

# **AUDITED FINANCIAL STATEMENTS**

## **PART 1**

# STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the Group’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 Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group’s financial reporting process.

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

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

**HELEN Y. DEE**

Chairperson, Board of Directors

**REGINALDO ANTHONY B. CARIASO**

President & Chief Executive Officer

**ALBERTO MAGNO N. PEDROSA**

EVP, Head – Treasury Group

**FLORENTINO M. MADONZA**

FSVP, Head – Controllership Group

SUBSCRIBED AND SWORN TO BEFORE ME, this **19 March 2026** at Makati City, Philippines, affiants exhibited to me their valid identifications, to wit:

NAME  
Helen Y. Dee  
Reginaldo Anthony B. Cariaso  
Alberto Magno N. Pedrosa  
Florentino M. Madonza



# INDEPENDENT AUDITOR’S REPORT

**The Board of Directors and the Stockholders**  
**Rizal Commercial Banking Corporation**  
Yuchengco Tower, RCBC Plaza  
6819 Ayala Avenue cor. Sen. Gil Puyat Avenue  
Makati City

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Rizal Commercial Banking Corporation and subsidiaries (together hereinafter referred to as the Group) and of Rizal Commercial Banking Corporation (the Parent Company), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2025, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2025 and 2024, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2025 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 Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), as applicable to audits of consolidated financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the consolidated 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 basis for our opinion.

**Key Audit Matter**

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Below is the key audit matter identified in our audit of the financial statements of the Group and of the Parent Company.

# INDEPENDENT AUDITOR'S REPORT

## **Valuation of Loans and Other Receivables (Expected Credit Losses)**

### *Description of the Matter*

As at December 31, 2025, the Group's and the Parent Company's expected credit losses (ECL) allowance for loans and receivables amounted to P23,056 million and P21,857 million, respectively, while the carrying amount of loans and receivables amounted to P803,412 million and P797,898 million, respectively (as disclosed in Note 11). We have identified the Group's and the Parent Company's ECL model significant to our audit as this:

- requires significant management judgment on the interpretation and implementation of the requirements of PFRS 9, *Financial Instruments*, in assessing impairment of loans and receivables based on an ECL model that involves segmenting credit risk exposures, defining when does default occur and what constitutes a significant increase in credit risk (SICR) of different exposures;
- involves high degree of estimation uncertainty related to management's use of various inputs and assumptions applied in the ECL model such as credit risk rating, cumulative default probability, expected amount, and timing of cash flows, including recovery of collaterals for defaulted accounts, and forward-looking macroeconomic information which may be affected by management estimation bias; and,
- requires complex estimation process that entails implementation of internal controls and use of information system in ensuring the completeness and accuracy of data used in the ECL calculation and in the preparation of required disclosures in the financial statements.

In accordance with their policy, the Group and the Parent Company regularly review their ECL models to validate the underlying assumptions for each parameter, and to determine the accuracy and effectiveness of the ECL methodologies used. Where appropriate, the Group and the Parent Company incorporates post model adjustments arising from the application of credit analytics and credit judgments, allowing for a more granular segmentation of credit exposures. These adjustments also consider collection behaviors and updates on specific accounts that meet defined criteria, reflecting recent performance trends and key changes in the risk appetite that may have not been captured during the initial model development.

The material accounting policy information, significant judgments, including estimation applied by the management, and those related to the credit risk assessment process of the Group and the Parent Company are disclosed in Notes 2, 3 and 4 to the financial statements, respectively.

### *How the Matter was Addressed in the Audit*

We obtained an understanding of the Group's and the Parent Company's accounting policies and methodologies applied, and evaluated whether those: (a) are established and implemented consistent with the underlying principles of PFRS 9; (b) are appropriate in the context of the Group's lending activities and asset portfolio that takes into consideration the different segments of credit exposures and the relevant regulatory framework; and (c) are supported by pertinent processes and controls, including documentations of the accounting policies that capture in sufficient detail the judgment, including estimation applied in the development of the Group's refreshed ECL model.

We also obtained an understanding of the post model adjustments and the corresponding results, and evaluated whether: (a) any historical and forward-looking information used as inputs are accurate and reliable; (b) the assumptions used are appropriate and properly reflect the current portfolio and credit practices; (c) the underlying theory and any statistical approaches used are appropriate and generally accepted; and (d) the resulting overlays to the ECL model are documented and approved.

With respect to the use of significant judgments, including those involving estimation of inputs and assumptions used in the post model adjustments, we performed the following:

- evaluated the appropriateness of methodologies and assumptions used in the ECL calculation, including the changes arising from the Group's and the Parent Company's post model adjustments;
- assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and past due determination based on portfolio flow rates, and evaluated the appropriateness of the specific model applied for each loan portfolio;
- evaluated both the quantitative and qualitative criteria applied in the definition of default against historical analysis for each segment of loan portfolio and in accordance with credit risk management practices, and tested the criteria in the determination of the SICR, including assignment of a loan or group of loans into different stages of impairment;
- tested the Group's and the Parent Company's application of internal credit risk rating system for selected items of loans, and verified the mapping of the ratings to the ECL calculation;
- for forward-looking information, evaluated management's selection of macroeconomic factors, scenarios and probability weightings, and assessed the reasonableness of the forecasted economic indicators by comparing with trusted publicly available information;
- tested loss given default information across various types of loan by inspecting records of historical recoveries and relevant costs, including valuation and cash flows from collateral, and write-offs;
- for post model adjustments, tested the completeness and accuracy of data inputs used as basis for judgments applied, assessed the suitability of the refined segmentation used, and recalculated the impact of recent recoveries to the loss given default for credit card receivables and specific corporate borrowers; and,
- reconciled and tested exposure at default for all outstanding loans against the relevant loan databases, including review of the potential exposures from undrawn commitments against historical drawdown and impact of loan modifications.

# INDEPENDENT AUDITOR'S REPORT

As part of our audit of the ECL methodology, we reviewed the completeness and accuracy of the historical and measurement data used in the ECL model through reconciliation of loan data subjected to the ECL calculations, which were prepared by management outside its general ledger system, against the relevant financial reporting applications and other accounting records. Moreover, we tested the stratification of loan data that were disaggregated into various portfolio segments for purposes of ECL calculations. Furthermore, we verified the mathematical formula and the computation logics applied in the calculation of the different inputs in the ECL model and the estimation of the credit losses for all loans and receivables subjected to impairment assessment.

We also evaluated the completeness and appropriateness of the disclosures in the financial statements against the requirements of the relevant financial reporting standards.

## **Other Information**

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

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

In connection with our 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 audits, or otherwise appears to be materially misstated.

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

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

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Company'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 Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company'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 Group's and the Parent Company'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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

# INDEPENDENT AUDITOR'S REPORT

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

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

## Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 25 to the financial statements, the Parent Company presented the supplementary information required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR 15-2010 requires the supplementary information to be presented in the notes to financial statements. The supplementary information for the year ended December 31, 2025, 2024 and 2023 required by the Bangko Sentral ng Pilipinas (BSP) as disclosed in Note 33 to the financial statements is presented for purposes of additional analysis. Such supplementary information required by the BIR and BSP are the responsibility of management and are not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audits resulting in this independent auditors' report is Maria Isabel E. Comedia.

### PUNONGBAYAN & ARAULLO



By: **Maria Isabel E. Comedia**  
Partner

CPA Reg. No. 0092966  
TIN 189-477-563  
PTR No. 10770756, January 6, 2026, Makati City  
SEC Group A Accreditation  
Partner - No. 92966-SEC (until financial period 2027)  
Firm - No. 0002 (until financial period 2030)  
BIR AN 08-002551-021-2025 (until August 6, 2028)  
BOA/PRC Cert. of Reg. No. 0002/P-005 (until August 12, 2027)

February 23, 2026

# STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2025 AND 2024 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS)

	Notes	GROUP		PARENT COMPANY	
		2025	2024	2025	2024
<b>RESOURCES</b>					
CASH AND OTHER CASH ITEMS	9	P 23,656	P 23,003	P 23,417	P 22,907
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	86,955	115,230	84,372	112,763
DUE FROM OTHER BANKS	9	9,050	14,569	8,916	14,433
LOANS ARISING FROM REVERSE REPURCHASE AGREEMENTS	9	20,641	-	20,000	-
TRADING AND INVESTMENT SECURITIES - Net	10	374,881	429,086	372,548	426,866
LOANS AND RECEIVABLES - Net	11	803,412	742,497	797,898	736,531
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - Net	12	745	600	6,477	6,720
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	8,229	8,033	7,503	7,060
INVESTMENT PROPERTIES - Net	14	768	695	768	695
DEFERRED TAX ASSETS - Net	25	6,331	6,052	5,777	5,578
OTHER RESOURCES - Net	15	21,768	20,388	21,128	19,599
<b>TOTAL RESOURCES</b>		<b>P 1,356,436</b>	<b>P 1,360,153</b>	<b>P 1,348,804</b>	<b>P 1,353,152</b>

See Notes to Financial Statements.



# STATEMENTS OF PROFIT OR LOSS

FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT PER SHARE DATA)

	Notes	GROUP			PARENT COMPANY		
		2025	2024	2023	2025	2024	2023
<i>Balance carried forward</i>		P 48,277	P 44,789	P 43,109	P 47,296	P 43,887	P 42,215
<b>OTHER OPERATING EXPENSES</b>							
Employee benefits	23	9,058	8,059	7,150	7,928	7,061	6,321
Taxes and licenses		5,756	6,536	6,534	5,617	6,398	6,416
Depreciation and amortization	13, 14, 15	3,636	3,379	3,365	3,400	3,113	3,014
Occupancy and equipment-related	27, 28	2,675	2,426	2,242	2,568	2,326	2,154
Insurance		2,265	2,265	2,193	2,248	2,249	2,181
Miscellaneous	24	11,634	9,136	8,110	12,335	9,876	8,628
		35,024	31,801	29,594	34,096	31,023	28,714
<b>PROFIT BEFORE TAX</b>		13,253	12,988	13,515	13,200	12,864	13,501
<b>TAX EXPENSE</b>	25	2,695	3,468	1,298	2,641	3,344	1,283
<b>NET PROFIT</b>		P 10,558	P 9,520	P 12,217	P 10,559	P 9,520	P 12,218
<b>ATTRIBUTABLE TO:</b>							
<b>PARENT COMPANY'S SHAREHOLDERS</b>		P 10,559	P 9,520	P 12,218			
<b>NON-CONTROLLING INTERESTS</b>		( 1 )	-	( 1 )			
		P 10,558	P 9,520	P 12,217			
<b>Earnings Per Share</b>							
Basic and diluted	29	P 4.06	P 3.48	P 5.07			

See Notes to Financial Statements.

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT PER SHARE DATA)

	Notes	GROUP			PARENT COMPANY		
		2025	2024	2023	2025	2024	2023
<b>NET PROFIT</b>		P 10,558	P 9,520	P 12,217	P 10,559	P 9,520	P 12,218
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>							
<b>Items that will not be reclassified subsequently to profit or loss</b>							
Actuarial gains (losses) on defined benefit plan	23	( 89 )	371 ( 1,366 )	( 93 )	377 ( 1,324 )		
Fair value gains on equity securities at fair value through other comprehensive income (FVOCI)	10, 22	172	232	263	143	238	276
Share in other comprehensive income (losses) of the subsidiaries and associates:							
Actuarial gains (losses) on defined benefit plan	12	( 42 )	7	16 (	41 )	1 (	26 )
Fair value gains (losses) on equity securities at FVOCI	12, 22	-	-	-	28 (	5 ) (	13 )
		41	610 ( 1,087 )	37	611 (	1,087 )	
		2,013 ( 11	372 ) 6	1,432	2,015 ( 11	373 ) 6	1,432
Translation adjustments on foreign operations	22						
		2,024 ( 2,065	366 ) 244	1,432	2,026 ( 2,063	367 ) 244	1,432
<b>Total Other Comprehensive Income</b>	22	2,065	244	345	2,063	244	345
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		P 12,623	P 9,764	P 12,562	P 12,622	P 9,764	P 12,563
<b>ATTRIBUTABLE TO:</b>							
<b>PARENT COMPANY'S SHAREHOLDERS</b>		P 12,622	P 9,764	P 12,563			
<b>NON-CONTROLLING INTERESTS</b>		1	-	( 1 )			
		P 12,623	P 9,764	P 12,562	P 12,622	P 9,764	P 12,563

See Notes to Financial Statements.



# STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS)

## CASH FLOWS FROM OPERATING ACTIVITIES

Notes	GROUP			PARENT COMPANY		
	2025	2024	2023	2025	2024	2023
	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>
Profit before tax						
Adjustments for:						
Interest income						
Interest received	9, 10, 11	( 86,071 )	( 79,083 )	( 66,289 )	( 85,171 )	( 78,155 )
Interest paid		76,090	64,448	47,718	68,208	59,532
Interest expense		( 29,292 )	( 36,633 )	( 30,830 )	( 28,897 )	( 36,249 )
Impairment losses - net	17, 18, 19, 21, 23	29,923	36,582	32,660	29,528	36,197
Depreciation and amortization	16	15,000	8,888	6,888	14,642	8,564
Gain on assets sold - net	13, 14, 15	3,636	3,379	3,365	3,400	3,014
Dividend income	13, 14, 15	( 657 )	( 1,352 )	( 6,714 )	( 637 )	( 1,342 )
Share in net losses (earnings) of subsidiaries and associates	24	( 328 )	( 322 )	( 318 )	( 279 )	( 273 )
Gain on disposal of subsidiaries	12	( 195 )	( 85 )	( 92 )	( 122 )	( 491 )
Operating profit (loss) before working capital changes		<u>21,359</u>	<u>8,541</u>	<u>340</u>	<u>13,872</u>	<u>3,760</u>
Decrease (increase) in financial assets at fair value through profit and loss		( 2,741 )	( 1,544 )	( 4,741 )	( 2,845 )	( 1,429 )
Increase in loans and receivables		( 57,209 )	( 81,428 )	( 70,302 )	( 49,995 )	( 77,672 )
Decrease (increase) in investment properties		( 198 )	( 236 )	( 2,072 )	( 195 )	( 235 )
Increase in other resources		( 1,826 )	( 1,302 )	( 6,100 )	( 1,807 )	( 1,222 )
Increase in deposit liabilities		2,661	66,082	99,468	2,745	65,368
Increase (decrease) in accrued interest, taxes and other expenses		( 382 )	( 400 )	( 2,590 )	( 285 )	( 475 )
Increase (decrease) in other liabilities		( 7,219 )	( 27,297 )	( 694 )	( 7,692 )	( 27,214 )
Cash generated from (used in) operations		( 45,555 )	20,098	21,953	( 46,202 )	18,167
Income taxes paid		( 2,554 )	( 3,709 )	( 4,099 )	( 2,417 )	( 3,910 )
Net Cash From (Used in) Operating Activities		( 48,109 )	16,389	17,854	( 48,619 )	14,656

## CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from disposal of securities at fair value through other comprehensive income (FVOCI)	10	287,260	315,409	476,584	287,126	315,386
Acquisition of securities at FVOCI	10	( 234,685 )	( 391,742 )	( 442,380 )	( 234,443 )	( 391,718 )
Proceeds from redemption and maturity of securities at amortized cost	4	14,305	2,674	31,956	7,516	629
Acquisition of investments in securities at amortized cost	4	( 7,763 )	( 26,330 )	( 16,099 )	( 707 )	( 24,245 )
Acquisitions of bank premises, furniture, fixtures, and equipment	13	( 3,630 )	( 1,387 )	( 3,716 )	( 3,689 )	( 1,291 )
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	1,608	1,047	9,836	1,588	856
Acquisitions of software	15	( 632 )	( 519 )	( 381 )	( 606 )	( 518 )
Cash dividends received	12, 24	328	322	318	279	280
Net Cash From (Used in) Investing Activities		56,791	( 100,526 )	56,118	57,064	( 100,621 )
<b>Balance forwarded</b>		<b>P 8,682</b>	<b>(P 84,137)</b>	<b>P 73,972</b>	<b>P 8,445</b>	<b>(P 85,965)</b>
						<b>P 72,353</b>

See Notes to Financial Statements.

