131	₱462,492,855	₱290,941,844	₱1,800,868,190
Additions	–	1,825,175	83,190,996	57,470,468	20,311,802	162,798,441
Disposals	–	(385,000)	–	(54,504,524)	(4,578,967)	(59,468,491)
Balances at end of year	164,344,500	250,826,035	716,894,127	465,458,799	306,674,679	1,904,198,140
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	140,418,816	388,446,654	353,328,960	282,074,124	1,164,268,554
Depreciation and amortization	–	6,803,395	75,461,932	37,801,226	3,505,126	123,571,679
Disposals	–	–	–	(51,130,840)	(183,967)	(51,314,807)
Balances at end of year	–	147,222,211	463,908,586	339,999,346	285,395,283	1,236,525,426
Carrying Amount	₱164,344,500	₱103,603,824	₱252,985,541	₱125,459,453	₱21,279,396	₱667,672,714

Additions to property and equipment, excluding ROU assets, amounted to ₱112.2 million and ₱79.6 million in 2025 and 2024, respectively.

Certain property and equipment were sold in 2025 and 2024 for ₱16.9 million and ₱8.6 million, respectively. Gain on sale included under "Net losses from assets sold or acquired" in the statements of income amounted to ₱368,223 and ₱531,085 in 2025 and 2024, respectively (see Note 9).

As at December 31, 2025 and 2024, the cost of fully depreciated assets, which are still being used in the operations, amounted to ₱552.1 million and ₱570.0 million, respectively.

Details of depreciation and amortization are as follows:

	Note	2025	2024
Property and equipment		**₱148,428,512**	₱123,571,679
Foreclosed assets:	9		
Investment properties		**30,854,432**	31,457,999
Other foreclosed assets		**1,477,233**	2,010,065
Computer software	11	**23,113,920**	24,766,432
	20	**₱203,874,097**	₱181,806,175

11. Intangible Assets

This account consists of:

	2025	2024
Branch licenses	**₱225,390,000**	₱225,390,000
Computer software	**73,949,748**	86,282,041
	₱299,339,748	₱311,672,041

Branch licenses, recognized from business combination, include branch licenses from CSB amounting to ₱128.0 million, and licensing fees incurred in opening additional branches.

The impairment test on branch licenses is based on value-in-use calculations determined using a discounted cash flow model. The recoverable amount of the CGU has been determined based on cash flow projections from financial budgets approved by senior management covering a five-year period. The discount rates applied to cash flow projections are 5.75% and 6.09% in 2025 and 2024, respectively, and cash flows beyond the five year-period are extrapolated using a steady growth rate of 10% in 2025 and 2024, which does not exceed the long-term average growth rate for the industry.

The calculation of the value-in-use of the CGU is most sensitive to the following assumptions:

- Discount rate;
- Steady growth rate used to extrapolate cash flows beyond the projection period; and
- Local inflation rate.

The key assumptions are consistent with information from external sources. With regard to the assessment of value-in-use of the CGU, management believes that no reasonably possible change in any of the foregoing key assumptions would cause the carrying amount of the branch licenses to materially exceed its recoverable amount.

Movements in computer software are as follows:

	Note	2025	2024
Cost			
Balance at beginning of year		**₱463,208,875**	₱423,689,149
Additions		**10,781,627**	39,519,726
Balance at end of year		**473,990,502**	463,208,875
Accumulated Amortization			
Balance at beginning of year		**376,926,834**	352,160,402
Amortization	10	**23,113,920**	24,766,432
Balance at end of year		**400,040,754**	376,926,834
Carrying Amount		**₱73,949,748**	₱86,282,041

12. Other Assets

This account consists of:

	Note	2025	2024
Restricted cash		**₱125,880,140**	₱125,239,320
Prepaid expenses		**74,842,400**	81,033,266
Refundable deposits	18	**31,982,386**	29,869,793
Documentary stamp taxes		**9,909,154**	13,822,997
Deferred lease	18	**1,536,231**	1,756,956
RCOCI		**352,428**	468,736
Others		**13,436,335**	22,417,608
		₱257,939,074	₱274,608,676

Restricted cash pertains to funds set aside by the Bank to comply with the requirement under BSP Circular No. 1166, *Amendments to the Regulations on Electronic Money and the Operations of Electronic Money Issuers in the Philippines*, which requires the Bank to maintain at least 50% of the outstanding electronic money balance.

Prepaid expenses include prepaid taxes, rentals, group life insurance and employee benefits related to the car plan for the officers of the Bank.

Others mainly consist of membership fees in Bancnet and Credit Management Association of the Philippines, and deposits with a health care agency for the Bank's employee health plan.

13. Deposit Liabilities

This account consists of:

	2025	2024
Savings	**₱44,990,909,593**	₱24,368,291,618
Time	**9,458,806,223**	14,080,710,890
Demand	**10,118,993,184**	10,703,889,573
	₱64,568,709,000	₱49,152,892,081

In accordance with the BSP requirements, the reserve requirement for Philippine Peso deposit liabilities and deposit substitutes is 1% as at December 31, 2024 pursuant to BSP Circular No. 1201, *Reduction in Reserve Requirements*, effective on October 25, 2024.

As mandated by the BSP, only demand deposit accounts maintained by banks with the BSP are eligible for compliance with reserve requirements, thereby excluding government securities and cash in vault as eligible reserves. Further, demand deposits maintained with the BSP in compliance with the reserve requirements do not earn interest.

As at December 31, 2024, the Bank is compliant with the foregoing BSP requirement. The available reserves, which form part of "Due from Bangko Sentral ng Pilipinas", amounted to ₱762.4 million as at December 31, 2024.

Subsequently on March 28, 2025, the reserve requirement was reduced from 1% to 0% for thrift banks pursuant to BSP Circular No. 1211, *Reduction in Reserve Requirements.*

As at December 31, 2025 and 2024, 85% and 71% of the total deposit liabilities, respectively, are subject to periodic interest repricing. The remaining deposit liabilities bear annual fixed interest rates as follows:

	2025	2024
Philippine Peso-denominated	**0.25% to 5.50%**	0.25% to 6.75%
Foreign currency-denominated	**0.125%**	0.125% to 0.15%

Interest expense recognized in the statements of income arises from:

	Note	2025	2024
Deposit liabilities:			
Savings		**₱1,660,994,690**	₱1,059,817,519
Time		**615,427,085**	669,124,203
Demand		**24,767,550**	23,576,167
		2,301,189,325	1,752,517,889
Unsecured subordinated debt	15	**80,500,000**	80,500,000
Lease liabilities	18	**14,995,149**	14,181,099
Interbank loans payable	6	**2,822,646**	443,550
		₱2,399,507,120	₱1,847,642,538

14. Accrued Interest, Taxes and Other Expenses

This account consists of:

	2025	2024
Accrued expenses:		
Interest	**₱71,527,401**	₱105,393,889
Compensation and other benefits	**49,210,900**	32,210,900
AFRD penalties	**21,678,175**	8,706,966
Security, messengerial and janitorial	**10,178,237**	10,710,045
ATM related expenses	**1,456,765**	539,746
Utilities and leased line	**734,148**	867,726
Others	**42,134,723**	9,423,447
	196,920,349	167,852,719
Accrued gross receipts tax (GRT)	**23,787,018**	13,856,723
	₱220,707,367	₱181,709,442

Accruals for other expenses pertain to rent, insurance, publications, repairs and maintenance.

15. Unsecured Subordinated Debt

On January 23, 2020, the MB of the BSP, in its Resolution No. 124, approved the Bank's issuance of unsecured subordinated debt with principal amount aggregating ₱300.0 million, which was issued on December 10, 2020 and bears 4.75% interest per annum, payable quarterly. This unsecured subordinated debt will mature after 10 years and three months from issuance date but may be called by the Bank on any interest payment date after five years and three months from issuance at principal amount plus accrued interest.

On August 25, 2022, the MB of the BSP, in its Resolution No. 1264, approved the Bank's exercise of call option on its outstanding ₱1.0 billion unsecured subordinated debt that was issued July 18, 2017. In the same resolution, the issuance of unsecured subordinated debt with principal amount aggregating ₱1.0 billion was also approved, and was issued on October 18, 2022 and bears 6.63% interest per annum, payable quarterly. This unsecured subordinated debt will mature after 10 years and three months from issuance date but may be called by the Bank on any interest payment date after the fifth year of issuance at principal amount plus accrued interest.