Notes	GROUP			PARENT COMPANY		
	2025	2024	2023	2025	2024	2023
	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>P</b>
<b>Balance carried forward</b>						
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payments of bills payable	30	( 83,257 )	( 10,232 )	( 29,767 )	( 80,385 )	( 6,171 )
Proceeds from availments of bills payable	30	60,540	43,948	15,333	56,919	41,100
Issuance of bonds payable	19, 30	32,945	23,138	-	32,945	23,138
Redemption of hybrid perpetual securities	22, 30	( 17,130 )	-	-	( 17,130 )	-
Dividends paid	22	( 2,815 )	( 3,548 )	( 3,289 )	( 2,815 )	( 3,548 )
Payment of lease liabilities	21, 30	( 2,497 )	( 2,366 )	( 2,131 )	( 2,409 )	( 2,044 )
Net proceeds from issuance of shares of stock	22	-	-	17,421	-	17,421
Maturity of bonds payable	30	-	( 31,542 )	( 39,041 )	-	( 39,041 )
Reissuance of treasury shares	22	-	-	9,287	-	9,287
Net Cash From (Used in) Financing Activities		( 12,214 )	19,398	( 32,187 )	( 12,875 )	( 30,732 )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>( 3,532 )</b>	<b>( 64,739 )</b>	<b>41,785</b>	<b>( 4,430 )</b>	<b>41,621</b>

## CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

Cash and other cash items	9	23,003	19,875	18,078	22,907	19,812
Due from Bangko Sentral ng Pilipinas		115,230	151,762	156,664	112,763	150,771
Due from other banks		14,569	14,892	5,836	14,433	5,383
Loans arising from reverse repurchase agreements		-	35,799	8,724	-	34,948
Interbank loans receivable		32,567	27,780	19,021	32,567	19,021
		<b>185,369</b>	<b>250,108</b>	<b>208,323</b>	<b>182,670</b>	<b>247,941</b>

## CASH AND CASH EQUIVALENTS AT END OF YEAR

Cash and other cash items	9	23,656	23,003	19,875	23,417	19,812
Due from Bangko Sentral ng Pilipinas		86,955	115,230	151,762	84,372	112,763
Due from other banks		9,050	14,569	14,892	8,916	14,433
Loans arising from reverse repurchase agreements		20,641	-	35,799	20,000	34,948
Interbank loans receivable		41,535	32,567	27,780	41,535	32,567
		<b>P 181,837</b>	<b>P 185,369</b>	<b>P 250,108</b>	<b>P 178,240</b>	<b>P 182,670</b>
						<b>P 247,941</b>

See Notes to Financial Statements

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

## 1. CORPORATE MATTERS

### 1.1 Incorporation and Operation

Rizal Commercial Banking Corporation (the Parent Company, the Bank or RCBC), a universal bank engaged in all aspects of banking, was originally incorporated on September 23, 1960. The Bank has been granted with perpetual existence by the Securities and Exchange Commission (SEC) on September 30, 2022. It provides products and services related to traditional loans and deposits, trade finance, domestic and foreign fund transfers or remittance, cash management, treasury, and trust and custodianship services. Under relevant authority granted by the Bangko Sentral ng Pilipinas (BSP), the Bank is also licensed to deal in different types of derivative products such as, but not limited, to foreign currency forwards, interest rate swaps and cross currency swaps. The Parent Company and its subsidiaries (together hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans, mortgage/housing and microfinance loans), remittance, leasing and stock brokering.

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

The Parent Company's common shares are listed in the Philippine Stock Exchange (PSE).

The Group and the Parent Company's banking network within and outside the Philippines as of December 31 follows:

	Group		Parent Company	
	2025	2024	2025	2024
Automated teller machines (ATMs)	1,514	1,482	1,514	1,482
ATM Go	4,937	7,947	4,937	7,947
Branches	453	453	438	437
Extension offices	16	12	3	2

RCBC is a 33.92%-owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC or Ultimate Parent), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions of the Yuchengco Group of Companies (YGC), with registered business address at 48<sup>th</sup> Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City.

On August 26, 2022 and September 30, 2022, the BSP and SEC, respectively, approved the amendment of Articles of Incorporation (AOI) of the Parent Company to allow foreign ownership to exceed 40% (see Note 22.1).

Following the above approvals, as of December 31, 2025 and 2024, Cathay Life Insurance Corporation (Cathay) owns 18.68% interest in RCBC, while Sumitomo Mitsui Banking Corporation (SMBC) owns 24.46% and 20.00%, respectively, after its additional acquisition of 4.46% ownership in RCBC on December 22, 2025 (see Note 22.1).

The Parent Company's registered address, which is also its principal office, is at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City.

### 1.2 Subsidiaries and Associates

The Parent Company holds ownership interests in the following subsidiaries and associates at the end of 2025 and 2024:

Subsidiaries and Associates	Line of Business	Explanatory Notes	Effective Percentage of Ownership	
			2025	2024
Subsidiaries:				
RCBC Forex Brokers Corporation (RCBC Forex)	Foreign exchange dealing		100.00	100.00
RCBC International Finance Limited (RCBC IFL)	Remittance		100.00	100.00
RCBC Investment Ltd.	Remittance	(a)	100.00	100.00
RCBC Capital Corporation (RCBC Capital)	Investment house		99.96	99.96
RCBC Securities, Inc. (RSI or RCBC Securities)	Securities brokerage and dealing	(b)	99.96	99.96
RCBC Bankard Services Corporation (RBSC)	Credit card management	(b)	99.96	99.96
RCBC-JPL Holding Company, Inc. (RCBC JPL)	Property holding	(d)	80.00	80.00
RCBC Microbank - A Thrift Bank Inc. (RCBC Microbank)	Thrift banking and microfinance	(f)	100.00	100.00
RCBC Leasing and Finance Corporation (RCBC LFC)	Financial leasing		99.67	99.67
RCBC Rental Corporation (RRC)	Property leasing	(c)	99.67	99.67
Associates:				
YGC Corporate Services, Inc. (YCS)	Support services for YGC		40.00	40.00
RCBC Trust Corporation (RTC)	Trust, fiduciary and investment management	(e)	40.00	40.00
Luisita Industrial Park Co. (LIPC)	Real estate buying, developing, selling and rental		35.00	35.00
Honda Cars Phils., Inc. (HCPI)	Sale of motor vehicles		12.88	12.88

Except for RCBC IFL (Hongkong) and RCBC Investment Ltd. (Hongkong), all other subsidiaries and associates are incorporated and conducting their businesses in the Philippines.

Explanatory Notes:

- A wholly-owned subsidiary of RCBC IFL.
- Wholly-owned subsidiaries of RCBC Capital.
- A wholly-owned subsidiary of RCBC LFC.
- In 2024, 19.41% ownership on RCBC JPL was donated and transferred to the Bank's retirement fund.
- In 2023, the Bank subscribed to 400 thousand shares equivalent to 40% ownership in RTC, a trust entity resulting from the spin-off of the Bank's trust operations (see Notes 12 and 26).
- Effective January 23, 2026, the SEC approved the change in name of subsidiary Rizal Microbank, Inc. to RCBC Microbank - A Thrift Bank Inc.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

## 1.3 Approval of Financial Statements

The consolidated financial statements of the Group and the separate financial statements of RCBC as of and for the year ended December 31, 2025 (including the comparative financial statements as of December 31, 2024 and for the years ended December 31, 2024 and 2023) were approved and authorized for issue by the BOD of the Parent Company on February 23, 2026.

## 2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies that have been used in the preparation of these financial statements are summarized below. The accounting policies have been consistently applied to all the years presented, except when otherwise indicated.

### 2.1 Basis of Preparation of Financial Statements

#### (a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

#### (b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in two statements: a “statement of profit or loss” and a “statement of comprehensive income”.

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

In 2025, the Group and the Parent Company made prior period reclassifications to the 2024 and 2023 statements of profit or loss to improve the presentation and classification of certain expenses. Specifically:

- (i) certain computer-related costs (including repairs, maintenance, and rental of computer equipment) previously presented under Occupancy and equipment-related expenses were reclassified to Information technology expenses within Miscellaneous expenses; and,
- (ii) insurance previously included in Miscellaneous expenses is now presented as a separate line item.

These changes are presentation reclassifications only and do not affect total operating expenses, profit for the year, the consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of changes in equity, or consolidated statements of cash flows. Accordingly, a third consolidated statement of financial position is not required to be presented.

Presented below is an analysis of the effects of these prior period reclassifications on the consolidated statements of profit or loss for the years ended December 31, 2024 and 2023.

<i>(Amounts in PHP)</i>	Group		
	As Previously Reported	Effects of reclassification	As Restated
<u>2024</u>			
<i>Other operating expenses</i>			
Occupancy and equipment-related	3,892	(1,466)	2,426
Insurance	-	2,265	2,265
Miscellaneous	9,935	(799)	9,136
<u>2023</u>			
<i>Other operating expenses</i>			
Occupancy and equipment-related	3,262	(1,020)	2,242
Insurance	-	2,193	2,193
Miscellaneous	9,283	(1,173)	8,110
<i>(Amounts in PHP)</i>	Parent Company		
	As Previously Reported	Effects of reclassification	As Restated
<u>2024</u>			
<i>Other operating expenses</i>			
Occupancy and equipment-related	3,790	(1,464)	2,326
Insurance	-	2,249	2,249
Miscellaneous	10,661	(785)	9,876
<u>2023</u>			
<i>Other operating expenses</i>			
Occupancy and equipment-related	3,172	(1,018)	2,154
Insurance	-	2,181	2,181
Miscellaneous	9,791	(1,163)	8,628

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

## (c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.10). All amounts are in millions, except share and per share data or when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates. The financial statements of the Group's foreign currency deposit unit (FCDU), which is reported in United States (US) dollar, are translated to Philippine peso based on Philippine Dealing System closing rates (PDSCR) at the end of reporting period for the statement of financial position accounts and at the average PDS rate for the period for the profit and loss accounts.

## 2.2 *Adoption of Amended PFRS Accounting Standards*

### (a) *Effective in 2025 that are Relevant to the Group and Parent Company*

The Group and Parent Company adopted for the first time amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*, which are mandatorily effective for annual periods beginning on or after January 1, 2025. The amendments require entities to assess whether a currency is exchangeable and to determine a spot exchange rate when exchangeability is lacking. These amendments also mandate the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The amendments had no significant impact on the financial statements of the Group and Parent Company.

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

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

- (i) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026). These amendments clarify and refine the classification and measurement guidance in PFRS 9, particularly when to derecognize financial liabilities (generally on settlement date) and introduce an accounting policy option to derecognize certain liabilities earlier when settled via electronic payment systems if specified conditions are met. These also clarify contractual cash flow assessments for financial assets with contingent [including Environmental, Social and Governance (ESG) goal-linked] features and provide guidance on non-recourse assets and contractually linked instruments. Correspondingly, PFRS 7 adds enhanced disclosures for instruments with contingent/ESG-linked terms and for equity instruments designated at fair value through other comprehensive income (FVOCI).

- (ii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to Contracts Referencing Nature-dependent Electricity* (effective from January 1, 2026)
- (iii) PFRS 17, *Insurance Contracts – Insurance Contracts* (effective from January 1, 2027)
- (iv) PFRS 17 (Amendments), *Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 – Comparative Information* (effective from January 1, 2027)
- (v) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.
- (vi) PFRS 10 and PAS 28 (Amendments), *Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)

## 2.3 *Basis of Consolidation and Accounting for Investments in Subsidiaries and Associates in the Separate Financial Statements*

The Parent Company's investments in subsidiaries are initially recognized at cost and subsequently accounted for in its separate financial statements using the equity method.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls. Accordingly, entities are deconsolidated from the date that control ceases.

Acquired subsidiaries are subject to either of the following relevant policies:

- (i) *Purchase method* – is applicable if the business combination does not involve entities under common control. The method involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of a subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of a subsidiary prior to acquisition.
- (ii) *Pooling of interest method* – is applicable for business combinations involving entities under common control. On initial recognition, the assets and liabilities of a subsidiary are included in the consolidated statement of financial position at their book values. Adjustments, if any, are recorded to achieve uniform accounting policies. The combining entities' results and financial positions are presented in the consolidated financial statements as if they had always been combined.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

No goodwill or negative goodwill is recognized. Any difference between the cost of the investment and the subsidiary's identifiable net assets is recognized on consolidation in Capital Paid in Excess of Par account in equity.

Acquired investments in associates are subject to purchase method of accounting as described above. However, any goodwill that represents the excess of identifiable net assets of the acquiree at the date of acquisition or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investments in associates.

The Group reassesses whether or not an entity qualifies as an associate in the occurrence of changes to facts and circumstances surrounding its ability to exert significant influence.

## 2.4 Financial Instruments

### (a) Financial Assets

#### (i) Classification and Measurement of Financial Assets

The Group's financial assets include financial assets at amortized cost, FVOCI and at fair value through profit or loss (FVTPL).

#### Financial Assets at Amortized Cost

Where the business model is to hold assets to collect contractual cash flows, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (SPPI). In making this assessment, the Group considers whether the contractual cash flows are consistent with basic lending arrangements, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with basic lending arrangements, the related financial asset is classified and measured at FVTPL.

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

#### Financial Assets at Fair Value Through Other Comprehensive Income

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or a contingent consideration arising from a business combination. The Group has made irrevocable designation of equity instruments not held for trading into this category.

#### Financial Assets at Fair Value Through Profit or Loss

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will be effected only at the beginning of the next reporting period following the change in the business model.

### (ii) Effective Interest Rate Method and Interest Income

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

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

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income. The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

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

### (iii) Impairment of Financial Assets

The Group's expected credit loss (ECL) model follows a three-stage impairment approach, which guide in the determination of the loss allowance to be recognized in the financial statements. The staging of financial assets and definition of default for purposes of determining ECL are further discussed in Note 4.4.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

ECL is a function of the probability of default (PD), loss-given default (LGD), and exposure-at-default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement. These elements are discussed more fully in Note 4.4.

The Group calculates ECL either on an individual or a collective basis. For consumer loans which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, industry type, and geographical locations of the borrowers or counterparties. The Group calculates ECL for corporate loans, finance lease receivables, and investment securities at amortized cost on an individual basis.

The Group applies different ECL methodologies across its portfolios. Corporate loans are assessed under the general approach using borrower-level credit assessments and internal credit ratings, with 12-month or lifetime ECL recognized depending on staging. Consumer loans are also measured using the general approach but are evaluated on a collective basis through product-level segmentation and behavioral credit data. Meanwhile, accounts receivable and other risk assets not arising from lending activities follow the simplified approach, wherein lifetime ECL is recognized using a provision matrix calibrated from historical loss behavior of these exposures.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

With respect to investments in debt securities that are measured at FVOCI, the related loss allowance account is recognized in other comprehensive income and accumulated in the Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

For loan commitments, the loss allowance is recognized as provisions (presented and included as part of Other Liabilities account in the statement of financial position). Where a financial instrument includes a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn commitment; the Group presents a combined allowance for ECL for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as provisions.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

## (iv) Modification of Loans

When the Group renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Group assesses whether or not the new terms are substantially different to the original terms of the instrument.

In making such assessment, the Group considers, among others:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced that will affect the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and/or,
- Insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

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

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

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

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

The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

## (b) Financial Liabilities

Financial liabilities including deposit liabilities, bills payable, bonds payable, accrued interest and other expenses, and other liabilities (except derivatives with negative fair value, tax-related payables, post-employment defined benefit obligation and deferred income).

## (c) Financial Guarantees and Undrawn Loan Commitments

The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract or agreement. Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized under Other Liabilities account in the statement of financial position.

## (d) Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk. Derivatives held include foreign currency short-term forwards, interest rate swaps, cross currency swaps, debt warrants and options. Further details of derivative financial instruments are disclosed in Note 10.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to the fair value at each reporting date.

## (e) Hedge Accounting

The Group has approved certain assets and liabilities as hedged items for interest rate risk exposures: fixed rate bonds, loans receivable and loans payable, floating rate bonds, loans receivable and loans payable, and fixed/floating rate highly probable bonds.

The Group also designates certain derivatives as hedging instruments in respect of interest rate risk in fair value hedges, or cash flow hedges, as appropriate. The Group applies PFRS 9 hedge accounting rules in full for these derivatives.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and,
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group uses both qualitative and quantitative assessment to determine whether there is an economic relationship between the hedged item and the hedging instrument. The conclusion that an economic relationship exists may be purely qualitative when the critical terms of the hedging instrument and the hedged item are matched. In cases when the critical terms are not aligned, it will be necessary to perform a quantitative assessment to establish that there is an economic relationship and that this source of ineffectiveness is not material. These assessments may be through critical matching, by identifying critical terms in both the hedged item or the derivative that may be a source of ineffectiveness, or regression analysis, when the critical terms of the hedging instrument and hedged item are not closely aligned, and there is increased uncertainty about the extent of offset, such that the hedge effectiveness is more difficult to predict.

The Group shall perform effectiveness assessment on an ongoing basis, whether a hedging relationship continue to meet the hedge effectiveness requirements. In measuring ineffectiveness, the Group constructs a hypothetical derivative that represents a hedge for the hedged risk of the hedged item, and assesses the impact of credit risk.

Hedge ineffectiveness can arise from the following:

- counterparties' credit risk differently affecting the fair value movements of the hedging instrument and hedged item; and,
- Any subsequent changes in the contractual terms of the hedged item or hedging instrument may create potential source of ineffectiveness.

The results of the effectiveness assessment shall determine whether the hedge needs to be rebalanced or discontinued. Discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge) so that it meets the qualifying criteria again.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

The fair value change on qualifying hedging instruments is recognized in profit or loss except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognized in OCI. The Group has not designated fair value hedge relationships where the hedging instrument hedges an equity instrument designated at FVOCI. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item. The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the EIR method is used (i.e. debt instruments measured at amortized cost or at FVOCI) arising from the hedged risk is amortized to profit or loss commencing no later than the date when hedge accounting is discontinued.

Note 4.3 sets out the details of the fair values of the derivative instruments used for hedging purposes.

## 2.5 Bank Premises, Furniture, Fixtures and Equipment

All bank premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value.

Depreciation is computed using the straight-line method over the estimated useful lives of furniture, fixtures and equipment for three to 15 years while leasehold rights and improvements are amortized over the term of the lease or the estimated useful lives of the improvements of one to 25 years, whichever is shorter.

## 2.6 Investment Properties

Investment properties pertain to buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment, which are either held by the Group for sale in the next 12 months or being used in the rendering of services or for administrative purposes, or held for rental. In 2024, the Bank ceased to acquire investment properties through dacion in payment, as a result of the change in capital structure of the Bank.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses (see Note 2.11).