Interest expense on unsecured subordinated debt amounted to ₱80.5 million in 2025 and 2024 (see Note 13).

16. Other Liabilities

This account consists of:

	2025	2024
Accounts payable	**₱773,878,165**	₱909,081,200
Due to PDIC	**61,911,845**	46,637,949
Withholding taxes	**34,895,574**	38,874,727
Statutory obligations	**6,327,817**	5,539,414
Payment orders	**3,189,353**	2,457,361
Others	**59,385,298**	59,163,644
	₱939,588,052	₱1,061,754,295

Accounts payable pertain to payables for cash cards, chattel mortgage, insurance and loan service fees, Bancnet and VISA, stale checks, incoming dollar remittances to the Bank for payment to various payees as part of its intermediary services, settlement account for InstaPay transactions and remaining balances on purchases of property and equipment. Accounts payable are noninterest-bearing and normally settled within one year.

Due to PDIC pertains to the Bank's insurance premium on deposit liabilities payable one month after reporting year.

Payment orders refer to inward and outward remittances of funds by telegraphic transfers, demand drafts, or mail transfer orders received by the Bank pending payment/disposition to designated beneficiaries or application/disposition to appropriate accounts.

Others mainly consist of dormant deposit accounts.

17. Classification of Assets and Liabilities

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

	Note	2025 Current	2025 Noncurrent	2025 Total	2024 Current	2024 Noncurrent	2024 Total
Financial Assets							
Financial assets at FVOCI	7	**₱6,544,310,965**	**₱1,865,125,663**	**₱8,409,436,628**	₱3,428,908,460	₱863,628,661	₱4,292,537,121
Financial assets at FVPL	7	**121,334,329**	**–**	**121,334,329**	918,519,814	–	918,519,814
Financial assets at amortized cost:							
Cash and other cash items		**513,006,024**	**–**	**513,006,024**	591,461,645	–	591,461,645
Due from BSP		**2,498,435,346**	**–**	**2,498,435,346**	2,693,012,542	–	2,693,012,542
Due from other banks		**2,428,980,563**	**–**	**2,428,980,563**	2,185,035,209	–	2,185,035,209
Interbank loans receivable	6	**1,550,000,000**	**–**	**1,550,000,000**	–	–	–
Government securities	7	**–**	**85,979,320**	**85,979,320**	58,652,425	28,922,500	87,574,925
Private bonds	7	**–**	**70,301,879**	**70,301,879**	–	69,627,733	69,627,733
Loans and receivables - gross	8	**41,974,098,672**	**14,948,360,202**	**56,922,458,874**	33,771,281,465	11,836,784,158	45,608,065,623
Other assets[1]	12	**126,232,568**	**31,982,386**	**158,214,954**	125,708,056	29,869,793	155,577,849
		55,756,398,467	**17,001,749,450**	**72,758,147,917**	43,772,579,616	12,828,832,845	56,601,412,461
Nonfinancial Assets							
Foreclosed assets	9	**60,694,124**	**502,209,298**	**562,903,422**	54,576,659	544,782,434	599,359,093
Property and equipment	10	**–**	**1,998,697,107**	**1,998,697,107**	–	1,904,198,140	1,904,198,140
Intangible assets	11	**–**	**699,380,502**	**699,380,502**	–	688,598,875	688,598,875
Net Deferred tax assets	21	**–**	**49,195,736**	**49,195,736**	–	41,548,874	41,548,874
Other assets	12	**74,842,400**	**24,881,720**	**99,724,120**	81,033,266	37,997,561	119,030,827
		135,536,524	**3,274,364,363**	**3,409,900,887**	135,609,925	3,217,125,884	3,352,735,809
		55,891,934,991	**20,276,113,813**	**76,168,048,804**	43,908,189,541	16,045,958,729	59,954,148,270
Less:							
Allowance for credit and impairment losses on:							
Loans and receivables	8	**–**	**1,036,032,131**	**1,036,032,131**	–	851,609,091	851,609,091
Foreclosed assets	9	**39,925,043**	**–**	**39,925,043**	20,834,873	–	20,834,873
Accumulated depreciation and amortization of:							
Property and equipment	10	**–**	**1,343,788,640**	**1,343,788,640**	–	1,236,525,426	1,236,525,426
Computer software	11	**–**	**400,040,754**	**400,040,754**	–	376,926,834	376,926,834
Unearned discounts and capitalized interest	8	**–**	**2,169,581**	**2,169,581**	–	1,958,942	1,958,942
		39,925,043	**2,782,031,106**	**2,821,956,149**	20,834,873	2,467,020,293	2,487,855,166
		₱55,852,009,948	**₱17,494,082,707**	**₱73,346,092,655**	₱43,887,354,668	₱13,578,938,436	₱57,466,293,104
Financial Liabilities							
Deposit liabilities	13	**₱62,759,329,039**	**₱1,809,379,961**	**₱64,568,709,000**	₱47,569,233,116	₱1,583,658,965	₱49,152,892,081
Interbank loans payable	6	**–**	**–**	**–**	175,000,000	–	175,000,000
Manager's checks		**113,427,962**	**–**	**113,427,962**	131,325,324	–	131,325,324
Accrued interest and other expenses	14	**196,920,349**	**–**	**196,920,349**	167,852,719	–	167,852,719
Unsecured subordinated debt	15	**–**	**1,300,000,000**	**1,300,000,000**	–	1,300,000,000	1,300,000,000
Lease liabilities	18	**87,396,324**	**147,873,594**	**235,269,918**	73,325,216	206,853,286	280,178,502
Other liabilities	16	**836,452,817**	**–**	**836,452,817**	970,702,205	–	970,702,205
		63,993,526,491	**3,257,253,555**	**67,250,780,046**	49,087,438,580	3,090,512,251	52,177,950,831
Nonfinancial Liabilities							
Accrued GRT	14	**23,787,018**	**–**	**23,787,018**	13,856,723	–	13,856,723
Retirement liability	19	**–**	**79,848,522**	**79,848,522**	–	53,027,284	53,027,284
Income tax payable		**–**	**–**	**–**	5,151,338	–	5,151,338
Other liabilities[2]	16	**103,135,235**	**–**	**103,135,235**	91,052,090	–	91,052,090
		126,922,253	**79,848,522**	**206,770,775**	110,060,151	53,027,284	163,087,435
		₱64,120,448,744	**₱3,337,102,077**	**₱67,457,550,821**	₱49,197,498,731	₱3,143,539,535	₱52,341,038,266

[1] *Other financial assets pertain to restricted cash, refundable deposits and RCOCI (see Note 12).*
[2] *Other nonfinancial liabilities pertain to due to PDIC, withholding taxes and statutory obligations (see Note 16).*

18. Lease Commitments

The Bank has existing non-cancellable lease agreements for the lease of its branch premises for a period of one to ten years, renewable upon mutual agreement of both parties. The rentals are subject to annual escalation rates ranging from 2.0% to 8.0%.

Outstanding rental and security deposits on lease commitments, which are refundable in cash upon termination of lease agreements, amounted to ₱32.0 million and ₱29.9 million as at December 31, 2025 and 2024, respectively (see Note 12).

Deferred lease, which pertains to the difference between the nominal value of the refundable deposit and its fair value at inception of the lease that is amortized as expense on a straight-line basis over the lease term, amounted to ₱1.5 million and ₱1.8 million as at December 31, 2025 and 2024, respectively (see Note 12).

ROU assets, presented as part of "Property and equipment" account, pertain to leased branch premises amounted to ₱206.0 million and ₱253.0 million as at December 31, 2025 and 2024, respectively (see Note 10).

Movements in the lease liabilities are as follows:

	2025	2024
Balance at beginning of year	**₱280,178,502**	₱268,473,038
Payments	**(99,941,217)**	(85,666,631)
Additions	**40,037,484**	83,190,996
Interest expense	**14,995,149**	14,181,099
	235,269,918	280,178,502
Current portion	**87,396,324**	73,325,216
Noncurrent portion	**₱147,873,594**	₱206,853,286

Lease-related expenses recognized in the financial statements consist of:

	Note	**2025**	2024
Amortization of ROU assets	10	**₱87,028,048**	₱75,461,932
Rent expense		**29,934,828**	59,524,262
Interest expense on lease liabilities	13	**14,995,149**	14,181,099
		₱131,958,025	₱149,167,293

Rent expense, which pertains to short-term leases of branch premises, is presented under "Occupancy" account in the statements of income.

Lease commitments are as follows:

	2025	2024
Not later than one year	**₱97,758,192**	₱86,417,462
Later than one year but not later than five years	**155,082,175**	208,941,375
Later than five years	**1,657,949**	5,740,066
	₱254,498,316	₱301,098,903

19. Retirement Plan

The Bank has a funded, noncontributory defined benefit retirement plan covering all of its officers and regular employees. Under the retirement plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. An independent actuary, using the projected credit method, conducted an actuarial valuation of the retirement liability as at December 31, 2023.

The retirement fund of the Bank is placed under the management of the Bank's Trust Group with oversight from the Bank's Retirement Fund Committee, as appointed by the BOD. The Retirement Plan Trustee, as appointed by the Bank, in the Trust Agreement, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund.

The retirement benefits presented as part of "Compensation and fringe benefits" account under "Operating expenses", in the statement of income are as follows:

	2025	2024
Current service cost	**₱21,442,170**	₱19,294,661
Net interest cost	**5,162,268**	4,241,919
	₱26,604,438	₱23,536,580

Remeasurement gain (loss), net of related deferred tax, amounted to (₱216,800) and ₱20.7 million in 2025 and 2024, respectively. Cumulative remeasurement gains on retirement liability recognized in the statements of financial position amounted to ₱17.6 million and ₱17.9 million as at December 31, 2025 and 2024, respectively.

Net retirement liability is as follows:

	2025	2024
Present value of retirement obligation	**₱236,490,678**	₱206,909,775
Fair value of plan assets	**(156,642,156)**	(153,882,491)
	₱79,848,522	₱53,027,284

Movements in the present value of retirement obligation are as follows:

	2025	2024
Balance at beginning of year	**₱206,909,775**	₱185,735,988
Current service cost	**21,442,170**	19,294,661
Interest cost	**12,150,980**	11,340,667
Benefits paid	**(4,012,247)**	(9,461,541)
Balance at end of year	**₱236,490,678**	₱206,909,775

Movements in the fair value of the plan assets follow:

	2025	2024
Balance at beginning of year	**₱153,882,491**	₱108,607,295
Interest income	**6,988,712**	7,098,748
Benefits paid from plan assets	**(4,012,247)**	(9,461,541)
Remeasurement gain (loss), excluding amount included in net interest	**(216,800)**	27,637,989
Contributions made	**–**	20,000,000
Balance at end of year	**₱156,642,156**	₱153,882,491

The plan assets are carried at fair value. All equity, debt instruments and investments of the pooled funds held have quoted prices in active market. The fair value of other assets and liabilities, which include deposits in banks, BSP's special deposit account, accrued interest and other receivables and trust fee payables, approximate carrying amount due to the short-term nature of these accounts.

The plan assets are diversified investments. Those in short-term placements will be further invested depending on the market direction.

The composition of plan assets by class as at December 31, 2025 and 2024 follows:

	2025	2024
Debt instruments:		
Government securities	**35%**	35%
Private bonds	**11%**	14%
	46%	49%
Investment in unit investment trust fund	**50%**	49%
Investment in savings deposit	**4%**	0%
Equity instruments	**0%**	2%
Receivables	**0%**	0%
Fair value of plan assets	**100%**	100%

The principal actuarial assumptions used in determining the net retirement liability are shown below:

	2025	2024
Discount rate	**5.87%**	6.11%
Salary increase rate	**3.00%**	3.00%

The retirement plan exposes the Bank to the following risks:

- *Salary risk* – any increase in the qualified employees' salary will increase the present value of defined benefit obligation.
- *Longevity risk* – any increase in the qualified employees' life expectancy will increase the present value of defined benefit obligation.
- *Interest rate risk* – a decrease in the bond interest rate will increase the present value of the defined benefit obligation. However, this is partially counterbalanced by an increase in the return on the plan assets.

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

	Change in Assumption	Effect on Retirement Liability
Discount rate	+1.00%	(₱11,254,544)
	-1.00%	12,831,234
Salary increase rate	+1.00%	13,942,226
	-1.00%	(12,395,318)
Turnover rate	120% of actual	(5,643,875)
	80.00% of actual	6,304,362

The Bank expects to contribute ₱25.0 million to the plan in 2026. The average duration of the defined benefit obligation at the end of the reporting year is 9.61 years.

Shown below is the maturity analysis of the undiscounted benefit payments within the next ten years as at December 31, 2025:

Less than one year	₱47,300,776
One to less than five years	83,783,979
More than five years	541,124,318
	₱672,209,073

20. Operating Expenses

This account consists of:

	Note	2025	2024
Compensation and fringe benefits		**₱756,423,686**	₱709,372,515
Taxes and licenses		**316,643,040**	260,911,140
Depreciation and amortization	10	**203,874,097**	181,806,175
Representation and entertainment		**139,718,145**	125,985,432
Insurance		**120,044,877**	91,821,305
Fees and commissions		**112,860,275**	75,490,281
Repairs and maintenance		**100,785,964**	88,640,261
Security, messengerial and janitorial		**78,770,312**	74,077,739
Occupancy		**56,951,520**	65,097,723
Litigation cost		**56,226,538**	34,017,013
Postage		**51,616,258**	43,854,382
Provision for impairment loss on assets held for sale	9	**32,438,831**	12,806,939
Management and other professional fees		**24,180,678**	12,428,528
Fines and penalties		**23,138,825**	8,033,157
Supervision fees		**16,182,762**	13,209,357
Appraisal fees		**14,526,085**	16,269,799
Stationery and supplies used		**8,726,844**	8,714,158
Transportation and travel		**6,540,936**	6,017,409
Promotions and advertising		**3,792,131**	3,345,762
Others		**29,928,758**	35,999,378
		₱2,153,370,562	₱1,867,898,453

Others include office supplies and membership fees and dues.

21. Income and Other Taxes

Current income tax expense consists of:

	2025	2024
MCIT	**₱26,385,927**	₱20,867,948
Final tax	**95,743,210**	83,333,457
	₱122,129,137	₱104,201,405

Under Philippine tax laws, the Bank is subject to percentage and other taxes, presented as "Taxes and licenses" under "Operating expenses" account in the statements of income, as well as income taxes. Percentage and other taxes paid consist principally of GRT and documentary stamp tax.

RA No. 9294, *An Act Restoring the Tax Exemption of Offshore Banking Units (OBUs) and Foreign Currency Deposit Units*, which became effective in May 2004, provides that the income derived by the FCDU from foreign currency transactions with non-residents, offshore banking units (OBUs), and local commercial banks, including branches of foreign banks, is tax-exempt while interest income on foreign currency denominated loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% onshore income tax.

The RBU incurred MCIT in 2025 and 2024. The FCDU is in a gross loss and taxable loss position in 2025 and 2024.