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties

are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

Investment properties, except land, are depreciated on a straight-line basis over a period of 10 years.

## 2.7 Intangible Assets

Intangible assets include goodwill, branch licenses, trading right, and computer software licenses which are accounted for under cost model and are reported under Other Resources account in the statement of financial position.

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired at the date of acquisition (see Note 2.3).

Branch licenses represent the rights given by the BSP to the Group to establish a certain number of branches in various areas in the country.

Goodwill and branch licenses are classified as intangible assets with indefinite useful life and, thus, not subject to amortization but are tested annually for impairment (see Note 2.11). After initial recognition, goodwill and branch licenses are subsequently carried at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those generating units is represented by each primary reporting segment.

Trading right, included as part of Miscellaneous under Other Resources account, represents the right given to RSI, a subsidiary engaged in stock brokerage, to preserve its access to the trading facilities and to transact business at the PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment, if any. The trading right is tested annually for any impairment in value (see Note 2.11).

Acquired computer software licenses are amortized on a straight-line basis over the expected useful lives of the software of three to 10 years.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives (not exceeding 10 years).

## 2.8 Other Income and Expense Recognition

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent. The Group concluded that it is acting as a principal in all its revenue arrangements except for certain brokerage transactions.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

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

(a) *Service fees and Commissions*

The following service fees and commissions are recognized as follows:

- (i) *Commissions and fees* – these income arising from loans, deposits, and other banking and brokerage transactions are recognized as income based on agreed terms and conditions with customers, which are generally when the services have been performed.
- (ii) *Annual membership fees* – pertain to annual fees charged to credit cardholders. Revenues from membership fees are recognized over time from the date of renewal of the credit card until the validity date covered by the said renewal, usually termed as the expiry date of the issued cards. The credit card's validity period is deemed to be the servicing period.
- (iii) *Interchange fees, net of interchange costs* – are recognized as income upon presentation by member establishments of charges arising from RCBC and non-RCBC (associated with MasterCard, JCB, VISA and China UnionPay labels) credit card availments passing through the Point of Sale (POS) terminals of the Parent Company. These discounts are computed based on agreed rates and are deducted from the amounts remitted to member establishments. Interchange costs pertain to the other credit card companies' share in RBSC's merchant discounts whenever their issued credit cards transact in the Parent Company's POS terminals.

The Parent Company operates a rewards program related to its deposit, loan, and credit card operations, allowing cardholders to accumulate non-expiring loyalty points that can be redeemed for free products, including travel airmiles, shopping vouchers, gift certificates and rewards credits. These loyalty points create a separate performance obligation, as they provide a material right to the cardholder.

The rewards liability of the Parent Company represents management's best estimate of the cost associated with loyalty points earned that are expected to be redeemed by cardholders. The liability is measured using a data-driven provisioning framework that estimates the probability of redemption based on historical customer redemption behavior, segmented by account age (months on books), and applies this to the peso equivalent of outstanding points.

Accordingly, the Parent Company allocates a portion of interchange fees to the loyalty points granted to cardholders based on their relative stand-alone selling price and recognizes a corresponding liability until the points are redeemed, at which time revenue is recognized.

- (iv) *Loan syndication fees* – are recognized as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.
- (v) *Underwriting and arrangers fees* – are fees arising from negotiating or participating in the negotiation of a transaction for a third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized at the completion of the underlying transaction and where there are no further obligations to perform under the agreement.

(b) *Trust Fees*

These pertain to service fees earned in 2023 and prior years in reference to the net asset value of the funds managed and deducted from the customer's account balance on a monthly basis which are recognized over time as the asset management services are provided. These are also applicable for wealth management and asset custody services that are continuously provided over an extended period of time. No trust fees were earned in 2025 and 2024 due to the spin-off of the trust operations from the Parent Company into RTC (see Notes 1.2 and 26).

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

(a) *Trading and Securities Gains (Losses)*

These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVTPL.

(b) *Gain on Assets Sold*

Gain on assets sold arise from the disposals of bank premises, furniture, fixtures and equipment, investment properties, real estate properties for sale, and assets held-for-sale. The Group recognizes the gain on sale at the time the control of the assets is transferred to the buyer, when the Group does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold, and when the collectability of the entire sales price is reasonably assured. Gain on assets sold are included as part of Other Operating Income account in the statement of profit or loss.

(c) *Dividend Income*

Dividend income is recognized when the Group and Parent Company's right to receive payment is established and is presented under miscellaneous income in the statement of profit or loss.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

## (d) Recoveries from Written Off Assets

These are income recognized from the increase in carrying amount of assets previously written off. The amount of reversal does not exceed the amount of impairment loss previously recognized for the related asset.

Collections from accounts, which did not qualify for revenue recognition are treated as customers' deposit included as part of Accounts payable under Other Liabilities account in the statement of financial position.

## 2.9 Leases

The Group accounts for its leases as follows:

### (a) Group as Lessee

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

### (b) Group as Lessor

The Group applies judgment in determining whether a lease contract is a finance or operating lease (see Note 3.1).

### (c) Sale and Leaseback Transaction

As a seller-lessee, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

## 2.10 Foreign Currency Transactions and Translations

Except for the foreign subsidiaries and accounts of the Parent Company's FCDU, the accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing at transaction dates. Resources and liabilities denominated in US dollars are translated to Philippine pesos at the prevailing PDSCR at the end of the reporting period.

For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the prevailing PDSCR at the end of each reporting period (for resources and liabilities) and at the weighted average PDSCR for the period (for income and expenses). Any foreign exchange difference is recognized in profit or loss.

The translation of the financial statements into Philippine peso should not be construed as a representation that the amounts stated in currencies other than the Philippine peso could be converted in Philippine peso amounts at the translation rates or at any other rates of exchange.

## 2.11 Impairment of Non-financial Assets

Investments in subsidiaries and associates, bank premises, furniture, fixtures and equipment (including right-of-use assets), investment properties, and other resources (including intangible assets and assets held for sale and disposal group) and other non-financial assets are subject to impairment testing.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units (CGU)]. As a result, some assets are tested for impairment either individually or at the CGU level. Except for intangible assets with an indefinite useful life (i.e., goodwill, branch licenses and trading right) or those not yet available for use, individual assets or CGU are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. All assets, except for intangible assets with indefinite useful life, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or CGU's recoverable amount exceeds its carrying amount.

## 2.12 Employee Benefits

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

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

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

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

### 3.1 Critical Management Judgments in Applying Accounting Policies

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

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

The Group uses the general approach to calculate ECL for all debt instruments carried at amortized cost and FVOCI, together with loan commitments and financial guarantee contracts. The allowance for impairment is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

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

(b) *Evaluation of Business Models Applied in Managing Financial Instruments*

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely, its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Group's business models reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belongs to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment, trading and lending strategies.

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

There is no disposal of HTC investments in 2025 and 2024.

The Parent Company is currently performing an evaluation of its business models for HTC and FVOCI investments as a result of internal changes on how it manages these financial assets. Such changes are determined by senior management as significant to the Parent Company's operations wherein it implemented adjustments to its portfolio strategies in light of the revised long-term outlook following the pandemic and other global developments. Revisions in the business models may result in reclassifications in the categories of portfolio investments to be effected only at the beginning of the next reporting period following the change in business model. As of December 31, 2025, the Parent Company is yet to complete its assessment.

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

In determining the classification of financial assets, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

(d) *Determination of Timing of Satisfaction of Performance Obligation*

The Group determines that its revenue shall be recognized at a point in time for loan syndication and underwriting fees and commission. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The services provided by the Group would need substantial reperformance from other entities. This demonstrates that the customers do not simultaneously receive and consume the benefits provided by the Group.

For the revenues from services related to credit card membership and account management, the Group determines that its revenues shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided to the customers. As the work is performed, the Group becomes entitled to payments. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of these services as it performs.

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

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

For leases of offices, branches, and equipment, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

The Group did not include renewal options as part of the lease term as the terms are renewable upon mutual agreement.

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

(f) *Distinction Between Investment Properties and Owner-occupied Properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production, supply process, and in the Group's banking operation.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease) then these portions can be accounted for separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in operations or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property.

(g) *Determination of the Classification of Assets/Liabilities under Assets Held-for-Sale and Disposal Group*

The Group classifies an asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In determining whether reclassification is in order, the asset (or disposal group) must be available for immediate sale in its present condition subject to usual terms and the same must be highly probable, evidenced by a commitment to a plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except if a delay will be caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

(b) *Distinction Between Operating and Finance Leases where the Group is the Lessor*

(a) *Group as a lessor*

The Group has entered into various lease agreements as a lessor. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets or liabilities (see Note 2.9).

(b) *Parent Company as a sublessor*

The Parent Company also enters into sublease arrangements in which it acts as an intermediate lessor. Judgment is similarly required in classifying each sublease as either an operating or finance lease. In accordance with PFRS 16, *Leases*, the classification of a sublease is assessed by reference to the right-of-use asset arising from the head lease, rather than the underlying owned asset.

In evaluating whether the lease and sublease arrangements of the Group qualify as a finance lease, the following factors have been considered:

- (i) the lease provides the lessee an option to purchase the asset;
- (ii) the lease transfers ownership of the property at the end of the lease;
- (iii) the related lease terms approximate the estimate useful life of the asset being leased; and,
- (iv) at lease inception, the present value of lease payments amounts to at least substantially all of the fair value of the underlying asset, or in the case of subleases, by reference to the right-of-use asset.

(i) *Classification and Determination of Fair Value of Acquired Properties*

The Group classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Assets held-for-sale and disposal group presented under Other Resources account if the Group expects that the assets will be sold within one year from the date of recognition, or as Investment Properties if held for rental or for currently undetermined future use and is regarded as held for capital appreciation, or as financial assets. At initial recognition, the Group determines the fair value of acquired properties through internal and external appraisal depending on the Group's threshold policy. The appraised value is determined based on the current economic and market conditions, as well as the physical condition of the property.

The Group's methodology in determining the fair value of Investment Properties are further discussed in Note 7.4.

(j) *Assessment of Significant Influence on HCPI in which the Group and the Parent Company Holds Less than 20% Ownership*

The management considers that the Group and the Parent Company have significant influence on HCPI even though it holds less than 20% of the outstanding ordinary shares of the latter. In making this judgment, management considered the Group's and the Parent Company's agreement with another stockholder of HCPI to commit and undertake to vote, and to regulate the conduct of voting and the relationship between them with respect to their exercise of their voting rights (see Note 12.1).

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

## (k) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain.

Where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

In dealing with the Group's various legal proceedings, the Group's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Group's internal and outside counsels acting in defense for the Group and the Parent Company's legal cases and are based upon the analysis of probable results.

Although the Group does not believe that its on-going proceedings, as disclosed in Note 28, will have material adverse effect on the Group's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

## 3.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are described below and in the succeeding pages.

### (a) Estimation of Expected Credit Loss on Financial Assets

When measuring allowance for ECL for relevant categories of financial assets, management applies judgment in defining the criteria in assessing whether a financial asset has experienced SICR since initial recognition, and in the estimation of the contractual cash flows due from counterparty and those that the Group would expect to receive, taking into account the cash flows from the realization of collateral and integral credit enhancements. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions about future economic conditions and credit behavior of counterparties (e.g., the likelihood of counterparties defaulting and the resulting losses). The computation of the ECL also considers the use of reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other that may result in different levels of loss allowance.

Significant factors affecting the estimates on the ECL model include:

- internal rating matrix which determines the PD to be assigned to a financial asset;
- criteria for assessing if there has been an SICR and when a financial asset will be transferred between the three stages;
- the Group's definition of default for different segments of credit exposures that considers the regulatory requirements;
- establishing groups of similar financial assets (i.e., segmentation) for the purposes of measuring ECL on a collective basis;
- establishment of LGD parameters based on historical recovery rates of claims against defaulted counterparties across different group of financial instruments; and,
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

The explanation of inputs, assumptions and estimation techniques used in measuring ECL and the analysis of the allowance for ECL on various groups of financial instruments is further discussed in Note 4.4.

### (b) Fair Value Measurement for Financial Assets at FVTPL and at FVOCI

The Group carries certain financial assets at fair value which requires judgment and extensive use of accounting estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument or other more appropriated valuation techniques (see Note 7.2).

The amount of changes in fair value would differ if the Group had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss or other comprehensive income. The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques such as net asset value method, or market-based approach (price-to-book value method) (see Note 7.2).

The carrying values of the Group's and the Parent Company's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 10.

### (c) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets, Investment Properties, Computer Software, Goodwill, Branch Licenses and Trading Right

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment, including right-of-use assets, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

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

The carrying amounts of bank premises, furniture, fixtures and equipment, including right-of-use assets, investment properties and computer software are analyzed in Notes 13, 14 and 15, respectively, while the carrying amounts of goodwill, branch licenses and trading right are analyzed in Note 15.

In 2025, the Bank revised the estimated useful lives of certain bank premises, furniture, fixtures, and equipment. The useful life of leasehold rights relating to low and medium-rise buildings was set at 25 years, while high-rise buildings were assigned 50-year useful lives. Vaults, vault doors, and safety deposit boxes were aligned with the applicable building-based useful lives, while signages and murals continue to be depreciated over five years. Leasehold improvements are now amortized over the shorter of the lease term or the applicable useful life. This revision has been accounted for prospectively as a change in accounting estimate in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The revision resulted in a net increase in depreciation expense of P1 in 2025, and the Bank considers the effect to future-period depreciation to be immaterial. No similar change was made in 2024.

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

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Significant judgment is applied by management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of the Group's future taxable income together with its future tax planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income to support the recognition of deferred tax assets.

The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2025 and 2024 are disclosed in Note 25.1.

(e) *Estimation of Impairment Losses of Non-financial Assets*

Except for intangible assets with indefinite useful lives, PFRS Accounting Standards requires that an impairment review be performed when certain impairment indications are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.11.

The Group assesses impairment on these non-financial assets and considers the following important indicators:

- significant changes in asset usage;
- significant decline in assets' market value;
- obsolescence or physical damage of an asset;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and,
- significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Though management believes that the assumptions used in the estimation of fair values of non-financial assets are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(f) *Determination of Fair Value of Investment Properties*

The Group's investment properties are composed of buildings and condominium units which are measured using cost model. The estimated fair value of investment properties disclosed in Note 7.4 is determined by either an independent or internal appraiser on the basis of current appraised values of the properties or similar properties in the same location and condition.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

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

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

## (h) Recognition of Reward Points

The Group has a reward program related to its card operations, which allows its cardholders to accumulate award credits or loyalty points that can be redeemed for free products and services (e.g. fee waivers, merchant-funded items, cash credits).

The Group allocates a portion of the interchange fee billed to participating merchants to the loyalty points granted to cardholders based on relative stand-alone selling price and recognizes a liability equivalent to the estimated loyalty points until these are redeemed. The contract liability for reward points is measured at the expected cost of satisfying the redemption obligation and reflects management's estimate of the proportion of reward points that are expected to be redeemed. This estimate involves significant judgment and is based on historical redemption patterns, customer behavior, and current program terms. Management reviews the assumptions used in estimating the probability of redemption at each reporting date and recognizes any resulting changes as a change in accounting estimate in the period in which they arise.

In 2024 and prior periods, the Group estimated the provision for unredeemed reward points using a portfolio-level approach based on historical forfeitures and redemption experience, applied uniformly to the outstanding rewards balance.

In 2025, the Group revised the basis for estimating the provision to an observed month-on-books (MOB) segmented methodology. Under this revised approach, the provision is determined by applying estimated probabilities of redemption to the peso-equivalent rewards balance by account vintage, together with an allowance for potential increases in redemptions, including higher provisioning for older accounts with minimal attrition. This revision has been accounted for as a change in accounting estimate and applied prospectively in accordance with PAS 8.

The update in estimation resulted in a net reduction of P211 in the rewards liability in 2025. The Bank expects the change to affect future-period rewards expense; however, the future impact cannot be reasonably estimated due to changes in cardholder behavior, redemption patterns, and the remaining life of outstanding rewards points, consistent with PAS 8. No similar change was made in 2024.

The measurement of the rewards liability involves judgment and is sensitive to assumptions regarding expected redemption behavior for account vintage, the peso-equivalent value of reward points, and management's assessment of potential changes in redemption patterns. Changes in these assumptions may result in adjustments to the recognized expense and the carrying amount of the rewards liability in future periods. Information on the carrying amount in the rewards liability is presented in Note 21.

## (i) Valuation of Post-employment Defined Benefits and Related Plan Assets

The determination of the Group's obligation and cost of post-employment defined benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, and salary increase rate.

## (j) Determination of Recoverable Amount of Assets Held-for-Sale

In determining the recoverable amount of assets the Group's assets held-for-sale, the estimated fair value less cost to sell are determined by an independent appraiser or internal appraiser based on current appraised values of the properties or similar properties in the same location and condition.

The amount of assets classified as held-for sale by the Group, its impairment and recovery are presented in Notes 15.1 and 16, respectively.

## 4. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group is exposed to risks in relation to its operating, investing, and financing activities, and the business environment in which it operates. The Group's objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities, and that it adheres strictly to the policies, procedures, and control systems which are established to address these risks.