The reconciliation between the income tax expense at statutory tax rate and income tax expense presented in the statements of income is as follows:

	2025	2024
Income tax expense at statutory tax rate	**₱110,848,511**	₱89,331,585
Tax effects of:		
Nontaxable income	**(117,058,139)**	(68,653,024)
Nondeductible expenses	**49,288,378**	55,507,791
Interest income subjected to final tax	**(25,249,336)**	(19,131,376)
Changes in unrecognized deferred tax assets	**96,707,061**	26,679,073
	₱114,536,475	₱83,734,049

Net deferred tax assets (liabilities) are recognized as follows:

	2025	2024
Through:		
Profit or loss	**₱55,261,490**	₱47,668,828
Other comprehensive income	**(6,065,754)**	(6,119,954)
	₱49,195,736	₱41,548,874

Deferred tax benefit (expense) is recognized as follows:

	2025	2024
Through:		
Profit or loss	**₱7,592,662**	₱20,467,356
Other comprehensive income	**54,200**	(6,909,497)
	₱7,646,862	₱13,557,859

Deferred tax assets and liabilities consist of:

	2025	2024
Deferred tax assets on:		
Allowance for credit and impairment losses on loans and receivables	**₱58,918,608**	₱58,918,608
Allowance for impairment losses on assets held for sale	**12,553,293**	4,443,585
Cumulative unrealized losses on foreclosed assets	**8,470,854**	9,508,395
Excess of lease liabilities over ROU assets	**7,318,735**	6,798,240
	87,261,490	79,668,828
Deferred tax liabilities on:		
Fair value adjustment on branch licenses acquired in business combination	**(32,000,000)**	(32,000,000)
Cumulative remeasurement gains on retirement liability	**(6,065,754)**	(6,119,954)
	(38,065,754)	(38,119,954)
Net deferred tax assets	**₱49,195,736**	₱41,548,874

As at December 31, 2025 and 2024, the Bank has not recognized deferred tax assets relating to the following deductible temporary differences:

	2025	2024
Allowance for credit and impairment losses on loans and receivables	**₱800,357,699**	₱615,934,659
NOLCO	**377,575,859**	307,054,116
Retirement liability	**104,111,541**	77,507,103
Excess of MCIT over RCIT	**64,185,693**	37,865,937
Unamortized past service cost	**25,516,500**	25,516,500
	₱1,371,747,292	₱1,063,896,698

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

Details of NOLCO related to the RBU are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Valid Until
2024	₱134,327,461	₱–	₱–	₱134,327,461	2027
2023	29,667,833	–	–	29,667,833	2026
	₱163,995,294	₱–	₱–	₱163,995,294	

Details of NOLCO related to the FCDU are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Valid Until
2025	₱–	₱88,484,468	₱–	₱88,484,468	2028
2024	72,069,428	–	–	72,069,428	2027
2023	46,951,950	–	–	46,951,950	2026
2022	1,206,709	–	(1,206,709)	–	2025
2021	6,074,719	–		6,074,719	2026
2020	16,756,016	–	(16,756,016)	–	2025
	₱143,058,822	₱88,484,468	(₱17,962,725)	₱213,580,565	

Pursuant to the RA No. 11494, *Bayanihan Recover as One Act*, and Revenue Regulations No. 25-2020, entities which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

Details of excess MCIT over RCIT related to the RBU are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Valid Until
2025	₱–	₱26,385,927	₱–	₱26,385,927	2028
2024	₱20,867,948	–	–	20,867,948	2027
2023	16,931,818	–	–	16,931,818	2026
	₱37,799,766	₱26,385,927	₱–	₱64,185,693	

Details of excess MCIT over RCIT related to the FCDU are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Valid Until
2022	₱66,171	₱–	(₱66,171)	₱–	2025

22. Equity

Capital Stock

Details and movements in this account are as follows:

	Number of Shares		Amount	
	2025	2024	**2025**	2024
Authorized - ₱10 par value				
Perpetual preferred stock	**100,000,000**	100,000,000	**₱1,000,000,000**	₱1,000,000,000
Common stock:				
Balance at beginning of year	**300,000,000**	300,000,000	**₱3,000,000,000**	₱3,000,000,000
Increase	**100,000,000**	–	**1,000,000,000**	–
Balance at end of year	**400,000,000**	300,000,000	**₱4,000,000,000**	₱3,000,000,000
Issued and Subscribed				
Perpetual preferred stock:				
Balance at beginning and end of year	**30,000,000**	30,000,000	**₱480,000,000**	₱480,000,000
Less subscriptions receivable			**(180,000,000)**	(180,000,000)
			₱300,000,000	₱300,000,000
Common stock:				
Balance at beginning of year	**295,375,000**	240,375,000	**₱2,953,750,000**	₱2,403,750,000
Issuances	**36,625,000**	55,000,000	**366,250,000**	550,000,000
Balance at end of year	**332,000,000**	295,375,000	**3,320,000,000**	2,953,750,000
Less subscriptions receivable				
Balance at beginning of year			**33,750,000**	33,750,000
Collection			**(33,750,000)**	–
Balance at end of year			**–**	33,750,000
			₱3,320,000,000	₱2,920,000,000

The perpetual preferred stock, which has an annual dividend rate of 4.375%, is cumulative and has no voting rights. As at December 31, 2025 and 2024, cumulative preference dividends amounted to ₱151.6 million and ₱138.5 million, respectively.

On February 25, 2025, the BOD approved an increase in the authorized capital stock of the Bank from ₱4,000.0 million, divided into 300,000,000 common shares with par value of ₱10 per share, and 100,000,000 preferred shares with par value of ₱10 per share, to ₱5,000.0 million, divided into 400,000,000 common shares with par value of ₱10 per share, and 100,000,000 preferred shares with par value of ₱10 per share. This was subsequently approved by the stockholders during a special meeting held on April 2, 2025.

In March 2025, the Bank received ₱250.0 million from the stockholders. Of this amount, ₱33.8 million was applied against the outstanding subscriptions receivable on common stock, and ₱46.3 million was applied against the remaining unissued common stock of 4,625,000 shares. The remaining ₱170.0 million will be issued out of the planned increase in authorized capital stock.

The application for the increase in authorized capital stock was submitted to the SEC in September 2025, following the approval by the BSP in August 2025. The application was subsequently approved by the SEC in November 2025. The ₱170.0 million, representing 17,000,000 shares, was issued to the stockholders upon such approval.

In December 2025, the Bank issued additional 15,000,000 shares at ₱10 par value, amounting to ₱150.0 million, to the stockholders.

Reserves

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

	2025	2024
Reserve for GLLP	**₱384,822,618**	₱308,445,592
Reserve for trust business	**18,284,314**	16,292,277
	₱403,106,932	₱324,737,869

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

Reserves for GLLP were recognized when the computed allowance for ECL on current loans is less than the 1% GLLP. Additional reserve for GLLP amounting to ₱76.4 million and ₱87.0 million were recognized in 2025 and 2024, respectively.

In compliance with the existing BSP regulations, the Bank should, before the declaration of dividends, carry to retained earnings at least 10% of its income from trust operations since the last preceding dividend declaration until the retained earnings amount to 20% of its authorized capital stock. Additional reserve amounting to ₱2.0 million was recognized in 2024.

23. Related Party Transactions and Balances

In the ordinary course of business, the Bank enters into loan and other transactions with its related parties and with certain DOSRI. Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.

The significant transactions and account balances with respect to related parties that are included in the financial statements are as follows:

	2025		2024	
Nature of Transactions	**Transactions during the Year**	**Outstanding Balances**	Transactions during the Year	Outstanding Balances
Key Management Personnel				
Loans and receivables	**₱3,284,917**	**₱4,799,534**	₱2,625,000	₱4,936,113
Interest income	**352,817**	**25,351**	393,904	31,366
Deposit liabilities	**84,174,393**	**75,226,553**	82,313,883	68,157,230
Interest expense	**436,282**	**–**	359,955	–
Subsidiaries of the Parent Company				
Loans and receivables	**2,008,000,000**	**1,842,150,000**	2,299,000,000	1,632,892,202
Interest income	**155,806,448**	**27,075,456**	136,102,439	25,335,493
Deposit liabilities	**546,557,721**	**128,551,550**	389,756,785	84,201,661
Interest expense	**79,944**	**–**	49,278	–
Unsecured subordinated debt	**–**	**1,300,000,000**	–	1,300,000,000
Interest expense	**–**	**80,500,000**	–	80,500,000
Trust fee			2,743,814	1,326,427
Lease liabilities	**33,750,979**	**27,944,980**	35,574,196	35,053,488
Interest expense	**1,769,891**	**–**	824,415	–
ROU assets	**33,202,583**	**26,087,743**	35,574,196	34,449,735
Amortization	**7,114,839**	**–**	5,364,778	–
Parent Company				
Deposit liabilities	**1,236,919,674**	**13,955,830**	907,916,922	28,933
Interest expense	**16,888**	**–**	1,427	–
Stockholders				
Deposit liabilities	**57,891,572**	**47,039,663**	154,688,362	37,245,992
Interest expense	**421,190**	**–**	446,069	–
Other Related Parties				
Loans and receivables	**3,738,732,214**	**2,837,380,005**	2,123,199,781	1,790,757,451
Interest income	**223,211,343**	**53,021,915**	118,795,576	81,563,819
Deposit liabilities	**267,831,335**	**7,541,175**	58,638,895	2,111,468
Interest expense	**21,410**	**–**	1,051	–

Terms and Conditions

Loans and receivables are secured by chattel mortgages, deposits and real estate properties, having terms ranging from one to 18 years, and bearing interests from 3.50% to 21.60% in 2025 and 5.00% to 10.68% in 2024. Allowance for credit and impairment losses on receivables from related parties amounted to ₱6.4 million and ₱6.5 million as at December 31, 2025 and 2024, respectively.