A committee system is a fundamental part of the Group's process of managing risk. The following five committees of the Parent Company's BOD are relevant in this context:

The Executive Committee, which meets weekly, has the power to act and pass upon such matters as the BOD may entrust to it for action in between BOD meetings. It may also consider and approve loans and other credit related matters, investments, purchase of shares of stock, bonds, securities and other commercial papers for the Bank's portfolio. The Executive Committee also has the power to review an asset or loan to ensure timely resolution and recognition of losses of impaired assets.

- The Risk Oversight Committee (ROC), which meets monthly, carries out the BOD's oversight responsibility for Group's capital adequacy and risk management strategy and actions covering credit, market and operational risks under Pillar I of the Basel framework; as well as the management of other material risks determined under Pillar II and the Internal Capital Adequacy Assessment Process (ICAAP) (see Note 5.2). Risk limits are reviewed and approved by the ROC.
- The Audit and Compliance Committee (ACC), which meets monthly, reviews the results of the Internal Audit examinations and recommends remedial actions to the BOD as appropriate. The ACC also performs oversight functions over the Compliance Group on matters such as compliance risk assessment, annual testing work plan, compliance breaches, and other regulatory issues.
- The Related Party Transactions (RPT) Committee, which meets monthly and as necessary, reviews proposed material RPTs to ensure that they are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

potential reputational risk issues that may arise as a result of or in connection with the transactions. On favorable review, the RPT Committee endorses material RPTs to the BOD for approval.

- The Anti-Money Laundering (AML) Board Committee, which meets monthly, oversees the implementation of the Bank's Money Laundering and Terrorist Financing Prevention Program (MTPP) and ensures that Money Laundering/Terrorist Financing risks are effectively managed. The AML Board Committee also ensures that infractions are immediately corrected, issues are addressed and AML training of directors, officers, and staff are regularly conducted.

Four senior management committees also provide a regular forum to take up risk issues.

- The Credit and Collection Committee (CRECOL), chaired by the Chief Executive Officer (CEO) and composed of the heads of credit risk-taking business units and the head of credit management group, meets weekly to review and approve credit exposures within its authority. It also reviews plans and progress on the resolution of problem loan accounts.
- The Asset/Liability Committee (ALCO), chaired by the Treasurer of the Parent Company and with the participation of the CEO and key business and support unit heads meets weekly to appraise market trends, and economic and political developments. It provides direction in the management of interest rate risk, liquidity risk, foreign currency risk, and trading and investment portfolio decisions. It sets prices or rates for various asset and liability, and trading products, in light of funding costs and competitive and other market conditions. It receives confirmation that market risk limits (as described in the succeeding pages) are not breached; or if breached, it provides guidance on the handling of the relevant risk exposure in between ROC meetings.
- The Related Party Transactions Management Committee (RPT ManCom) composed of the Group Heads of the business units as specified in the charter or their respective designates. It meets monthly to review and approve proposed non-material RPTs or those that do not require Board approval to ensure that the said RPTs are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances. On favorable review, the RPT ManCom approves the non-material RPT and submits the same to the BOD for confirmation.
- The Anti-Money Laundering Management Committee (AML ManCom), which meets weekly, evaluates the unusual/suspicious transaction reported by the different bank units, RCBC branches, alerts that are generated by the Bank's Screening System (Accuity), Transaction Monitoring System (Predator) and other referrals from relevant Regulators to determine the filing of Suspicious Transaction Reports (STRs) to the Anti-Money Laundering Council (AMLC).

The AML ManCom is composed of the Chief Compliance Officer as the Chairperson and Presiding Officer and the Heads of Operations Group, Retail Banking Group, Controllership Group, Legal Affairs Group, Risk Management Group (RMG) or their

duly appointed designates, as members, and Investigators from the Compliance Operations Division (COD) as the Rapporteur. The AML Monitoring and Reporting Division (AMRD), through the Chief Compliance Officer, reports to the AML Board Committee its monthly activities including the results of the AML ManCom meetings.

The Parent Company established RMG, headed by the Chief Risk Officer, to ensure that consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the group-wide risk profile.

In addition to established risk management systems and controls, the Group holds capital commensurate with the levels of risk it undertakes (see Note 5), in accordance with regulatory capital standards and internal benchmarks set by the Parent Company's BOD.

## 4.1 Group's Strategy in Using Financial Instruments

It is the Group's intent to generate returns mainly from the traditional financial intermediation and service-provision activities, augmented by returns from positions based on views on the financial markets. The main source of risk, therefore, remains to be that arising from credit risk exposures. Nevertheless, within BSP regulatory constraints, and subject to limits and parameters established by the BOD and/or the ROC, the Group is exposed to liquidity risk and interest rate risk inherent in the Group's operations, and other market risks, which include foreign exchange risk.

In the course of performing financial intermediation function, the Group accepts deposits from customers at fixed and floating rates, and for various periods, and seeks to earn interest margins by investing these funds in high-quality assets. The conventional strategy to enhance net interest margin is the investment of short-term funds in longer-term assets, such as fixed-income securities. While, in doing so, the Group maintains liquidity at prudent levels to meet all claims that fall due, the Group fully recognizes the consequent interest rate risk exposure.

The Group's investment portfolio is composed mainly of marketable, sovereign and corporate debt instruments.

The Parent Company was granted by the BSP additional derivatives authorities effective January 2011. Products approved under the Limited Dealer Authority (Type 2) are foreign currency forwards, non-deliverable forwards, interest rate and cross currency swaps while credit-linked notes and bond options were approved under the Limited User Authority (Type 3). In February 2012, bond forwards, non-deliverable swaps and foreign exchange options have been included under the same Type 3 license. In June 2013, the Parent Company was granted a Type 2 license non-deliverable swaps, foreign currency options, bond and interest rate options, and asset swaps. During the same period, additional Type 3 licenses for foreign exchange-option and bond-option linked notes were likewise approved. The Parent Company's derivatives portfolio consists mostly of short-term currency forward contracts and swaps, and interest rate swaps and futures.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

In relation to the adoption of hedge accounting in accordance with PFRS 9, the Bank maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce certain risks related to interest rate. By hedging interest rate risk exposures, the Group manages the impact of interest rate movements on interest accruals and by extension, capital. The ability to manage interest rate risk through hedging gives the Group more flexibility in its choice of funding sources, in providing competitive pricing and in managing the balance sheet. Interest rate exposures are identified and hedged on an instrument-by-instrument basis. Hedging transactions are evaluated and executed by the Treasury Group within the boundaries set by interest rate risk limits and hedging product limits. Hedging decisions may also be initiated by the appropriate senior management committees.

The Group hedges the benchmark interest rate risk component of some of its bonds payable which is an observable and reliably measurable component of interest rate risk. Specifically, the Group has designated fair value hedge relationships to hedge against the movements in a benchmark rate. The Group applied hedge accounting for economic hedge relationships that meet the hedge accounting criteria (see Notes 2.4 and 10).

## 4.2 Liquidity Risk

Liquidity risk refers to current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. The Group manages liquidity risk by limiting the maturity mismatch between assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability.

The Group recognizes the liquidity risk inherent in its activities, and identifies, measures, monitors and controls the liquidity risk inherent to the members of the Group which are financial intermediaries.

The Group's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet demands of its customers and to enable deposits to be repaid on maturity. The Group's liquidity policies and procedures are set out in its funding and liquidity plan which contains certain funding requirements based on assumptions and uses resources and liability maturity gap analysis.

The Group uses Maximum Cumulative Outflow (MCO) model to measure liquidity risk arising from mismatches of assets and liabilities. MCO is a liquidity gap tool to project cash flow expectations on a status quo condition. The MCO is generated by distributing the cash flows of the Group's assets, liabilities and off-balance sheet items to time buckets based cash flow expectations such as contractual maturity, nature of the account, behavioral patterns, projections on business strategies, and/or optionality of certain products.

The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report which realistically captures the behavior of the products and creates a forward-looking cash flow projection.

The Group monitors MCO regularly to ensure that it remains within the set limits. The Parent Company generates and monitors daily its MCO. The subsidiaries generate at least monthly their respective MCO reports. The liquidity profile of the Group is reported monthly to the Parent Company's ROC. To supplement the status quo scenario parameters reflected in the MCO report, the Group also conducts liquidity stress testing to determine the impact of extreme factors, scenarios and events to the Group's liquidity profile.

The gap analyses as of December 31, 2025 and 2024 are presented below and in the succeeding pages.

	Group					Total
	One to three Months	Three months to one year	One to Five Years	More than five years	Non-maturity	
<i>(Amounts in PHP)</i>						
<b>2025</b>						
<b>Resources:</b>						
Cash and cash equivalents	114,841	888	6,974	26,718	32,416	181,837
Investments - net	52,670	16,460	167,198	138,553	-	374,881
Loans and receivables - net	65,131	42,406	200,001	198,649	255,690	761,877
Other resources - net	8,340	6,390	2,087	1,262	19,762	37,841
Total resources	240,982	66,144	376,260	365,182	307,868	1,356,436
<b>Liabilities:</b>						
Deposit liabilities	318,262	8,702	148,762	277,907	271,822	1,025,455
Bills payable	28,703	34,679	3,331	658	2,260	69,631
Bonds payable	-	4,130	56,192	-	-	60,322
Other liabilities	17,139	19,409	1,585	-	11,726	49,859
Total liabilities	364,104	66,920	209,870	278,565	285,808	1,205,267
<b>Equity</b>	-	-	-	-	151,169	151,169
Total liabilities and equity	364,104	66,920	209,870	278,565	436,977	1,356,436
<b>On-book gap</b>	(123,122)	(776)	166,390	86,617	(129,109)	-
<b>Cumulative on-book gap</b>	(123,122)	(123,898)	42,492	129,109	-	-
Contingent resources	113,098	12,922	-	105,320	-	231,340
Contingent liabilities	161,794	12,854	-	108,303	-	282,951
<b>Off-book gap</b>	(48,696)	68	-	(2,983)	-	(51,611)
<b>Cumulative off-book gap</b>	(48,696)	(48,628)	(48,628)	(51,611)	(51,611)	-
<b>Periodic gap</b>	<b>(171,818)</b>	<b>(708)</b>	<b>166,390</b>	<b>83,634</b>	<b>(129,109)</b>	<b>(51,611)</b>
<b>Cumulative total gap</b>	<b>(171,818)</b>	<b>(172,526)</b>	<b>(6,136)</b>	<b>77,498</b>	<b>(51,611)</b>	<b>-</b>

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

<i>(Amounts in PHP)</i>	Group					
	One to three Months	Three months to one year	One to Five Years	More than five years	Non-maturity	Total
<b>2024</b>						
<b>Resources:</b>						
Cash and cash equivalents	117,757	742	1,855	15,474	49,541	185,369
Investments - net	110,320	12,674	122,724	181,941	1,427	429,086
Loans and receivables - net	39,475	31,072	185,464	170,919	283,000	709,930
Other resources - net	8,225	6,894	1,675	820	18,154	35,768
<b>Total resources</b>	<b>275,777</b>	<b>51,382</b>	<b>311,718</b>	<b>369,154</b>	<b>352,122</b>	<b>1,360,153</b>
<b>Liabilities:</b>						
Deposit liabilities	224,180	15,023	30,570	289,649	463,372	1,022,794
Bills payable	57,801	9,073	17,022	648	2,072	86,616
Bonds payable	-	-	26,935	-	-	26,935
Other liabilities	12,850	38,798	1,093	-	12,576	65,317
<b>Total liabilities</b>	<b>294,831</b>	<b>62,894</b>	<b>75,620</b>	<b>290,297</b>	<b>478,020</b>	<b>1,201,662</b>
<b>Equity</b>	<b>-</b>	<b>14,462</b>	<b>-</b>	<b>-</b>	<b>144,028</b>	<b>158,491</b>
<b>Total liabilities and equity</b>	<b>294,831</b>	<b>77,357</b>	<b>75,620</b>	<b>290,297</b>	<b>622,048</b>	<b>1,360,153</b>
<b>On-book gap</b>	<b>(19,054)</b>	<b>(25,975)</b>	<b>236,098</b>	<b>78,857</b>	<b>(269,926)</b>	<b>-</b>
<b>Cumulative on-book gap</b>	<b>(19,054)</b>	<b>(45,029)</b>	<b>191,069</b>	<b>269,926</b>	<b>-</b>	<b>-</b>
<b>Contingent resources</b>	<b>59,188</b>	<b>12,687</b>	<b>-</b>	<b>28,995</b>	<b>-</b>	<b>100,870</b>
<b>Contingent liabilities</b>	<b>85,349</b>	<b>12,944</b>	<b>-</b>	<b>29,478</b>	<b>-</b>	<b>127,771</b>
<b>Off-book gap</b>	<b>(26,161)</b>	<b>(257)</b>	<b>-</b>	<b>(483)</b>	<b>-</b>	<b>(26,901)</b>
<b>Cumulative off-book gap</b>	<b>(26,161)</b>	<b>(26,418)</b>	<b>(26,418)</b>	<b>(26,901)</b>	<b>(26,901)</b>	<b>-</b>
<b>Periodic gap</b>	<b>(45,215)</b>	<b>(26,232)</b>	<b>236,098</b>	<b>78,374</b>	<b>(269,926)</b>	<b>(26,901)</b>
<b>Cumulative total gap</b>	<b>(45,215)</b>	<b>(71,447)</b>	<b>164,651</b>	<b>243,025</b>	<b>(26,901)</b>	<b>-</b>

<i>(Amounts in PHP)</i>	Parent Company					
	One to three Months	Three months to one year	One to Five Years	More than five years	Non-maturity	Total
<b>2025</b>						
<b>Resources:</b>						
Cash and cash equivalents	113,329	229	6,330	26,632	31,720	178,240
Investments - net	50,769	15,826	167,177	138,410	366	372,548
Loans and receivables - net	34,209	58,228	196,070	198,401	269,455	756,363
Other resources - net	8,147	6,390	1,999	1,204	23,913	41,653
<b>Total resources</b>	<b>206,454</b>	<b>80,673</b>	<b>371,576</b>	<b>364,647</b>	<b>325,454</b>	<b>1,348,804</b>
<b>Liabilities:</b>						
Deposit liabilities	318,262	7,813	148,762	277,907	272,739	1,025,483
Bills payable	28,703	31,454	2,379	658	-	63,194
Bonds payable	-	4,130	56,192	-	-	60,322
Other liabilities	13,139	7,277	10,585	-	17,645	48,646
<b>Total liabilities</b>	<b>360,104</b>	<b>50,674</b>	<b>217,918</b>	<b>278,565</b>	<b>290,384</b>	<b>1,197,645</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>151,159</b>	<b>151,159</b>
<b>Total liabilities and equity</b>	<b>360,104</b>	<b>50,674</b>	<b>217,918</b>	<b>278,565</b>	<b>441,543</b>	<b>1,348,804</b>
<b>On-book gap</b>	<b>(153,650)</b>	<b>29,999</b>	<b>153,658</b>	<b>86,082</b>	<b>(116,089)</b>	<b>-</b>
<b>Cumulative on-book gap</b>	<b>(153,650)</b>	<b>(123,651)</b>	<b>30,007</b>	<b>116,089</b>	<b>-</b>	<b>-</b>
<b>Contingent resources</b>	<b>113,073</b>	<b>12,922</b>	<b>-</b>	<b>105,320</b>	<b>-</b>	<b>231,315</b>
<b>Contingent liabilities</b>	<b>161,774</b>	<b>12,854</b>	<b>-</b>	<b>108,303</b>	<b>-</b>	<b>282,931</b>
<b>Off-book gap</b>	<b>(48,701)</b>	<b>68</b>	<b>-</b>	<b>(2,983)</b>	<b>-</b>	<b>(51,616)</b>
<b>Cumulative off-book gap</b>	<b>(48,701)</b>	<b>(48,633)</b>	<b>(48,633)</b>	<b>(51,616)</b>	<b>(51,616)</b>	<b>-</b>
<b>Periodic gap</b>	<b>(202,351)</b>	<b>30,067</b>	<b>153,658</b>	<b>83,099</b>	<b>(116,089)</b>	<b>51,616</b>
<b>Cumulative total gap</b>	<b>(202,351)</b>	<b>(172,284)</b>	<b>(18,626)</b>	<b>64,473</b>	<b>(51,616)</b>	<b>-</b>

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

(Amounts in PHP)	Parent Company					Total
	One to three Months	Three months to one year	One to Five Years	More than five years	Non-maturity	
2024						
Resources:						
Cash and cash equivalents	116,255	204	1,370	15,474	49,367	182,670
Investments - net	108,777	12,674	122,724	181,941	750	426,866
Loans and receivables - net	38,817	30,513	180,789	170,898	282,947	703,964
Other resources - net	8,115	6,893	1,675	820	22,149	39,652
Total resources	271,964	50,284	306,558	369,133	355,213	1,353,152
Liabilities:						
Deposit liabilities	223,743	14,814	30,569	290,110	463,501	1,022,737
Bills payable	57,435	7,977	14,870	646	-	80,928
Bonds payable	-	-	26,935	-	-	26,935
Other liabilities	12,612	38,770	1,093	-	11,595	64,070
Total liabilities	293,790	61,561	73,467	290,756	475,096	1,194,670
Equity		14,463	-	-	144,019	158,482
Total liabilities and equity	293,790	76,024	73,467	290,756	619,115	1,353,152
On-book gap	(21,826)	(25,740)	233,091	78,377	(263,902)	-
Cumulative on-book gap	(21,826)	(47,566)	185,525	263,902	-	-
Contingent resources	59,180	12,687	-	28,995	-	100,862
Contingent liabilities	85,345	12,944	-	29,478	-	127,767
Off-book gap	(26,165)	(257)	-	(483)	-	(26,905)
Cumulative off-book gap	(26,165)	(26,422)	(26,422)	(26,905)	(26,905)	
Periodic gap	(47,991)	(25,997)	233,091	77,894	(263,902)	26,905
Cumulative total gap	(47,991)	(73,988)	159,103	236,997	(26,905)	-

Pursuant to applicable BSP regulations, the Group is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Group's demand deposit accounts with the BSP. The BSP also requires the Parent Company to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDU.

## 4.2.1 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described also apply to the management of any foreign currency to which the Group maintains significant exposure. Specifically, the Group ensures that its measurement, monitoring, and control systems account for these exposures as well. The Group sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Group also assesses its access to foreign exchange markets when setting up its risk limits.

Following Manual of Regulations for Banks (MORB) Section 130 and Appendices 94, 95, and 96 on ICAAP, the Group likewise calculates and maintains a level of capital needed to support unexpected losses attributable to liquidity risk (see Note 5.2).

## 4.2.2 Liquidity Risk Stress

To augment the effectiveness of the Group's gap analysis, the Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the Group are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in MORB Section 145 and Appendix 71, *Guidelines on Liquidity Risk Management*. The results of these liquidity stress simulations are reported monthly to ALCO and ROC.

## 4.3 Market Risk

The Group's exposure to market risk is the potential diminution of earnings arising from the adverse movement of market interest rates and foreign exchange rates, as well as the potential loss of market value, primarily of its holdings of foreign exchange currencies, debt securities and derivatives.

The market risks of the Group are: (a) foreign exchange risk, (b) interest rate risk and (c) equity price risk. The Group manages these risks via a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. The market risk metrics in use, each of which has a corresponding limit, include the following:

- Nominal Position – an open risk position that is held as of any point in time expressed in terms of the nominal amount of the exposure.
- Dollar Value of 01 (DV01) – an estimate of the price impact due to a one-basis point change in the yield of fixed income securities. It effectively captures both the nominal size of the portfolio as well as its duration. A given DV01 limit accommodates various combinations of portfolio nominal size and duration, thus providing a degree of flexibility to the trading/risk taking function, but at the same time represents a ceiling to the rate sensitivity of the exposure according to the Group's risk appetite.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

- Value-at-Risk (VaR) – an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movements of the relevant market risk factors, and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Group uses a 99% confidence level for this measurement. VaR is used as a risk measure for trading positions, which are marked-to-market (as opposed to exposures resulting from banking, or accrual, book resources and liabilities). Foreign Exchange Position VaR uses a one-day holding period, while Fixed Income VaR uses a defeasance period assessed periodically as appropriate to allow an orderly unwinding of the position. VaR models are back-tested to ensure that results remain consistent with the expectations based on the chosen statistical confidence level. The Bank employs appropriate back-testing methodology to perform a “reality check” on the models used. More specifically, the current back-test procedure employs the “hypothetical P&L” method where the daily position from which the VaR was computed is marked-to-market using the closing price of that day and the closing price of the next trading day. Any change in value in excess of the day’s VaR is treated as an exception.

The Parent Company uses VaR as an important tool for measuring market risk, they are cognizant of its limitations, notably the following:

- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- VaR is based on historical volatility. Future volatility may be different due to either random, one-time events or structural changes (including changes in correlation). VaR may be unable to capture volatility due to either of these.
- The holding period assumption may not be valid in all cases, such as during periods of extremely stressed market liquidity.
- VaR is, by definition, an estimate at a specified level of confidence. Losses may occur beyond VaR. A 99% VaR implies that losses can exceed VaR 1% of the time.
- In cases where a parametric distribution is assumed to calculate VaR, the assumed distribution may not fit the actual distribution well.
- VaR assumes a static position over the holding period. In reality, trading positions change, even during the trading day.

In addition to the limits corresponding to the above measurements, the following are also in place:

- Loss Limit – represents a ceiling on accumulated month-to-date and year-to-date losses. For trading positions, a Management Action Trigger (MAT) is also usually defined to be at 50% of the Loss Limit. When MAT is breached, the risk-taking unit must consult with ALCO for approval of a course of action moving forward.
- Product Limit – the nominal position exposure for certain specific financial instruments is established.

Stress Testing, which uses more severe rate/price volatility and/or holding period assumptions, (relative to those used for VaR) is applied to marked-to-market positions to arrive at “worst case” loss estimates. This supplements the VaR measure, in recognition of its limitations mentioned above.

A summary of the Group and Parent Company’s VaR for positions managed on a fair value/risk limit basis, including FVTPL trading and FVOCI portfolios at December 31 is presented below.

<i>(Amounts in PHP)</i>	Group and Parent Company			
	At December 31	Average	Maximum	Minimum
<b>2025</b>				
Foreign currency risk	107	86	196	13
Interest rate risk	448	519	608	351
Overall	<b>555</b>	<b>605</b>	<b>804</b>	<b>364</b>
<b>2024</b>				
Foreign currency risk	61	79	167	22
Interest rate risk	443	595	754	405
Overall	<b>504</b>	<b>674</b>	<b>921</b>	<b>427</b>
<b>2023</b>				
Foreign currency risk	45	77	215	14
Interest rate risk	417	398	640	289
Overall	<b>462</b>	<b>475</b>	<b>855</b>	<b>303</b>

#### 4.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The net foreign exchange exposure, or the difference between foreign currency denominated assets and foreign currency denominated liabilities, is capped by current BSP regulations. Compliance with this ceiling by the Group and the respective foreign currency positions of its subsidiaries are reported to the BSP on a daily basis as required. Beyond this constraint, the Group manages its foreign exchange exposure by limiting it within the conservative levels justifiable from a return/risk perspective. In addition, the Group regularly calculates VaR for each currency position, which is incorporated in the foregoing market risk management discussion.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

The following table sets forth the impact of reasonably possible changes in the USD exchange rate and other currencies per Philippine peso on pre-tax income and equity of the Group and Parent Company:

<i>(Amounts in PHP)</i>	2025			2024		
	Change in currency rate in %	Effect on profit before tax	Effect on equity	Change in currency rate in %	Effect on profit before tax	Effect on equity
<b>Currency:</b>						
USD	+1.00%	4	4	+1.00%	2	2
	-1.00%	(4)	(4)	-1.00%	(2)	(2)
EUR	+1.00%	(4)	(4)	+1.00%	(9)	(9)
	-1.00%	4	4	-1.00%	9	9
GBP	+1.00%	(3)	(3)	+1.00%	-	-
	-1.00%	3	3	-1.00%	-	-
Others	+1.00%	11	11	+1.00%	(14)	(14)
	-1.00%	(11)	(11)	-1.00%	14	14

Closing exchange rates and weighted average rates (WAR) of USD to Philippine peso as of and for each of the year ended December 31 are as follows:

<i>(Amounts in PHP)</i>	2025	2024	2023
Closing	58.79	57.85	55.37
WAR	57.69	57.26	55.60

The breakdown of the financial resources and financial liabilities as to foreign and Philippine peso-denominated balances, after elimination of intercompany accounts or transactions, as of December 31 follows:

<i>(Amounts in PHP)</i>	Group		
	Foreign Currencies	Philippine Pesos	Total
<b>2025</b>			
<b>Resources:</b>			
Cash and other cash items	1,156	22,500	23,656
Due from BSP	-	86,955	86,955
Due from other banks	7,840	1,210	9,050
Financial assets at FVTPL	6,593	6,382	12,975
Financial assets at FVOCI	24,821	83,372	108,193
Investment securities			
at amortized cost - net	94,835	158,878	253,713
Loans and receivables - net	97,745	705,667	803,412
Loans and receivables arising from reverse repurchase agreement	-	20,641	20,641
Other resources - net	41	1,526	1,567
	<b>233,031</b>	<b>1,087,131</b>	<b>1,320,162</b>
<b>Liabilities:</b>			
Deposit liabilities	328,667	696,788	1,025,455
Bills payable	63,194	6,437	69,631
Bonds payable	43,823	16,499	60,322
Accrued interest and other expenses	4,387	7,529	11,916
Other liabilities	5,202	26,996	32,198
	<b>445,273</b>	<b>754,249</b>	<b>1,199,522</b>

<i>(Amounts in PHP)</i>	Group		
	Foreign Currencies	Philippine Pesos	Total
<b>2024</b>			
<b>Resources:</b>			
Cash and other cash items	1,155	21,848	23,003
Due from BSP	-	115,230	115,230
Due from other banks	13,563	1,006	14,569
Financial assets at FVTPL	10,010	224	10,234
Financial assets at FVOCI	61,704	96,926	158,630
Investment securities			
at amortized cost - net	97,506	162,716	260,222
Loans and receivables - net	97,981	644,516	742,497
Other resources - net	41	1,647	1,688
	<b>281,960</b>	<b>1,044,113</b>	<b>1,326,073</b>
<b>Liabilities:</b>			
Deposit liabilities	189,457	833,337	1,022,794
Bills payable	80,928	5,688	86,616
Bonds payable	16,053	10,882	26,935
Accrued interest and other expenses	29	10,337	10,366
Other liabilities	1,610	48,702	50,312
	<b>288,077</b>	<b>908,946</b>	<b>1,197,023</b>

<i>(Amounts in PHP)</i>	Parent Company		
	Foreign Currencies	Philippine Pesos	Total
<b>2025</b>			
<b>Resources:</b>			
Cash and other cash items	1,156	22,261	23,417
Due from BSP	-	84,372	84,372
Due from other banks	7,827	1,089	8,916
Financial assets at FVTPL	6,593	5,777	12,370
Financial assets at FVOCI	24,821	82,738	107,559
Investment securities			
at amortized cost - net	94,835	157,784	252,619
Loans and receivables - net	97,745	700,153	797,898
Loans and receivables arising from reverse repurchase agreement	-	20,000	20,000
Other resources - net	41	1,505	1,546
	<b>232,018</b>	<b>1,075,679</b>	<b>1,308,697</b>
<b>Liabilities:</b>			
Deposit liabilities	328,667	696,816	1,025,483
Bills payable	63,194	-	63,194
Bonds payable	43,979	16,343	60,322
Accrued interest and other expenses	4,379	7,709	12,088
Other liabilities	2,090	29,277	31,367
	<b>442,309</b>	<b>750,145</b>	<b>1,192,454</b>

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

(Amounts in PHP)	Parent Company		Total
	Foreign Currencies	Philippine Pesos	
2024			
<b>Resources:</b>			
Cash and other cash items	1,155	21,752	22,907
Due from BSP	-	112,763	112,763
Due from other banks	13,548	885	14,433
Financial assets at FVTPL	5,012	4,513	9,525
Financial assets at FVOCI	61,701	96,253	157,954
Investment securities			
at amortized cost - net	97,506	161,881	259,387
Loans and receivables - net	97,981	638,550	736,531
Other resources - net	41	1,628	1,669
	<u>276,944</u>	<u>1,038,225</u>	<u>1,315,169</u>
<b>Liabilities:</b>			
Deposit liabilities	189,457	833,280	1,022,737
Bills payable	80,928	-	80,928
Bonds payable	16,053	10,882	26,935
Accrued interest and other expenses	29	11,283	11,312
Other liabilities	1,610	47,827	49,437
	<u>288,077</u>	<u>903,272</u>	<u>1,191,349</u>

### 4.3.2 Interest Rate Risk in the Banking Book (IRRBB)

The interest rate risk inherent in the Group's financial statements arises from re-pricing mismatches between financial assets and financial liabilities. The IRRBB Management Framework details the Group's policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

To aid the Group in managing IRRBB, the following measurement techniques are used. These are prepared and reported to ALCO and ROC, on a monthly basis.

Technique	Description
Interest Rate Gap or Re-pricing Gap	<p><i>Contractual Gap</i> Measures the sensitivity of assets, liabilities and off-balance sheet items towards changes in the market interest rates based on the re-pricing frequency of each item.</p> <p><i>Behavioral Gap</i> Behavioral assumption (BeA) is applied to the contractual cash flows to reflect sensitivity to market conditions or behavioral characteristics (i.e., early redemption of deposits, prepayment of loans, etc.).</p>
Earnings Approach Net Interest Income at Risk	Measures the sensitivity of earnings to market interest rates movements over a short- and medium-term horizon. Interest rate volatility is based on the maximum volatility of the 1-mo, 3-mo, 6-mo and 1-yr tenors over a 260-day look back.

Technique	Description
Economic Value Approach Earnings-at-Risk	Measures the sensitivity of capital to market interest rates given the resulting Net Interest Income (NII)-at-Risk and fair value through profit and loss portfolio value-at-risk (FVTPL VaR).
Capital-at-Risk	Measures the sensitivity of capital to market interest rates given the resulting EaR and fair value through other comprehensive income value-at-risk (FVOCI VaR).
Economic Value of Equity (EVE)	Measures the sensitivity of economic value of all non-trading book assets, liabilities and interest rate sensitive off-balance sheet products to interest rate movements over a longer time horizon.
Stress Test	Assesses the ability to withstand such changes, usually in relation to the capacity of its capital and earnings to absorb potentially significant losses. Stress testing, which includes both scenario and sensitivity analysis, is an integral part of IRR management. Scenario analysis estimates possible outcomes given an event or series of events, while sensitivity analysis estimates the impact of change in one or only a few of model's significant parameters.

*Earnings approach:* NII-at-Risk Stress Test assumes gradual increase in Peso and USD interest rates to 400bps and 300bps, respectively. These are based on past local and global market events.

*Economic Value approach:* The EVE Stress Test uses Basel's six interest rate scenarios to capture parallel and non-parallel gap risks. The standardized scenarios are as follows: (1) parallel shock up; (2) parallel shock down; (3) steeper shock (short rates down and long rates up); (4) flattener shock (short rates up and long rates down); (5) short rates shock up; and, (6) short rates shock down.

The interest rate gap analyses of financial assets and financial liabilities as of end of the reporting period based on re-pricing maturities are shown in the succeeding pages. It should be noted that such interest rate gap analyses are based on the following key assumptions:

- Loans and time deposits are subject to re-pricing on their contractual maturity dates. Non-performing loans (NPL), however, are not re-priced;
- Debt securities at amortized cost are bucketed based on their re-pricing profile;
- Held-for-trading securities and derivatives are considered as non-rate sensitive; and,
- For financial assets and financial liabilities with no definite re-pricing schedule or maturity, slotting is based on the Group's empirical assumptions.

These assumptions are reviewed on a regular basis. Similarly, other assumptions and behavioral models used in the preparation of other IRRBB metrics are also being reviewed, annually, at the minimum.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

(Amounts in PHP)	Group					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
<b>2025</b>						
<b>Resources:</b>						
Cash and cash equivalents	140,877	908	8,347	8,112	23,593	181,837
Investments - net	40,256	14,857	167,277	139,216	13,275	374,881
Loans and receivables - net	316,951	59,476	146,089	63,938	175,423	761,877
Other resources - net	5,235	776	2,087	1,262	28,481	37,841
Total resources	503,319	76,017	323,800	212,528	240,772	1,356,436
<b>Liabilities:</b>						
Deposit liabilities	609,046	20,196	206,031	190,182	-	1,025,455
Bills payable	28,703	34,679	3,331	658	2,260	69,631
Bonds payable	18,443	4,130	37,749	-	-	60,322
Other liabilities	2,040	763	1,247	2	45,807	49,859
Total liabilities	658,232	59,768	248,358	190,842	48,067	1,205,267
<b>Equity</b>					151,169	151,169
Total liabilities and equity	658,232	59,768	248,358	190,842	199,236	1,356,436
<b>On-book gap</b>	(154,913)	16,249	75,442	21,686	41,536	-
<b>Cumulative on-book gap</b>	(154,913)	(138,664)	(63,222)	(41,536)	-	-
Contingent resources	217,348	13,699	293	-	-	231,340
Contingent liabilities	268,941	13,695	315	-	-	282,951
<b>Off-book gap</b>	(51,593)	4	(22)	-	-	51,611
<b>Cumulative off-book gap</b>	(51,593)	(51,589)	(51,611)	(51,611)	(51,611)	-
<b>Periodic gap</b>	(206,506)	16,253	75,420	21,686	41,536	51,611
<b>Cumulative total gap</b>	(206,506)	(190,253)	(114,833)	(93,147)	(51,611)	-
<b>2024</b>						
<b>Resources:</b>						
Cash and cash equivalents	132,755	1,279	16,080	12,174	23,081	185,369
Investments - net	100,739	12,129	124,105	181,688	10,425	429,086
Loans and receivables - net	259,297	60,125	152,442	100,835	137,231	709,930
Other resources - net	8,225	1,231	1,842	887	23,583	35,768
Total resources	501,016	74,764	294,469	295,584	194,320	1,360,153
<b>Liabilities:</b>						
Deposit liabilities	498,020	33,608	259,331	231,537	298	1,022,794
Bills payable	72,671	9,073	2,152	648	2,072	86,616
Bonds payable	-	-	26,935	-	-	26,935
Other liabilities	598	256	841	2	63,620	65,317
Total liabilities	571,289	42,937	289,259	232,187	65,990	1,201,662
<b>Equity</b>		14,463	-	-	144,028	158,491
Total liabilities and equity	571,289	57,400	289,259	232,187	210,018	1,360,153
<b>On-book gap</b>	(70,273)	17,364	5,210	63,397	(15,698)	-
<b>Cumulative on-book gap</b>	(70,273)	(52,909)	(47,699)	15,698	-	-
Contingent resources	59,188	12,687	-	28,995	-	100,870
Contingent liabilities	85,349	12,944	-	29,478	-	127,771
<b>Off-book gap</b>	(26,161)	(257)	-	(483)	-	(26,901)
<b>Cumulative off-book gap</b>	(26,161)	(26,418)	(26,418)	(26,901)	(26,901)	-
<b>Periodic gap</b>	(96,434)	17,107	5,210	62,914	(15,698)	26,901
<b>Cumulative total gap</b>	(96,434)	(79,327)	(74,117)	(11,203)	(26,901)	-