Deposits have interest ranging from 0.13% to 1.0% in 2025 and 0.13% to 1.00% in 2024.

Unsecured subordinated debt is a transaction with the Trust Unit of the Bank, under the supervision of the Trust Committee (see Note 15).

Trust fees pertain to fees charged for trust operations. These are included under "Other expenses" under "Operating expenses" account in the statements of income.

Lease liabilities, ROU assets and rent expense pertain to leases of branch premises and ATM.

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

	2025	2024
Short-term employee benefits	**₱157,773,803**	₱149,365,762
Post-employment retirement benefits	**10,278,935**	5,607,061
	₱168,052,738	₱154,972,823

Transactions with Retirement Plan

The retirement plan of the Bank is considered as a related party. The retirement plan is in the form of a trust administered by the Trust Unit under the supervision of the Retirement Fund Committee.

The values of the assets of the fund are as follows (see Note 19):

	2025	2024
Investments in:		
Unit investment trust fund	**₱78,299,962**	₱75,496,050
Saving deposits	**6,491,770**	3,592,789
Debt instruments	**71,507,047**	71,321,868
Equity instruments	**180,140**	3,070,888
	₱156,478,919	₱153,481,595

24. Trust Operations

On May 21, 2008, the Bank was granted a license by the BSP to conduct its trust operations. The Bank started its trust operations on June 2, 2008.

Securities and other resources held by the Bank in fiduciary or agency capacity for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Group amounted to ₱6,891.4 million and ₱5,773.6 million as at December 31, 2025 and 2024, respectively.

In compliance with current banking regulations relative to the Bank's trust operations, government securities included under financial assets at FVOCI with a total face value of ₱77.0 million and ₱72.0 million as at December 31, 2025 and 2024, respectively, are deposited with the BSP. In addition, 10% of the Bank's net income realized from its trust operations is appropriated to surplus reserve until such reserve for trust operations amounts to 20% of the Bank's regulatory capital.

25. Commitments and Contingencies

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

As at December 31, 2025 and 2024, the Bank is involved in legal proceedings relating to uncollected loans and acquired properties. Based on the opinion of its legal counsels, the Bank is in a good position to secure favorable judgment in most of these cases. Management therefore believes that the outcome of these proceedings will not have material adverse effect on the financial position and performance of the Bank.

The following is a summary of the commitments and contingencies at their equivalent contractual amounts:

	2025	2024
Investment management account	**₱6,034,601,904**	₱4,956,780,943
Spot exchange	**537,851,905**	1,072,147,842
Trust bank accounts	**856,836,422**	816,786,490
Derivatives	**117,580,000**	115,690,000
Sight/usance domestic letters of credit (LC)	**1,499,145**	45,130,000
Outstanding guarantees issued - others	**29,043,796**	33,848,965
Inward bills for collection	**18,488,862**	16,704,277
Domestic LC	**38,588,359**	1,500,000
Items held for safekeeping	**24,903**	29,040
Items held as collateral	**12,721**	12,374

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

A. Financial Performance Indicators

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

	2025	2024
Return on average equity	**5.97%**	5.83%
Return on average assets	**0.50%**	0.53%
Net interest margin on average earning assets	**3.90%**	4.06%

B. Details of Loans

The following table shows information relating to receivables from customers, gross of unearned discounts and capitalized interests, by collateral.

	2025		2024	
	Amount	**%**	Amount	%
Secured by:				
Real estate mortgage	**₱15,703,930,404**	**28.14%**	₱13,168,708,075	29.52%
Chattel mortgage	**3,034,096,029**	**5.44%**	2,413,140,273	5.41%
Deposits	**4,575,356,998**	**8.20%**	3,523,422,087	7.90%
Others	**44,503,415**	**0.08%**	33,745,032	0.08%
	23,357,886,846	**41.85%**	19,139,015,467	42.91%
Unsecured	**32,451,169,126**	**58.15%**	25,463,609,598	57.09%
	₱55,809,055,972	**100.00%**	₱44,602,625,065	100.00%

As at December 31, 2025 and 2024, information on the concentration of credit, gross of unearned discounts and capitalized interests, as to industry follows:

	2025		2024	
	Amount	**%**	Amount	%
Real estate	**₱15,404,658,189**	**27.60%**	₱13,700,664,176	30.72%
Other community, social and personal activities	**10,055,930,899**	**18.02%**	10,702,305,117	23.99%
Wholesale and retail trade	**7,943,342,083**	**14.23%**	7,390,910,919	16.57%
Manufacturing	**5,148,045,938**	**9.22%**	4,507,044,369	10.10%
Financial intermediaries	**6,588,702,529**	**11.81%**	3,851,563,392	8.64%
Transportation, storage and communication	**5,148,630,023**	**9.23%**	2,326,005,704	5.21%
Construction	**2,577,462,078**	**4.62%**	1,037,064,818	2.33%
Hotel and restaurants	**978,888,733**	**1.75%**	878,816,189	1.97%
Mining and quarrying	**223,000,000**	**0.40%**	173,434,313	0.39%
Agricultural, hunting and forestry	**831,251,373**	**1.49%**	33,316,470	0.07%
Electricity, gas and water supply	**909,144,127**	**1.63%**	1,499,598	0.00%
	₱55,809,055,972	**100.00%**	₱44,602,625,065	100.00%

In assessing the concentration of credit risk, the Bank deducts contracts to sell against the total credit exposure on real estate industry.

As at December 31, 2025 and 2024, the Bank's Agriculture, Fisheries and Rural Development (AFRD) credit allocation is at 3.93% and 4.52%, respectively, which is below the mandatory percentage of 25%. The Bank accrued the resulting penalties as at December 31, 2025 and 2024.

NPL pertains to loan accounts even without any missed contractual payments, that are (a) deemed impaired under existing applicable accounting standards, (b) classified as doubtful or loss, (c) in litigation, and/or (d) there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, in the case of secured accounts.

All other loan accounts, even if not considered impaired, should be considered non-performing if any contractual principal and/or interest are not paid for more than 90 days after contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Details of the Bank's gross and net NPL follow:

	2025		2024	
	Amount	**%**	Amount	%
Gross	**₱4,272,753,302**	**7.66%**	₱2,733,489,097	6.13%
Net	**3,521,135,472**	**6.31%**	2,076,939,652	4.66%

As at December 31, 2025 and 2024, breakdown of the secured and unsecured NPL follows:

	2025	2024
Secured	**₱807,881,767**	₱562,887,148
Unsecured	**3,464,871,535**	2,170,601,949
	₱4,272,753,302	₱2,733,489,097

Status of loans per product as at December 31, 2025 and 2024 are as follows:

	2025		
	Performing	**NPL**	**Total**
Corporate loans:			
Term loan	**₱37,412,481,233**	**₱2,943,385,593**	**₱40,355,866,826**
Trust receipt	**775,748,624**	**58,195,918**	**833,944,542**
Bills discounted	**115,820,358**	**107,889,228**	**223,709,586**
Others	**–**	**23,020,002**	**23,020,002**
	38,304,050,215	**3,132,490,741**	**41,436,540,956**
Consumer loans:			
Real estate	**6,716,532,529**	**305,336,161**	**7,021,868,690**
Contract to sell	**3,815,086,840**	**22,342,562**	**3,837,429,402**
Auto	**2,588,047,002**	**452,372,348**	**3,040,419,350**
Salary	**112,586,084**	**347,231,890**	**459,817,974**
Others	**–**	**3,000,000**	**3,000,000**
	13,232,252,455	**1,130,282,961**	**14,362,535,416**
	₱51,536,302,670	**₱4,262,773,702**	**₱55,799,076,372**

	2024		
	Performing	NPL	Total
Corporate loans:			
Term loan	₱30,276,710,500	₱1,643,591,791	₱31,920,302,291
Trust receipt	553,349,037	58,195,918	611,544,955
Bills discounted	104,485,493	107,109,228	211,594,721
Others	15,000,118	23,506,616	38,506,734
	30,949,545,148	1,832,403,553	32,781,948,701
Consumer loans:			
Real estate	6,028,902,381	86,338,568	6,115,240,949
Contract to sell	2,825,010,326	–	2,825,010,326
Auto	1,961,229,765	456,011,697	2,417,241,462
Salary	94,468,747	349,242,293	443,711,040
Others	–	9,492,987	9,492,987
	10,909,611,219	901,085,545	11,810,696,764
	₱41,869,135,968	₱2,733,489,098	₱44,592,645,465

Restructured loans, which do not meet the requirements to be treated as performing receivables, are considered as NPL. Restructured loans amounted to ₱374.5 million and ₱681.4 million as at December 31, 2025 and 2024, respectively. Interest income on restructured receivables amounted to ₱23.8 million and ₱26.3 million in 2025 and 2024, respectively.