(Amounts in PHP)	Parent Company					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
<b>2025</b>						
<b>Resources:</b>						
Cash and cash equivalents	138,964	250	7,703	31,323	-	178,240
Investments - net	38,355	14,857	167,277	139,418	12,641	372,548
Loans and receivables - net	316,029	58,930	141,906	63,942	175,556	756,363
Other resources - net	5,043	775	3,295	2	32,538	41,653
Total resources	498,391	74,812	320,181	234,685	220,735	1,348,804
<b>Liabilities:</b>						
Deposit liabilities	608,314	20,039	206,804	190,326	-	1,025,483
Bills payable	28,474	33,257	805	658	-	63,194
Bonds payable	18,443	4,130	37,749	-	-	60,322
Other liabilities	1,659	733	3,148	2	43,104	48,646
Total liabilities	656,890	58,159	248,506	190,986	43,104	1,197,645
<b>Equity</b>					151,159	151,159
Total liabilities and equity	656,890	58,159	248,506	190,986	194,263	1,348,804
<b>On-book gap</b>	(158,499)	16,653	71,675	43,699	26,472	-
<b>Cumulative on-book gap</b>	(158,499)	(141,846)	(70,171)	(26,472)	-	-
Contingent resources	217,323	13,699	293	-	-	231,315
Contingent liabilities	268,921	13,695	315	-	-	282,931
<b>Off-book gap</b>	(51,598)	4	(22)	-	-	51,616
<b>Cumulative off-book gap</b>	(51,598)	(51,594)	(51,616)	(51,616)	(51,616)	-
<b>Periodic gap</b>	(210,097)	16,657	71,653	43,699	26,472	51,616
<b>Cumulative total gap</b>	(210,097)	(193,440)	(121,787)	(78,088)	(51,616)	-
<b>2024</b>						
<b>Resources:</b>						
Cash and cash equivalents	131,253	740	15,595	12,174	22,908	182,670
Investments - net	99,196	12,129	124,105	181,688	9,748	426,866
Loans and receivables - net	258,639	59,566	147,768	100,814	137,177	703,964
Other resources - net	8,115	1,231	1,842	887	27,577	39,652
Total resources	497,203	73,666	289,310	295,563	197,410	1,353,152
<b>Liabilities:</b>						
Deposit liabilities	497,583	33,400	259,961	231,793	-	1,022,737
Bills payable	72,305	7,977	-	646	-	80,928
Bonds payable	-	-	26,935	-	-	26,935
Other liabilities	-	229	841	2	62,998	64,070
Total liabilities	569,888	41,606	287,737	232,441	62,998	1,194,670
<b>Equity</b>		14,463	-	-	144,019	158,482
Total liabilities and equity	569,888	56,069	287,737	232,441	207,017	1,353,152
<b>On-book gap</b>	(72,685)	17,597	1,573	63,122	(9,607)	-
<b>Cumulative on-book gap</b>	(72,685)	(55,088)	(53,515)	9,607	-	-
Contingent resources	59,180	12,687	-	28,995	-	100,862
Contingent liabilities	85,345	12,944	-	29,478	-	127,767
<b>Off-book gap</b>	(26,165)	(257)	-	(483)	-	(26,905)
<b>Cumulative off-book gap</b>	(26,165)	(26,422)	(26,422)	(26,905)	(26,905)	-
<b>Periodic gap</b>	(98,850)	17,340	1,573	62,639	(9,607)	26,905
<b>Cumulative total gap</b>	(98,850)	(81,510)	(79,937)	(17,298)	(26,905)	-

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

The table below summarizes the potential impact on the Group and the Parent Company's annual interest income of parallel rate shifts using the re-pricing.

<i>(Amounts in PHP)</i>	<b>Changes in Interest Rates (in basis points)</b>			
	<b>-100</b>	<b>-200</b>	<b>+100</b>	<b>+200</b>
<b>December 31, 2025</b>				
Group	1,384	2,769	(1,384)	(2,769)
Parent Company	1,417	2,834	(1,417)	(2,834)
<b>December 31, 2024</b>				
Group	493	986	(493)	(986)
Parent Company	518	1,037	(518)	(1,037)

The Group also entered into interest rate swap contracts which are accounted for under hedge accounting, under which the Group agreed to exchange the difference between fixed and floating rate interest amounts calculated on contracted notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt issued. The fair value of interest rate swaps as at December 31, 2025 and 2024 are determined by discounting the future cash flows using the interest rate curves at the reporting date adjusted for the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the end of the financial year (see Note 10.6).

The interest rate swaps settle on a quarterly basis and the floating rate on the interest rate swaps is based on Secured Overnight Financing Rate. The pay fixed interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of interest rates on the Group's fixed rate bonds. In 2025 and 2024, the derivatives were highly effective in hedging the fair value exposure to interest rate movements. As a result the carrying amount of the hedged bonds were adjusted by P156 and P204, respectively, which was included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

### 4.3.3 Equity Price Risk

The Group's exposure to price risk on equity securities held and classified in the statement of financial position as financial assets at FVTPL or financial assets at FVOCI (under Trading and Investment Securities account) as of December 31, 2025 and 2024 is managed through diversification of portfolio and monitoring of changes in market prices. Diversification of the portfolio is done in accordance with the limits set by the Group.

Moreover, RCBC Capital and RSI estimate the potential loss and determine the market and position risk requirement on equity securities at FVTPL in the computation of the market and position risk requirement for all equity positions.

RCBC Capital uses the delta-normal approach as its VaR model to estimate the daily potential loss that can be incurred from equity securities held for trading. VaR is a key measure in the management of market price risk. RCBC Capital uses a 99% confidence level and a minimum 260-day observation period in VaR calculation. In addition, RSI computes its market and

position risk for all equity positions, if any, in conjunction with the Risk Based Capital Adequacy ratio required to be maintained. Market and position risk requirement is calculated using position risk factor multiplied by mark-to-market value security.

### 4.4 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default, and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Group. The Group manages credit risk through a system of policies and authorities that govern the processes and practices of all credit-originating and borrowing relationship management units.

The Credit Analytics Division of RMG assists senior management: (a) in establishing risk concentration limits at the portfolio level; and (b) in the continuous monitoring of the actual credit risk portfolio from the perspective of those limits and other risk management objectives. RMG is also responsible for: (a) the development of credit policies relating to account management; (b) the financial evaluation and credit risk rating of borrowers; and, (c) asset quality review.

At the individual borrower level, exposure to credit risk is managed via adherence to a set of policies, the most notable features of which, in this context, are: (a) credit approving authority, except as noted below, is not exercised by a single individual but rather, through a hierarchy of limits that is effectively exercised collectively; (b) branch managers have limited approval authority only for credit exposure related to deposit-taking operations in the form of bills purchase, acceptance of second endorsed checks and 1:1 loan accommodations; (c) an independent credit risk assessment by the RMG of large corporate and middle-market borrowers, summarized into a borrower risk rating, is provided as input to the credit decision-making process; and, (d) borrower credit analysis is performed at origination and at least annually thereafter or co-terminus with the renewal of the credit line. In addition, adverse economic and market conditions that may impact a certain borrower or a group of borrowers may trigger the Group to conduct a special credit review prior to expiry of credit line.

RMG also identifies homogenous target market and design Credit Programs that will accelerate credit processing of accounts without sacrificing underwriting quality, and, set up enhanced data framework that would deepen the Bank's ability to identify potential problem accounts earlier.

In 2023, the Bank engaged an independent consultant to conduct an independent validation and refresh of the Bank's ECL model parameters, assumptions, design, and calibration. As a result of this refresh, the Bank made the following adjustments to its model:

- accounts with 1 to 30 days past due (DPD) are classified as Stage 1 instead of Stage 2 (see Note 4.4.3);
- a 12-month performance window is observed to consider the probability of an account defaulting in the future (see Note 4.4.5);

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

- periods affected by the COVID-19 were excluded from the computation of default rates to exclude abnormally high default rates during the pandemic period considering the full recovery from the impact of COVID-19;
- a mean reversion approach was used for consumer loans to project the macroeconomic variables (MEVs) influencing the associated credit risk of the borrowers (Note 4.4.5); and,
- the Vasicek equation was used to transform through-the-cycle PDs into point-in-time PDs (Note 4.4.5).

The updated ECL framework of the Bank was approved by ROC on January 19, 2024.

In 2024, the Bank made post model adjustments on the ECL models arising from the use of credit analytics and credit judgments, to consider the effects of the following:

- more granular level of segmentation of credit exposures for auto loans and credit cards based on customer segment, payment behavior, and credit score, among others;
- the respective collection behaviors on auto loan accounts and credit card receivables considering accounts that do not flow to further delinquencies, and accounts previously provided with 100% LGD but had subsequent recoveries; and,
- account updates for specific corporate borrowers arising from regular credit monitoring activities.

In 2025, the Bank refreshed its ECL segmentation and key model inputs, including PD and LGD, to incorporate the most recent available information and observed credit behavior. As part of the refresh, the Bank updated model inputs and assumptions to ensure that they appropriately reflect current portfolio characteristics, recent performance trends, and the prevailing economic environment.

In addition, the Bank continued to apply post-model adjustments to the ECL models based on credit analytics and management judgment, consistent with prior periods. These adjustments considered, among others, the following:

further refinement of credit card segmentation, particularly within Stage 1, to reflect varying levels of customer activity and performance, including distinctions based on utilization, payment behavior, and borrower characteristics;

additional segmentation of delinquent credit card exposures to differentiate habitual and non-habitual payment behavior, including considerations of months on book and recent payment activity;

enhanced differentiation of Stage 2 and Stage 3 credit card exposures based on collection status (external or in-house) and the recency and frequency of borrower payments; and,

continued consideration of collection behavior and subsequent recoveries on accounts previously assessed with higher loss severity, consistent with observed outcomes.

These refinements were intended to improve the sensitivity of the ECL estimates to observed borrower behavior and recent portfolio experience, while maintaining consistency with the Bank's overall ECL framework and credit risk management practices. Post-model overlays resulted in a reduction in expected credit losses of P2,312 million in 2024, compared with the BAU model output. In 2025, the Bank recognized a further incremental reduction of P962 million in expected credit losses arising from post-model adjustments. Further details on the amount of allowance for ECL as at December 31, 2025 and 2024 which reflect both outputs from the base models and the management overlays applied to address model limitations and emerging risks are disclosed in Notes 4.4.8, 11, and 16.

Based on the Bank's policy, a model validation shall be conducted when significant changes are made to the models, to ensure that the models are suitable for their proposed usage on an ongoing basis. In 2025, the Bank engaged an independent consultant to conduct an independent validation and refresh, which is ongoing as of end the reporting period, and is expected to be completed by the second quarter of 2026.

#### **4.4.1 Concentrations of Credit Risk**

Credit risk concentration in the context of banking generally denotes the risk arising from an uneven distribution of counterparties in credit or in any other business relationships, or from a concentration in business sectors or geographic regions which is capable of generating losses large enough to jeopardize an institution's solvency. The Group monitors concentrations of credit risk by sector.

An analysis of concentrations of credit risk of the loan portfolio at the end of the reporting period is shown in Note 33.

In the course of the Group's implementation of ICAAP (see Note 5.2), it adopts a quantification of credit risk concentration following frameworks prescribed by some of the more advanced European central banks as well as established concentration metrics.

Using sector distribution as a tool, the Group performs a straightforward application of the Herfindahl-Hirshman Index (HHI) to determine the existence of credit risk concentration. The Group supplements this methodology with the use of the Comprehensive Concentration Index (CCI) to monitor and analyze name concentration.

The Group, however, recognizes the inherent limitations of the use of HHI and CCI to assess credit concentration risk. To augment this measure and to appropriately manage said risk, the Group performs an in-depth analysis of its large borrowing groups. To ensure the independence of this process, the review and analysis are done during the ROC meetings.

#### **4.4.2 Credit Risk Assessment**

The Group's credit risk assessment is performed based on the different segments of financial asset portfolio such as (a) corporate, which generally include corporate banking group loans, commercial and small-medium size segment loans, lease contract and finance receivables, and unquoted debt securities classified as loan (UDSCL), (b) retail, which include housing, auto,

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

credit cards, and microfinance lending; and, (c) treasury, which covers credit exposures on debt securities under the Group's HTC portfolio and financial assets at FVOCI. The Group also established credit risk assessment procedures for sales contract receivables and other risk assets including accounts receivables.

## *i. Corporate Loans*

Loans, regardless if the accounts have been fully paid, extended or renewed in subsequent period, are subjected to evaluation for possible losses. The Group's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions (or industry performance), expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, LGD, and EAD, for purposes of measuring ECL.

The Group uses its internal credit risk rating system (ICRRS) to determine any evidence of potential deterioration in the quality of an instrument that takes into consideration both quantitative and qualitative criteria. The rating system classifies performing accounts from a scale of AAA indicating an extremely strong capacity of the counterparty to meet financial commitments down to ratings lower than CCC demonstrating weakness in the counterparty's economic and financial condition that could lead to payment default on financial commitments. Past due accounts, accounts identified for phase-out and those that exhibit the characteristics of classified loans shall be risk-rated following the guidelines on credit classification per BSP MORB and under the BSP Circular No. 1011, i.e., Especially Mentioned, Substandard, Doubtful or Loss. These guidelines are used by the Group to assign the individually assessed loan or a group of loans within a particular portfolio segment to a specific stage category under the PFRS 9 loan impairment standards (i.e., Stage 1, 2, 3).

The ICRRS is established by the Group in congruence with and with reference to the credit risk rating methodology used by Standard & Poor's (S&P) in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Group for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular.

Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time; hence, could lead to the transfer of credit exposure in different stages of impairment. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between a risk rating of A and A- is lower than the difference in the PD between a B and B- risk rating).

In the process of applying the Group's ICRRS in determining the credit quality of loans and receivables, the Group analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

<u>Rating Scale</u>	<u>Rating Description/Criteria</u>
AAA	Extremely strong capacity to meet financial commitments.
AA*	Very strong capacity to meet financial commitments.
A*	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.
BBB*	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.
BB*	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.
B*	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.
CCC and below*	Not at risk of loss at the moment and the borrower has the financial capacity to meet its obligations but its exposure to adverse business, financial or economic conditions has weakened it and, unless present trends are reversed, could eventually lead to losses.
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan.
Substandard	Have well-defined weakness(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable.
Loss	Loans considered absolutely uncollectible or worthless.

\* Ratings from AA to CCC are modified by a plus (+) or minus (-) sign to show relative standing within the rating categories.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

As part of credit risk assessment documentation and reporting, the Group includes financial instruments rated as AAA to B- under the “Pass” classification, while instruments rated CCC+ and below are grouped under the Watchlisted classification. Generally, “Pass” classification includes loans and other credit accommodations that do not have a greater-than-normal credit risk and do not possess the characteristics of classified loans. These are credits that have the apparent ability and willingness to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. On the other hand, watchlisted counterparties are characterized by the following:

- those that belong to an unfavorable industry or has company-specific risk factors which represent a concern;
- the operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance;
- borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility; and,
- borrower incurs net losses and has salient financial weaknesses, reflected on their financial statements, specifically in profitability.

Split classification/rating may apply for non-performing secured loans and other credit accommodations, depending on the recoverability and liquidity of the collateral. The secured portion may be classified as “substandard” or “doubtful”, as appropriate, while the unsecured portion shall be classified “loss” if there is no other source of payment other than the collateral.

In the case of syndicated loans, the Group shall maintain credit information on the borrower, and grade and make provision for its portion of the syndicated loan in accordance with its policy. The lead financial institution or bank shall provide participating financial institutions with the credit information on the borrower upon request by the participating financial institutions and inform the latter if the loan will be classified so as to achieve uniform classification of the syndicated loan.

## (ii) Retail and Other Products

RMG is tasked to measure, control and manage credit risk on the consumer loans business of the Group through the performance of regular monitoring, reporting and recommendation of risk mitigation measures of the actual credit risk portfolio to the CRECOL and ROC, as well as accomplishment of the corresponding review and development of credit policies and guidelines to sustain asset quality.

For consumer loans, risk assessment is performed on an individual borrower through the use of a credit application scorecard for Housing, Auto and Personal Loans while for Corporate Salary Loans, rule-based credit criteria on company accreditation and borrower evaluation has been established. The credit application scorecard makes use of customer, loan and collateral characteristics which have been assigned weights based on their predictive power in determining the propensity of an account to default or maintain a satisfactory credit performance. Credit decisions are based on recommended score cut-offs.

Asset quality of the Group is monitored through a regular portfolio performance review including customer segmentation and loan concentration risk assessment to identify sources of risk and to determine risk mitigation on segments that drive delinquency or manifests triggers for default. Likewise, close monitoring and review of industry performance, economic changes and market conditions that may affect the consumer loans business is also taken into consideration to establish a holistic risk assessment process.

For the credit card portfolio of the Group, credit risk assessment is performed through segmentation process to diversify the portfolio risk into different homogeneous populations or segments. Over-all account distribution is analyzed for three different snapshots with respect to month-on-month DPD to see consistency in the portfolio.

For microfinance and small business loans, regardless if the accounts have been fully paid, extended or renewed in subsequent period, are subjected to evaluation for possible losses. Credit risk assessment is performed based on groups of loan portfolio segmented by product type such as (a) credit accommodations to small-medium size borrowers; and, (b) agricultural and microfinance loans.

The Group classifies the consumer, microfinance and small business loans based on days past due following the categories that are consistent with the manner applied under the Group’s internal credit risk assessment and regulatory reporting as follows:

Bucket	Classification	Secured	Unsecured
Current	Unclassified	Unclassified	Unclassified
One to 30 days	Especially Mentioned	Unclassified	Especially Mentioned
31 to 60 days	Especially Mentioned	Especially Mentioned	Especially Mentioned
61 to 90 days	Substandard	Especially Mentioned	Substandard
91 to 180 days	Substandard	Substandard	Substandard
181 to 365 days	Doubtful	Doubtful	Doubtful
More than 365 days	Loss	Loss	Loss

The Group assigns consumer, microfinance and small business loans based on classification into stages of impairment as follows:

Classification	Stage
Unclassified	1
Especially Mentioned	2
Defaulted	3

For purposes of the information disclosed for credit risk exposures, ‘defaulted’ accounts include those which are classified as Substandard, Doubtful, and Loss.

The groupings of financial instruments into a pool of shared credit quality are subject to the regular review by the Group’s RMG in order to ensure that credit exposures within a particular group remain appropriately homogenous.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

## (iii) Debt Securities at Amortized Cost and at FVOCI

For debt securities, the Group adopts similar credit risk ratings published by reputable external rating agency (e.g., S&P). These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

### 4.4.3 Assessment of SICR

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Group assesses on a periodic basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information as appropriate. These may include macroeconomic conditions, economic sector and geographical region relevant to the counterparty or borrower and other factors that are counterparty-specific. As the Group holds various arrays of financial instruments, the extent of assessment may depend on the materiality of the financial instrument or the complexity of the portfolio being assessed.

The Group ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

- (i) Stage 1 – comprises of all credit exposures that are considered ‘performing’ and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL. PFRS 9 provides a rebuttable presumption that credit risk is considered to have significantly increased since initial recognition if the contractual payment is more than 30 days past due. The rebuttal must be in consideration of a reasonable and supportable information that is available without undue cost or effort.
- (ii) Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Group’s quantitative and qualitative criteria, though not yet deemed to be credit-impaired. Using the Group’s ICRRS, Stage 2 includes credit exposures that are considered ‘under-performing’ in which risk ratings were downgraded by at least three notches and/or downgraded to CCC+ to Especially Mentioned. Stage 2 financial instruments may also include those facilities where the credit risk has improved and have been reclassified from Stage 3 subject to the Group’s observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.
- (iii) Stage 3 – comprises credit exposures which are assessed as ‘credit-impaired’, thus considered by the Group as ‘non-performing’, which is assessed consistently with the Group’s definition of default. Generally, this includes accounts classified as Substandard, Doubtful and Loss. The Group recognizes a lifetime ECL for all credit-impaired financial assets.

The Group considers low credit risk for listed debt security when its credit risk rating is equivalent to a globally understood definition of ‘investment grade’ (which should be from at least one major rating agency); other debt securities are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group’s internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. Under the Group’s ICRRS, these are exposures rated at least Especially Mentioned. For exposures with no internal credit risk rating performed, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Depending on the number of days past due which differ across the various retail products of the Group, a credit exposure may be transferred to Stage 2 or Stage 3. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

As a general rule, an upgrade or transfer of credit exposure from Stage 3 to Stage 1 is allowed when there is sufficient evidence to support that full collection of principal and interest is probable, consistent with the Group’s definition of curing period which is 6 months of satisfactory performance before an account is moved from Stage 3 to Stage 2 and another 6 months from Stage 2 to Stage 1.

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

### 4.4.4 Definition of Default and Credit-impaired Assets

#### i. Loans and Receivables

The Group defines a loan instrument as in default, which is aligned with the definition of credit-impaired, when the borrower is more than 90 days past due on its contractual payments, except for the 30 days past due threshold for retail loans of the Group and one day past due for microfinance loan portfolio of RCBC Microbank. As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances and factors that may indicate unlikeliness to pay which may include (a) significant financial difficulty of the issuer or borrower; (b) the restructuring of a

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

loan by the Group, for economic or legal reasons relating to the borrower's financial difficulty, on terms that the Group would not consider otherwise; or (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganization. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

An instrument is considered to be no longer in default or have cured when the borrower is able to repay the installments in arrears and the account no longer meets any of the default criteria for a consecutive period of 180 days observation period, within which the borrower shall make consecutive payments.

The definitions of default and observation period have been aligned with the definition used for regulatory capital purposes. Definitions of default and cure period can be rebutted and the rebuttal will be monitored and reviewed by the RMG on annual basis to ensure definitions remains appropriate.

These criteria are consistent with the definition of default used for internal credit risk management purposes that is aligned with the default criteria used for regulatory capital purposes. Such definition is consistently applied in determining PD, LGD, and EAD for each loan portfolio segment and throughout the ECL calculations of the Group.

## ii. Investments in Debt Securities

Investments in debt securities is assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a "loss event") and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future events, shall also be considered in estimating the ECL.

Objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer's financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

The disappearance of an active market because a financial institution's held securities are no longer publicly traded is not evidence of impairment. A downgrade of an issuer's credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (for example, a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate).

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of credit-worthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

## 4.4.5 ECL Measurement Inputs

Integral in the Group's established policies in measuring and calculating ECL on financial instrument is the use of appropriate model for each segment of financial asset that applies relevant inputs and assumptions, including forward-looking information as appropriate.

### (a) Key Inputs and Assumptions in the ECL Model

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment.

- (i) PD represents an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. PD is calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures which considers both quantitative and qualitative factors. In determining PD, the Group performed segmentation of its credit exposures based on homogenous characteristics [including corporate loan and

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

retail loan (including credit-card and microfinance)] and developed a systematic PD methodology for each portfolio. Generally, if a counterparty or exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD.

- (ii) LGD pertains to estimate of loss related to the amount that may not be recovered after the borrower defaults. The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties, which takes into consideration the realization of any collateral that is integral to the financial asset. For secured credit exposure, the determination of LGD is dependent on the Group's collateral data which are available at the origination of the instrument which takes into account the amount and timing of the cash inflows (actual recovery) and outflows (actual expenses) and on the time value of money. Recoveries are calculated on a discounted cash flows basis using the effective interest rate as the discounting factor.
- (iii) EAD represents the gross carrying amount of the exposure in the event of default which include the amortized cost amount of an instrument and any accrued interest receivable. For lending commitments, the EAD includes the amount of drawn and undrawn irrevocable loan commitments under the contract, which are estimated based on historical observations and forward-looking forecast. For some financial assets (e.g., credit card lending), EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical technique which considers the ability of borrowers to increase its exposure from the time of ECL calculation to the time of default (i.e., credit conversion factor).

These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the end of the reporting period. The discount rate used in the ECL calculation is the original effective interest rate or the relevant fund transfer pricing rate, whichever is more applicable.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the instrument. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (i.e., an observation period of five years) which uses, among others the number of rated accounts and ratings of bad accounts at the time of default. Bad accounts are defaulted accounts classified into three classes such as the non-performing loans, accounts classified as Substandard, Doubtful or Loss, and real past due accounts.

For consumer loans, the PD models are used to compute a through-the-cycle (TTC) PD, which are PDs neutral to changes in conditions over the economic cycle covering the lifetime of the exposure. These TTC PDs are adjusted using a single factor Vasicek model to reflect the impact of macroeconomic factors to arrive at forward-looking Point-In-Time (PIT) PDs to consider the probability of default in current economic conditions in accordance with PFRS 9.

In a risk rating model applied by the Group for corporate loans, a better rating or score denotes less probability of default than those of a worse rating. Identifying the counterparty default is done through a computation of the portfolio's observed default rate (ODR). In cases when ODR method and the data to be used is limited, the Group may also employ the implied probability of default frequency (IPD) and the application of overlay factors in the PD.

Using the historical defaults under the Group's ICRRS based on S&P scale, ODR is calculated for each rating bucket as the ratio of the total number of defaults in next 12 months divided by the total count of accounts. On the other hand, unrated accounts are distributed to existing S&P rating classes using normal distribution assumption.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

For revolving products (such as credit cards and credit line facilities), EAD is determined by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default, and may vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed. For unsecured products, LGD is typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

For cash and cash equivalents and debt securities, the Group applies the low credit-risk simplification. For these instruments, probability of default and loss given default information sourced from publicly available data and internal metrics, indicate low credit risk. Accordingly, the Group measures 12-month ECL. Where SICR since origination is identified, the loss allowance is determined on a lifetime ECL basis. In assessing SICR and estimating ECL for debt securities, the Group primarily uses S&P credit ratings. Where such ratings are not available, internally generated ratings aligned with the Group's corporate loan framework are applied.

The assumptions underlying the ECL calculation are monitored and reviewed on an annual basis. In 2023, the Bank conducted an independent model validation which encompasses comprehensive model testing to assess model robustness. A refresh is applied annually to update the ECL model to ensure it remains relevant and effective in estimating credit losses. The Bank further applied post model adjustments in 2025 and 2024 to consider the results of its ongoing review of customer segmentation recovery updates (see Note 4.4).

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information discussed below.

## (b) Overlay of Forward-looking Information

The Group incorporates forward-looking information (FLI) in its calculation of ECL. The Group has performed historical analysis and has identified the key MEVs impacting credit risk associated with its borrowers and/or counterparties and the ECL for relevant portfolio of debt instruments.

The MEVs and their associated impact on the PD, LGD and EAD vary by financial instrument. For corporate loans, a multivariate analysis in the context of Vector Autoregressive (VAR) model is used to assess the effect of macroeconomic factors as historical and deterministic regressors to the portfolios PD. To determine the MEV, all possible combinations of the time series and considered lags with NPL ratio were considered and evaluated based on the soundness of economic theory, goodness of fit, and in accordance with the assumptions of VAR. For consumer loans, to project the MEVs for the full remaining life of each financial instrument, a mean reversion approach has been used for consumer loans, which means that MEVs tend to converge to either a long run average rate (e.g., for unemployment) or a long run average growth rate [e.g., Gross Domestic Product (GDP)] over a period of two to five years.

The impact of these economic variables on the PD, LGD and EAD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The MEVs considered by the Group include economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting. Accordingly, the Group has identified key drivers for credit risk for its corporate loans portfolio, which include among others, GDP growth rate, inflation rate, unemployment rate, interest rate (i.e., based on 91-day T-bill Yield), consumer price index (CPI), household consumption expenditure growth, OFW remittances growth rate, and foreign currency exchange rates.

On the other hand, the key drivers for the Group's retail and consumer loans portfolio include unemployment rate, GDP growth rate, consumer price index (CPI), foreign currency exchange rates, inflation rate, OFW remittance, and bank lending rates. Using an analysis of historical data, the Group has estimated relationships between MEVs and credit risk and credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Group considers these forecasts to represent its best estimate of the possible outcomes.

Management has also considered other FLI not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL. Management reviews and monitors the appropriateness of FLIs on a regular basis and additional factors may be incorporated from time to time as deemed appropriate.

## 4.4.6 Credit Risk Exposures

An analysis of the maximum credit risk exposure relating to loans and receivables is shown below:

	Group			
	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
<i>(Amounts in PHP)</i>				
<b>2025</b>				
Loans and discounts:				
Corporate	388,139	493,054	-	388,139
Consumer*	223,710	121,749	114,050	121,749
Credit card receivables	145,797	-	145,797	-
Leasing and finance	2,276	6,051	-	2,276
Microfinance and small business	1,315	2,518	-	1,315
Other receivables	65,231	3,915	61,316	3,915
	<b>826,468</b>	<b>627,287</b>	<b>321,163</b>	<b>517,394</b>
<b>2024</b>				
Loans and discounts:				
Corporate	421,744	477,408	-	421,744
Consumer*	174,873	143,253	41,352	143,253
Credit card receivables	110,453	-	110,453	-
Leasing and finance	2,401	5,677	-	2,401
Microfinance and small business	1,163	4,148	-	1,163
Other receivables	51,993	4,332	47,661	4,332
	<b>762,627</b>	<b>634,818</b>	<b>199,466</b>	<b>572,893</b>
	Parent Company			
	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
<i>(Amounts in PHP)</i>				
<b>2025</b>				
Loans and discounts:				
Corporate	386,031	493,054	-	386,031
Consumer*	223,710	121,749	114,050	121,749
Credit card receivables	145,797	-	145,797	-
Other receivables	64,217	3,915	60,302	3,915
	<b>819,755</b>	<b>618,718</b>	<b>320,060</b>	<b>511,695</b>
<b>2024</b>				
Loans and discounts:				
Corporate	419,085	477,408	-	419,085
Consumer*	174,873	143,253	41,352	143,253
Credit card receivables	110,453	-	110,453	-
Other receivables	50,850	4,332	46,518	4,332
	<b>755,261</b>	<b>624,993</b>	<b>198,323</b>	<b>566,670</b>

\*The net exposure balance includes unsecured personal and salary loans.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

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

<i>(Amounts in PHP)</i>	Notes	Group		Parent Company	
		2025	2024	2025	2024
Cash and cash equivalents		181,837	185,369	178,240	182,670
Debt securities:					
At amortized cost	10.3	253,846	260,344	252,660	259,419
At FVOCI	10.2	104,005	154,488	103,890	154,376
		<b>539,688</b>	<b>600,201</b>	<b>534,790</b>	<b>596,465</b>

Cash and cash equivalents include loans and advances to banks [i.e., Due from BSP, Due from Other Banks, Loans Arising from Repurchase Agreements, and Interbank Loans Receivables (see Note 9)]. The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash and cash equivalents includes deposits in local banks which are insured by the PDIC up to a maximum coverage of P1 million per depositor per banking institution, as provided under Republic Act 9576, *Amendment to Charter of PDIC*, and are still subjected to credit risk.

Debt securities includes government and corporate bonds and bills. These are held with the central bank, financial institutions and other counterparties that are reputable and with low credit risk; corresponding allowance for ECL is shown in the succeeding pages.

The information about the credit exposures on the above financial assets as well as on loan commitments by stages of impairment as of December 31, 2025 and 2024, shown at their gross carrying amounts with the corresponding allowance for ECL are shown in the succeeding pages. All instruments, which were not assessed by the Group for ECL based on individual credit risk rating were evaluated on a collective basis, applying applicable PD and LGD based on the segment of instrument.

The maximum exposure to credit risks for other financial assets is limited to their carrying values as of December 31, 2025 and 2024.

## a) Loans and receivables

<i>(Amounts in PHP)</i>	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired*	Total
<b>2025</b>					
<b>Corporate loans</b>					
Pass					
AAA to BBB	1,531	-	-	-	1,531
BBB- to B-	311,510	-	138	-	311,921
Watchlisted	33,751	6,736	805	-	41,292
Especially mentioned	-	12,812	14,053	-	26,865
Substandard	-	213	6,232	-	6,445
Defaulted	-	-	2	20	22
Unrated	63	-	-	-	63
	346,855	20,034	21,230	20	388,139
Allowance for ECL	(643)	(1,050)	(8,753)	(16)	(10,462)
Carrying amount	<b>346,212</b>	<b>18,984</b>	<b>12,477</b>	<b>4</b>	<b>377,677</b>
Balance forwarded	346,212	18,984	12,477	4	377,677

<i>(Amounts in PHP)</i>	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired*	Total
Balance carried forward	346,037	18,984	12,477	4	377,677
<b>Consumer loans</b>					
Current	198,257	-	-	-	198,257
1-30 dpd	9,203	-	-	-	9,203
31-90 dpd	-	5,232	-	-	5,232
Defaulted	-	-	11,018	-	11,018
	207,460	5,232	11,018	-	223,710
Allowance for ECL	(1,765)	(818)	(1,434)	-	(4,017)
Carrying amount	<b>205,695</b>	<b>4,414</b>	<b>9,584</b>	<b>-</b>	<b>219,693</b>
<b>Credit cards</b>					
Current	134,704	53	-	-	134,757
1-29 dpd	1,944	19	-	-	1,963
30-59 dpd	-	1,214	-	-	1,214
60-89 dpd	-	1,222	-	-	1,222
Defaulted	-	-	6,641	-	6,641
	136,648	2,508	6,641	-	145,797
Allowance for ECL	(334)	(1,281)	(4,568)	-	(6,183)
Carrying amount	<b>136,314</b>	<b>1,227</b>	<b>2,073</b>	<b>-</b>	<b>139,614</b>
<b>Leasing and finance receivables**</b>					
AAA+ to B+	190	-	-	-	190
B-	193	-	-	-	193
CCC below	-	603	846	-	1,449
Unrated	444	-	-	-	444
	827	603	846	-	2,276
Allowance for ECL	(115)	(161)	(622)	-	(898)
Carrying amount	<b>712</b>	<b>442</b>	<b>224</b>	<b>-</b>	<b>1,378</b>
<b>Micro and small business loans***</b>					
Unclassified	957	-	-	-	957
Especially mentioned	-	76	-	-	76
Defaulted	-	-	282	-	282
	957	76	282	-	1,315
Allowance for ECL	-	(9)	(105)	-	(114)
Carrying amount	<b>957</b>	<b>67</b>	<b>177</b>	<b>-</b>	<b>1,201</b>
<b>Other receivables</b>					
Current	62,222	-	-	-	62,222
Past due	-	886	2,123	-	3,009
	62,222	886	2,123	-	65,231
Allowance for ECL	(59)	(72)	(1,251)	-	(1,382)
Carrying amount	<b>62,163</b>	<b>814</b>	<b>872</b>	<b>-</b>	<b>63,849</b>
Total gross amount	754,969	29,339	42,140	20	826,468
Allowance for ECL	(2,916)	(3,391)	(16,733)	(16)	(23,056)
Carrying amount	<b>752,053</b>	<b>25,948</b>	<b>25,407</b>	<b>4</b>	<b>803,412</b>
<b>2024</b>					
<b>Corporate loans</b>					
Pass					
AAA to BBB	3,936	-	-	-	3,936
BBB- to B-	360,442	162	-	-	360,604
Watchlisted	31,530	200	-	-	31,730
Especially mentioned	-	6,921	7,854	-	14,775
Substandard	-	-	10,037	-	10,037
Defaulted	-	-	579	20	599
Unrated	63	-	-	-	63
	395,971	7,283	18,470	20	421,744
Allowance for ECL	(957)	(472)	(8,352)	(16)	(9,797)
Carrying amount	<b>395,014</b>	<b>6,811</b>	<b>10,118</b>	<b>4</b>	<b>411,947</b>
Balance forwarded	395,014	6,811	10,118	4	411,947

\*Purchased credit-impaired financial assets pertain to the non-performing loans of RCBC JPL.