C. DOSRI/Related Party Loans

The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective unencumbered deposits and book value of their respective paid-in capital contribution in the Bank. These limits do not apply to (a) loans and other credit accommodations secured by assets considered as non-risk as defined in the regulations; (b) loans and other credit accommodations in the form of fringe benefits; and (c) portion of loans and other credit accommodations covered by guarantees of the International Finance Corporation (IFC) or the Asian Development Bank (ADB). Moreover, the total outstanding loans to DOSRI, of which 70% must be secured, should not exceed 15% of the total loan portfolio of the Bank or 100% of net worth whichever is lower. These limits do not apply to (a) loans and other credit accommodations secured by assets considered as non-risk as defined in the regulations; (b) qualified credit accommodations to a corporate stockholder; (c) credit accommodations to government-owned or controlled corporations where any director, officer or stockholder of the Bank is a representative of the government in the borrowing corporation and not holding any proprietary interest in such corporation; (d) loans and other credit accommodations to officers in the form of fringe benefits granted in accordance with existing regulations; and (e) portion of loans and other credit accommodations covered by guarantees of the IFC or ADB.

On the other hand, the outstanding loans, credit accommodations and guarantees to each Bank's subsidiaries and affiliates, of which 95% must be secured, should not exceed 10% of the net worth of the Bank. Additionally, the total outstanding loans, credit accommodations, and guarantees to all Bank's subsidiaries and affiliates should not exceed 20% of the net worth of the Bank. These subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the Bank.

The following table shows information relating to DOSRI and related party loans:

	DOSRI		Related Parties	
	2025	2024	**2025**	2024
Total outstanding DOSRI/related party loans	**₱1,843,659,885**	₱1,632,892,202	**₱2,385,966,828**	₱1,795,693,564
Percent of DOSRI/related party loans to total loan portfolio	**3.21%**	3.66%	**4.17%**	4.02%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	**28.48%**	23.88%	**99.04%**	98.66%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	**0.00%**	0.00%	**1.19%**	1.60%
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	**0.00%**	0.00%	**1.19%**	1.60%

Interest income on outstanding balances of DOSRI and related party accounts amounted to ₱4.8 million and ₱3.4 million in 2025 and 2024, respectively.

The effects of the foregoing transactions are shown under the appropriate accounts in the financial statements.

In 2025 and 2024, the Bank is compliant with the BSP requirements on DOSRI/related party loans.

D. Aggregate Amount of Secured Liabilities and Assets Pledged to Secure Liabilities

There are no secured liabilities as at December 31, 2025 and 2024. No asset is pledged by the Bank to secure outstanding liabilities as at December 31, 2025 and 2024.

Other required information required by Section 174 and Appendix 55 of the MORB are disclosed in the following notes to the financial statements:

- Capital instruments issued - Note 22
- Nature and amount of contingencies and commitments arising from off-balance sheet items, short-term self-liquidating trade-related contingencies arising from the movement of goods, sale and repurchase agreements not recognized in the balance sheet, interest and foreign exchange-rate related items, and other commitments - Note 25

STERLING BANK OF ASIA INC. (A Savings Bank)

FINANCIAL SOUNDNESS INDICATORS

AS AT DECEMBER 31, 2025 AND 2024

Ratio	Formula	2025	2024
Current ratio			
	Total Current Assets	**₱55,891,934,991**	₱43,889,313,610
	Divided by: Total Current Liabilities	**64,120,448,744**	49,197,498,731
		0.87:1	0.89:1
Acid-test ratio			
	Cash and Other Cash Items, Due from BSP and Other Banks, Loans and Receivables, Investment Securities	**₱71,563,900,832**	₱55,594,225,521
	Divided by: Total Current Liabilities	**64,120,448,744**	49,197,498,731
		1.12:1	1.13:1
Solvency ratio			
	Net Income	**₱328,857,569**	₱273,592,289
	Add: Interest, Depreciation and Amortization	**2,603,381,217**	2,029,448,713
	Net Income before Interest, Depreciation and Amortization	**2,932,238,786**	2,303,041,002
	Divided by: Total Liabilities	**67,457,550,821**	52,341,038,266
		0.04:1	0.04:1
Debt-to-equity ratio			
	Total Liabilities	**₱67,457,550,821**	₱52,341,038,266
	Divided by: Total Equity	**5,890,711,415**	5,127,213,780
		11:45:1	10.21:1
Asset-to-equity ratio			
	Total Assets	**₱73,348,262,236**	₱57,468,252,046
	Divided by: Total Equity	**5,890,711,415**	5,127,213,780
		12.45:1	11.21:1
Interest rate coverage ratio	Earnings before Interest Expense and Taxes	**₱2,842,901,164**	₱2,204,968,876
	Divided by: Interest Expense	**2,399,507,120**	1,847,642,538
		1.18:1	1.19:1

Ratio	Formula	2025	2024
Return on average equity			
	Net Income	**₱328,857,569**	₱273,592,289
	Divided by: Average Equity	**5,508,962,598**	4,692,058,851
		0.06:1	0.06:1
Return on average assets			
	Net Income	**₱328,857,569**	₱273,592,289
	Divided by: Average Assets	**65,408,257,141**	51,729,353,646
		0.0050:1	0.0053:1
Net profit margin			
	Net Income	**₱328,857,569**	₱273,592,289
	Divided by: Total Interest Income	**4,860,675,703**	3,874,930,989
		0.07:1	0.07:1

Products and Services

SAVINGS & CHECKING ACCOUNTS

SOLO SAVINGS ACCOUNT
A hassle-free Peso Savings Account that's easy to maintain and simplifies your banking experience. Also available as a tiered savings account for greater earning potential.

SOLO DOLLAR SAVINGS ACCOUNT
Our Solo Dollar Savings Account offers a straightforward and convenient way to start saving in US dollars.

SOLO YUAN SAVINGS
With just CNY2,500 as both the opening balance and minimum Average Daily Balance (ADB), you can begin growing your Chinese Yuan savings today.

NEO SAVINGS ACCOUNT
The Neo Savings Account is a dedicated savings deposit designed for children aged 19 and below, helping them develop smart money management habits from an early age.

BAYANI OFW SAVINGS
The Bayani OFW Savings Account supports the financial goals of OFWs and their families by making it easier to grow their savings for the future.

SOLO BASIC SAVINGS ACCOUNT
Experience the convenience and security of growing your hard-earned savings with the Solo Basic Savings Account. With just one valid ID and a minimum opening deposit of Php100, anyone can open an account and start saving today.

DUO CHECKING ACCOUNT
Our checking account not only offers the earning potential of a savings account but also comes with the added convenience of a Visa Debit Card. Enjoy hassle-free check encashment at any Sterling Bank of Asia branch with no additional fees.

SHOPNPAY VISA CARDS

SHOPNPAY VISA CARD – DEBIT (PESO & US DOLLAR)
An all-in-one card that allows you to securely access available funds in your bank account to make purchases, pay bills, or withdraw cash at ATMs anytime and anywhere in the world.

SHOPNPAY VISA CARD – PREPAID (PESO & US DOLLAR)
A reloadable stored-value Visa card where you can load funds that are enough for you to make purchases, pay bills, or withdraw cash at ATMs anytime and anywhere in the world. It offers the most convenient way to use funds in millions of stores worldwide.

TIME DEPOSITS

PRIMA TIME DEPOSIT
The Prima Time Deposit allows you to maximize your short-term deposit and earn substantial gains at variable terms.

PRIMA DOLLAR TIME DEPOSIT
This account gives your dollars room to gain maximum potential by earning prime interest.

MAXIMA 3
This is a fixed-term, three-year time deposit that allows your money to achieve its maximum earning potential.

MAXIMA 5
The Maxima 5 rewards you with earnings on a five-year investment of as low as Php25,000.

CONSUMER LOANS

DISCOVERY HOME LOAN
Get one step closer to your dream home! With the Discovery Home Loan, we will help you realize your dream every step of the way.

ULTIMA AUTO LOANS
Ultima Auto Loan offers attractive rates, affordable repayment terms, and convenient loan processing, making it easy for you to purchase a vehicle, whether brand new or second-hand.

- Ultima Auto Loan
- Truck Loan
- Big Bike Loan
- Sterling EcoSolutions Auto Loan

PERSONA PERSONAL LOANS
While cash emergencies are part and parcel of life, Persona Personal Loans give you room to finance tuition fees, home improvements, business ventures, and other unexpected spending.

- Persona Personal Loan
- Tahanan Program
- Pangarap Personal Loan
- Sterling EcoSolutions Personal Loan

AVANCE SALARY LOANS
Tenured employees with a salary of at least Php12,800 can boost their financial flexibility with the support of our Avance Salary Loan.

- Avance Salary Loan
- AvanceCASH
- Avance Salary Plus (ASAP)
- Layag Seafarer's Loan

COMMERCIAL LOAN PRODUCTS

We offer a wide range of loan products to meet the evolving needs of your business.

- Trade Check Discounting
- Factoring of Receivables
- Import / Domestic Letter of Credit (LC)
- Trust Receipt (TR)
- Standby Letter of Credit or Bank Guarantee
- Short Term and Long Term Loans
- Domestic Bills Purchase

CONTRACT-TO-SELL (CTS) FINANCING

Unlock liquidity for your real estate projects with our credit facility designed specifically for developers. Convert your installment sales receivables into immediate cash flow and keep your developments moving forward.

OPTIMA BUSINESS BANKING SOLUTIONS

A one-of-a-kind business account, Optima Business Banking Solutions offers cash management facilities to help businesses minimize overhead expenses, streamline operations, and enhance their bottom line at no additional cost.

It enables you to optimize the management of cash and liquid funds, as well as oversee disbursements, collections, and investments of financial resources.

Our Optima facility includes:

- Payroll System
- Payroll Crediting System
- Financial System
- Check Writing System
- Check Warehousing System
- Point-of-Sale (POS) System
- Sterling Bank Online - Business
- BancNet eGov
- Beatbox Cash Deposit Facility
- Deposit Pick-up Service

TREASURY

We will help you prudently manage your investments through our diverse range of treasury products and services, from fixed-income securities to more sophisticated instruments, addressing your evolving needs.

- Government Securities
  - Treasury Bills
  - Retail Treasury Bonds (RTB)
  - Treasury Bonds
  - Fixed-Rate Treasury Notes (FXTNs)
- Peso Corporate Bonds
- USD Sovereign Bonds
- USD Corporate Bonds
- Foreign Exchange

TRUST

We offer customized wealth management services to address different investment needs.

UNIT INVESTMENT TRUST FUNDS (UITFS)

- Sterling Money Market Fund (Peso)
- Sterling Multi-Asset Fund (Peso)
- Sterling Bank Philequity Feeder Fund

PERSONAL WEALTH MANAGEMENT

- Personal Management Trust
- Investment Management Accounts (IMA)

CORPORATE TRUST

- Employee Benefit Plan (Retirement Fund Management)
- Investment Management Accounts (IMA)

AUXILIARY TRUST

- Escrow
- Safekeeping

Branch Network and Business Offices

METRO MANILA

Caloocan - Rizal Avenue
Rizal Ave. Extension, Between 7th and 8th Ave., Grace Park 1403 Caloocan City
T: +632 8330 7398; 8330 7399
F: +632 8330 7397

Caloocan - MacArthur Highway
624 MacArthur Highway Calaanan 1403 Caloocan City
T: +632 8426 2892; 8373 6168
F: +632 8426 3707

Las Piñas
Alabang - Zapote Road, Pamplona II 1740 Las Piñas City
T: +632 8846 4473; 8846 4474

Makati - Ayala Avenue
Tower 3, Alphaland Makati Place, Ayala Ave. Ext. cor. Malugay St. 1209 Makati City
T: +632 8892 1263; 8864 0428; 8864 0429
F: +632 8864 0427

Makati - Gil Puyat Avenue
G/F Morning Star Bldg. Sen. Gil Puyat Ave. 1220 Makati City
T: +632 8895 5573; 8899 2838
F: +632 8897 4382

Makati – V.A. Rufino (Formerly Amorsolo)
Libran Bldg., 144 Legaspi cor. V.A. Rufino St., Legaspi Village 1229 Makati City
T: +632 5310 6253 to 55

Makati – Valero (Formerly Leviste)
MJ Plaza Bldg., 106 Valero St., Salcedo Village 1231 Makati City
T: +632 5310 6250 to 52

Malabon
Francis Market, Gov. Pascual Ave. cor. M.H. del Pilar St.,Tinajeros 1470 Malabon City
T: +632 8351 1007; 8351 1006
F: +632 8351 1002

Mandaluyong - Shaw Boulevard
G/F Shaw Residenza, 429 Shaw Boulevard 1550 Mandaluyong City
T: +632 8470 9367; 8470 9405
F: +632 8470 9420

Manila - Divisoria
630 New Divisoria Center Condominium, Sta. Elena St., San Nicolas, Divisoria 1006 Manila
T: +632 8241 0179; 8241 0180
F: +632 8241 0181

Manila - Masangkay
Unit 963-965, G/F Masagana Bldg., G. Masangkay St., Binondo 1006 Manila
T: +632 8243 1342; 8243 1832
F: +632 8243 1446

Manila - Ongpin
Unit-C, G/F 888 Neo Plaza, Sabino Padilla cor. Ongpin Sts., Binondo 1006 Manila
T: +632 8736 3113; 8736 3208
F: +632 8735 8321

Manila - Quintin Paredes
550 Quintin Paredes St., Binondo 1006 Manila
T: +632 8247 3841; 8247 3992
F: +632 8247 3954

Manila - San Fernando (Binondo)
Unit 493-495, G/F VISCO Bldg., San Fernando St., Binondo 1006 Manila
T: +632 8242 7849; 8242 8697
F: +632 8243 4144

Manila - U.N. Avenue
G/F Royal Bay Terrace Condominium, 465 U.N. Ave. cor. Cortado St., Ermita 1000 Manila
T: +632 8523 6881; 8523 8572
F: +632 8523 7656

Marikina
G/F WRC Bldg., 47 Gil Fernando Ave., Midtown Subd. II, San Roque 1801 Marikina City
T: +632 8681 2628; 8681 2908
F: +632 8681 4327

Muntinlupa - Alabang
Retail 2, G/F Paz Madrigal Plaza, Industry cor. Finance St., Madrigal Business Park, Brgy. Ayala Alabang 1780 Muntinlupa
T: +632 8556 3180; 8556 3493

Parañaque - BF Homes
President's Ave. cor. Monserrat St., BF Homes Subd. 1700 Parañaque City
T: +632 8850 9184; 8850 3468
F: +632 8850 8959

Parañaque - Ninoy Aquino Avenue (NAIA)
Unit 707-4, G/F Columbia Complex, P 2B Ninoy Aquino Ave., Sto. Niño 1704 Parañaque City
T: +632 8852 0168; 8853 9485
F: +632 8853 9484

Pasig - Ortigas
G/F Prestige Tower, F. Ortigas Jr. Road, Ortigas Center 1605 Pasig City
T: +632 8706 3072; 8706 3254
F: +632 8706 3074

Quezon City - Banawe
705 Banawe St. 1114 Quezon City
T: +632 8781 7625; 8781 7650
F: +632 8740 8174

Quezon City - Congressional
Unit 31, G/F Barrington Place Bldg., Congressional Ave. 1106 Quezon City
T: +632 8929 8748; 8672 6380; 8672 6381
F: +632 8929 9506

Quezon City - Quezon Avenue
G/F Ave Maria Bldg., 1517 Quezon Ave., (near cor. Examiner St.) West Triangle 1104 Quezon City
T: +632 8376 6792; 8376 6793
F: +632 8376 6794

Quezon City - Timog
G/F SCT Bldg., 25 Timog Ave., Brgy. South Triangle 1103 Quezon City
T: +632 8374 0168; 8441 8155
F: +632 8441 8156

San Juan - Greenhills
G/F Sterling Bank Corporate Center, Ortigas Ave., Greenhills 1500 San Juan City
T: +632 8672 6343 to 44
F: +632 8727 8752

Taguig – Savya-Arca South (Formerly Calamba)
Retail 111, Tower 2, Savya Financial Center, Arca South, Western Bicutan 1630 Taguig City
T: +632 5310 6256 to 58

Taguig - The Fort BGC, 1st Avenue
Unit-J, G/F Kensington Plaza, 1st Ave. cor. 29th St. Crescent Parkwest, Bonifacio Global City 1634 Taguig City
T: +632 8856 5042; 8856 5072
F: +632 8856 5036

Taguig - The Fort BGC, 31st St.
McKinley Park Residences, 31st St. cor. 3rd Ave., Bonifacio Global City 1634 Taguig City
T: +632 8801 6168; 8801 6172; 8801 6170

Valenzuela
JLB Enterprises Inc. Bldg., 54 Km.12, MacArthur Highway, Marulas 1440 Valenzuela City
T: +632 8294 8301; 8294 8379
F: +632 8294 8466

PROVINCIAL

Bacolod
31 Lacson St. 6100 Bacolod City
T: +6334 432 1381; 432 1490
M: +63917 595 6104

Baguio
1 Leonard Wood Road 2600 Baguio City
T: +6374 445 2786

Bicol - Legazpi
First CQ Building, B. Imperial St. 4500 Legazpi City
T: +6352 284 3906; 284 3910; 284 3904

Bicol - Naga
Centro Square, #70 Penafrancia Ave. cor. Colgante Bridge, San Francisco 4400 Naga City
T: +6354 871 6168; 871 3770; 880 0545

Boracay
Boracay Tropics, Balabag Boracay Island, Malay 5608 Aklan
T: +6336 288 9405
M: +63917 622 7966; +63917 621 2718

Cagayan de Oro (CDO)
G/F The VIP Hotel A. Velez cor. JR Borja Sts. 9000 Cagayan de Oro City
T: +6388 852 8168 to 72
F: +6388 852 8172

Cavite - Imus
A&M Ramos Bldg., Emilio Aguinaldo Highway, Bayan Luma II, Imus 4103 Cavite
T: +6346 472 3168; 474 0007

Cebu - Fuente Osmeña
Gen. Maxilom Ave. cor. F. Ramos St. 6000 Cebu City
T: +6332 255 3198; 255 6157
F: +6332 254 0087

Cebu - Magallanes
Magallanes cor. Manalili Sts. 6000 Cebu City
T: +6332 255 1203; 255 7935
F: +6332 256 2659

Dagupan
G/F Lenox Hotel, Rizal St., Dagupan City 2400 Pangasinan
T: +6375 523 1168; 522 0491
F: +6375 522 3168

Davao - J.P. Laurel
Comglasco Bldg, J.P. Laurel Ave, Bajada, Davao City 8000 Davao del Sur
T: +6382 221 7168; 222 0357; 222 0358 locs. 4582 & 5582

Davao - Monteverde
Unit 72-74, G/F Sequoia Inn Bldg., Monteverde Street 8000 Davao City
T: +6382 222 4140; 224 0542
F: +6382 224 1924

General Santos
J. Catolico Sr. Ave., Lagao 9500 General Santos City
T: +6383 553 5168; 5172
F: +6383 553 5171

Iloilo
G/F GST Iloilo Corp. Center, Quezon Street 5000 Iloilo City
T: +6333 338 3795 to 97

Laguna - Biñan
National Highway, Brgy. Canlalay, Biñan 4024 Laguna
T: +6349 307 7594 to 95
M: +63917 329 9459; +63917 329 9460

La Union
G/F Dyro Building, Quezon Ave., Brgy. Sevilla, San Fernando City 2500 La Union
T: +6372 888 0168; 888 0165 to 66

Palawan - Puerto Princesa
National Highway, Brgy. San Pedro 5300 Puerto Princesa City
T: +6348 244 1476; 244 1497; 244 0660

Pampanga - San Fernando
G/F Queensland Commercial Plaza, Mc Arthur Highway, Dolores, San Fernando City 2000 Pampanga
T: +6345 966 9168; 435 4463; 435 4462

BUSINESS OFFICES

Acquired Assets Management - Head Office
Sterling Bank Corporate Center, Ortigas Ave., Greenhills 1500 San Juan City
T: +632 8535 6168 locs. 2680 & 2681

Acquired Assets Management - Caloocan
Rizal Ave. Extension Between 7th and 8th Ave. Grace Park, 1403 Caloocan City
T: +632 8361 7771; +632 8361 7766 locs. 109, 112, 114, 115

Acquired Assets Management - Cebu
2/F Coast Pacific Business Center, Gen. Maxilom Ave. cor. F. Ramos St., 6000 Cebu City
T: +6382 225 8852 loc. 2837

Acquired Assets Management - Davao
Comglasco Bldg, J.P. Laurel Ave, Bajada, Davao City, 8000 Davao Del Sur
T: +6382 225 8852 loc. 121

Business Development Unit
G/F Sterling Bank Corporate Center, Ortigas Ave., Greenhills 1500 San Juan City
T: +632 8535 6168

Commercial Lending 1
1/F Sterling Bank Corporate Center, Ortigas Ave., Greenhills 1500 San Juan City
T: +632 8535 6168

Commercial Lending 2
3/F 550 Quintin Paredes St. Binondo 1006 Manila
T: +632 8247 0293; 8243 0803 to 04

Treasury
3/F Sterling Bank Corporate Center, Ortigas Ave., Greenhills 1500 San Juan City
T: +632 8535 6168

Trust
3/F Sterling Bank Corporate Center, Ortigas Ave., Greenhills 1500 San Juan City
T: +632 8535 6168

CONSUMER LENDING OFFICES
Greenhills Head Office
Sterling Bank Corporate Center, Ortigas Ave., Greenhills 1500 San Juan City

Auto Loan
T: +632 8535 6168 locs. 2674, 2675, 2605, 2696
F: +632 8982 9399

Personal Loan
T: +632 8535 6168 loc. 2627
M: +63917 847 1085

Salary Loan
T: +632 8535 6168 loc. 2679
M: +63917 834 7922

Real Estate Loan
2/F Prestige Tower, F. Ortigas Jr. Road, Ortigas Center 1605 Pasig City
T: +632 8535 6168 locs. 2498, 2501, 2512, 2517, 2533, 2593, 2513, 2556, 2554, 2556, 2504, 2591, 2555, 2557, 2538, 2587, 2534, 2598
F: +632 8914 7038; 8470 9130

Cebu Lending Center
2/F Coast Pacific Bldg., Gen. Maxilom Ave. cor., F. Ramos St. 6000 Cebu City
T: +6332 239 0025 to 28, 239 0039; 8535 6168 locs. 2808, 2834, 2809, 2840
F: +6332 254 8291

Davao Lending Center
J.P. Laurel Ave., Bajada 8000 Davao City
T: +6382 222 0357; +632 8535 6168 Loc. 4004

HEAD OFFICE
Sterling Bank Corporate Center
8004 Ortigas Avenue, Greenhills
1500, San Juan City, Philippines

Customer Service Helplines: +632 8721 6000 or +632 8672 6300
Email: customer.service@sterlingbankasia.com
Website: www.sterlingbankasia.com