\*\*Leasing and finance receivables are from RCBC LFC

\*\*\*Micro and small business loans are from RCBC Microbank

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

(Amounts in PHP)	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired*	Total
<i>Balance carried forward</i>	395,014	6,811	10,118	4	411,947
<i>Consumer loans</i>					
Current	154,061	-	-	-	154,061
1-30 dpd	7,620	-	-	-	7,620
31-90 dpd	-	5,289	-	-	5,289
Defaulted	-	-	7,903	-	7,903
Allowance for ECL	161,681	5,289	7,903	-	174,873
	(820)	(515)	(1,669)	-	(3,004)
Carrying amount	160,861	4,774	6,234	-	171,869
<i>Credit cards</i>					
Current	102,931	51	-	-	102,982
1-29 dpd	1,714	19	-	-	1,733
30-59 dpd	-	911	-	-	911
60-89 dpd	-	833	-	-	833
Defaulted	-	-	3,994	-	3,994
Allowance for ECL	104,645	1,814	3,994	-	110,453
	(734)	(891)	(2,804)	-	(4,429)
Carrying amount	103,911	923	1,190	-	106,024
<i>Leasing and finance receivables**</i>					
AAA+ to B+	290	-	-	-	290
B-	777	7	-	-	784
CCC below	-	127	1,116	-	1,243
Unrated	84	-	-	-	84
Allowance for ECL	1,151	134	1,116	-	2,401
	(144)	(25)	(824)	-	(993)
Carrying amount	1,007	109	292	-	1,408
<i>Micro and small business loans***</i>					
Unclassified	892	-	-	-	892
Especially mentioned	-	50	-	-	50
Defaulted	-	-	221	-	221
Allowance for ECL	892	50	221	-	1,163
	(1)	-	(92)	-	(93)
Carrying amount	891	50	129	-	1,070
<i>Other receivables</i>					
Current	48,794	-	1	-	48,795
Past due	-	883	2,315	-	3,198
Allowance for ECL	48,794	883	2,316	-	51,993
	(143)	(81)	(1,590)	-	(1,814)
Carrying amount	48,651	802	726	-	50,179
Total gross amount	713,134	15,453	34,020	20	762,627
Allowance for ECL	(2,799)	(1,984)	(15,331)	(16)	(20,130)
Carrying amount	710,335	13,469	18,689	4	742,497
	<b>Parent Company</b>				
(Amounts in PHP)	Stage 1	Stage 2	Stage 3	Purchased credit-impaired*	Total
<b>2025</b>					
<i>Corporate loans</i>					
Pass					
AAA to BBB	1,531	-	-	-	1,531
BBB- to B-	311,217	207	138	-	311,562
Watchlisted	33,751	6,736	805	-	41,292
Especially mentioned	-	12,812	12,387	-	25,199
Substandard	-	213	6,232	-	6,445
Defaulted	-	-	2	-	2
Allowance for ECL	346,499	19,968	19,564	-	386,031
	(390)	(1,056)	(8,997)	-	(10,443)
Carrying amount	346,109	18,912	10,567	-	375,588
<i>Balance forwarded</i>	346,109	18,912	10,567	-	375,588

\*Purchased credit-impaired financial assets pertain to the non-performing loans of RCBC JPL.

\*\*Leasing and finance receivables are from RCBC LFC

\*\*\*Micro and small business loans are from RCBC Microbank

(Amounts in PHP)	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired*	Total
<i>Balance carried forward</i>	346,109	18,912	10,567	-	375,588
<i>Consumer loans</i>					
Current	198,257	-	-	-	198,257
1-30 dpd	9,203	-	-	-	9,203
31-90 dpd	-	5,232	-	-	5,232
Defaulted	-	-	11,018	-	11,018
Allowance for ECL	207,460	5,232	11,018	-	223,710
	(1,765)	(818)	(1,434)	-	(4,017)
Carrying amount	205,695	4,414	9,584	-	219,693
<i>Credit cards</i>					
Current	134,704	53	-	-	134,757
1-29 dpd	1,944	19	-	-	1,963
30-59 dpd	-	1,214	-	-	1,214
60-89 dpd	-	1,222	-	-	1,222
Defaulted	-	-	6,641	-	6,641
Allowance for ECL	136,648	2,508	6,641	-	145,797
	(334)	(1,281)	(4,568)	-	(6,183)
Carrying amount	136,314	1,227	2,073	-	139,614
<i>Other receivables</i>					
Current	61,366	-	-	-	61,366
Past due	-	886	1,965	-	2,851
Allowance for ECL	61,366	886	1,965	-	64,217
	(67)	(71)	(1,076)	-	(1,214)
Carrying amount	61,299	815	889	-	63,003
Total gross amount	751,973	28,594	39,188	-	819,755
Allowance for ECL	(2,556)	(3,226)	(16,075)	-	(21,857)
Carrying amount	749,417	25,368	23,113	-	797,898
<b>2024</b>					
<i>Corporate loans</i>					
Pass					
AAA to BBB	3,936	-	-	-	3,936
BBB- to B-	359,746	160	227	-	360,133
Watchlisted	31,361	136	833	-	32,330
Especially mentioned	-	6,921	7,647	-	14,568
Substandard	-	-	7,756	-	7,756
Defaulted	-	-	362	-	362
Allowance for ECL	395,043	7,217	16,825	-	419,085
	(956)	(472)	(8,352)	-	(9,780)
Carrying amount	394,087	6,745	8,473	-	409,305
<i>Consumer loans</i>					
Current	154,061	-	-	-	154,061
1-30 dpd	7,620	-	-	-	7,620
31-90 dpd	-	5,289	-	-	5,289
Defaulted	-	-	7,903	-	7,903
Allowance for ECL	161,681	5,289	7,903	-	174,873
	(820)	(515)	(1,669)	-	(3,004)
Carrying amount	160,861	4,774	6,234	-	171,869
<i>Credit cards</i>					
Current	102,931	51	-	-	102,982
1-29 dpd	1,714	19	-	-	1,733
30-59 dpd	-	911	-	-	911
60-89 dpd	-	833	-	-	833
Defaulted	-	-	3,994	-	3,994
Allowance for ECL	104,645	1,814	3,994	-	110,453
	(734)	(891)	(2,804)	-	(4,429)
Carrying amount	103,911	923	1,190	-	106,024
<i>Other receivables</i>					
Current	47,941	-	-	-	47,941
Past due	-	883	2,026	-	2,909
Allowance for ECL	47,941	883	2,026	-	50,850
	(142)	(81)	(1,294)	-	(1,517)
Carrying amount	47,799	802	732	-	49,333
Total gross amount	709,310	15,203	30,748	-	755,261
Allowance for ECL	(2,652)	(1,959)	(14,119)	-	(18,730)
Carrying amount	706,658	13,244	16,629	-	736,531

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

## b) Investments in debt securities at amortized cost and at FVOCI

(Amounts in PHP)	Group		Parent	
	HTC	FVOCI	HTC	FVOCI
<b>2025</b>				
<b>Government securities</b>				
AAA to A+	17,122	9,329	17,122	9,329
BBB+ to BBB-	206,761	79,786	206,761	79,786
	<b>223,883</b>	<b>89,115</b>	<b>223,883</b>	<b>89,115</b>
<b>Corporate debt securities</b>				
AAA	-	567	-	567
AA+ to A+	1,170	-	1,170	-
A to A-	723	-	723	-
BBB+ to BBB-	14,578	4,032	14,578	4,032
BB+ to BB-	12,121	9,963	12,121	9,882
B+ and below	1,371	328	185	294
	29,963	14,890	28,777	14,775
Allowance for ECL	(133)	(15)	(41)	(15)
	<b>29,830</b>	<b>14,875</b>	<b>28,736</b>	<b>14,760</b>
	<b>253,713</b>	<b>103,990</b>	<b>252,619</b>	<b>103,875</b>
<b>2024</b>				
<b>Government securities</b>				
AAA to A+	19,033	45,969	19,033	45,969
BBB+ to BBB-	210,344	94,428	210,344	94,428
	229,377	140,397	229,377	140,397
<b>Corporate debt securities</b>				
AAA	-	536	-	536
AA+ to A+	1,130	-	1,130	-
A to A-	715	-	715	-
BBB+ to BBB-	15,219	3,527	15,219	3,527
BB+ to BB-	12,978	6,122	12,978	6,041
B+ and below	925	3,906	-	3,875
	30,967	14,091	30,042	13,979
Allowance for ECL	(122)	(14)	(32)	(14)
	<b>30,845</b>	<b>14,077</b>	<b>30,010</b>	<b>13,965</b>
	<b>260,222</b>	<b>154,474</b>	<b>259,387</b>	<b>154,362</b>

## c) Loan Commitments

The credit quality of the Group and Parent Company's irrevocable loan commitments with amounts determined after considering credit conversion factor, as of December 31 follows:

(Amounts in PHP)	Group and Parent Company			
	Stage 1	Stage 2	Stage 3	Total
<b>2025</b>				
<b>Corporate loans</b>				
Pass				
AAA to BBB	14	-	-	14
BBB- to B-	6,752	-	-	6,752
Watchlisted	59	54	3	116
Especially mentioned	-	-	-	-
	6,825	54	3	6,882
Allowance for ECL	(11)	(1)	(2)	(14)
Carrying amount	<b>6,814</b>	<b>53</b>	<b>1</b>	<b>6,868</b>
<b>Credit cards</b>				
Current	35,625	-	-	35,625
Allowance for ECL	(450)	-	-	(450)
Carrying amount	<b>35,175</b>	<b>-</b>	<b>-</b>	<b>35,175</b>
	<b>41,990</b>	<b>53</b>	<b>1</b>	<b>42,044</b>

(Amounts in PHP)	Group and Parent Company			
	Stage 1	Stage 2	Stage 3	Total
<b>2024</b>				
<b>Corporate loans</b>				
Pass				
AAA to BBB	72	-	-	72
BBB- to B-	6,804	-	-	6,804
Watchlisted	123	-	-	123
Especially mentioned	-	10	-	10
	6,999	10	-	7,009
Allowance for ECL	(12)	-	-	(12)
Carrying amount	<b>6,987</b>	<b>10</b>	<b>-</b>	<b>6,997</b>
<b>Credit cards</b>				
Current	30,646	-	-	30,646
Allowance for ECL	(358)	-	-	(358)
Carrying amount	<b>30,288</b>	<b>-</b>	<b>-</b>	<b>30,288</b>
	<b>37,277</b>	<b>10</b>	<b>-</b>	<b>37,287</b>

## 4.4.7 Maximum Exposure to Credit Risk of Financial Instruments not Subject to Impairment

The following table contains analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e., FVTPL).

(Amounts in PHP)	Group		Parent Company	
	2025	2024	2025	2024
Government securities	10,594	7,257	10,589	7,252
Corporate debt securities	104	132	104	132
Derivative financial assets	1,677	2,067	1,677	2,067
	<b>12,375</b>	<b>9,456</b>	<b>12,370</b>	<b>9,451</b>

## 4.4.8 Allowance for ECL

The succeeding tables show the reconciliation of the loss allowance for ECL by class of significant financial instruments.

### a) Loans and receivables

(Amounts in PHP)	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<b>2025</b>					
<b>Corporate loans</b>					
Balance at beginning of year	957	472	8,352	16	9,797
Transfers:					
Stage 1 to Stage 2	(80)	80	-	-	-
Stage 1 to Stage 3	(16)	-	16	-	-
Stage 2 to Stage 1	7	(7)	-	-	-
Stage 2 to Stage 3	-	(294)	294	-	-
Stage 3 to Stage 1	1	-	(1)	-	-
Stage 3 to Stage 2	-	402	(402)	-	-
Assets derecognized or repaid	(505)	(62)	(183)	-	(750)
New assets originated:					
Remained in Stage 1	279	-	-	-	279
Moved to Stages 2 and 3	-	459	677	-	1,136
	(314)	578	401	-	665
Balance at end of year	<b>643</b>	<b>1,050</b>	<b>8,753</b>	<b>16</b>	<b>10,462</b>
Balance forwarded	643	1,050	8,753	16	10,462

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<i>(Amounts in PHP)</i>					
Balance carried forward	643	1,050	8,753	16	10,462
<b>Consumer loans</b>					
Balance at beginning of year	820	515	1,669	-	3,004
Transfers:					
Stage 1 to Stage 2	(23)	23	-	-	-
Stage 1 to Stage 3	(26)	-	26	-	-
Stage 2 to Stage 1	110	(110)	-	-	-
Stage 2 to Stage 3	-	(28)	28	-	-
Stage 3 to Stage 2	-	33	(33)	-	-
Assets derecognized or repaid	(103)	(99)	(313)	-	(515)
New assets originated:					
Remained in Stage 1	987	-	-	-	987
Moved to Stages 2 and 3	-	484	1,081	-	1,565
Write-offs	-	-	(1,024)	-	(1,024)
	945	303	(235)	-	1,013
Balance at end of year	<b>1,765</b>	<b>818</b>	<b>1,434</b>	<b>-</b>	<b>4,017</b>
<b>Credit cards</b>					
Balance at beginning of year	734	891	2,804	-	4,429
Transfers:					
Stage 1 to Stage 2	(49)	49	-	-	-
Stage 1 to Stage 3	(410)	-	410	-	-
Stage 2 to Stage 1	98	(98)	-	-	-
Stage 2 to Stage 3	-	(929)	929	-	-
Stage 3 to Stage 1	93	-	(93)	-	-
Stage 3 to Stage 2	-	45	(45)	-	-
Assets derecognized or repaid	(1,483)	(576)	(880)	-	(2,939)
New assets originated:					
Remained in Stage 1	1,351	-	-	-	1,351
Moved to Stages 2 and 3	-	1,899	8,201	-	10,100
Write-offs	-	-	(6,758)	-	(6,758)
	(400)	390	1,764	-	1,754
Balance at end of year	<b>334</b>	<b>1,281</b>	<b>4,568</b>	<b>-</b>	<b>6,183</b>
<b>Leasing and finance receivables*</b>					
Balance at beginning of year	144	25	824	-	993
Transfers:					
Stage 1 to Stage 2	(3)	3	-	-	-
Stage 1 to Stage 3	(10)	-	10	-	-
Stage 2 to Stage 1	2	(2)	-	-	-
Stage 2 to Stage 3	-	(14)	14	-	-
Stage 3 to Stage 1	6	-	(6)	-	-
Stage 3 to Stage 2	-	15	(15)	-	-
Assets derecognized or repaid	(25)	-	(25)	-	(50)
New assets originated:					
Remained in Stage 1	1	-	-	-	1
Moved to Stages 2 and 3	-	134	150	-	284
Write-offs	-	-	(330)	-	(330)
	(29)	136	(202)	-	(95)
Balance at end of year	<b>115</b>	<b>161</b>	<b>622</b>	<b>-</b>	<b>898</b>
Balance forwarded	2,857	3,310	15,377	16	21,560

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<i>(Amounts in PHP)</i>					
Balance carried forward	2,857	3,310	15,377	16	21,560
<b>Micro and small business loans**</b>					
Balance at beginning of year	1	-	92	-	93
Transfers:					
Stage 1 to Stage 2	(1)	1	-	-	-
Stage 1 to Stage 3	(1)	-	1	-	-
Stage 2 to 3	-	(2)	2	-	-
Stage 3 to 1	1	-	(1)	-	-
Stage 3 to 2	-	2	(2)	-	-
Assets derecognized or repaid	-	-	(3)	-	(3)
New assets originated:					
Moved to Stages 2 and 3	-	8	25	-	33
Write-offs	-	-	(9)	-	(9)
	(1)	9	13	-	21
Balance at end of year	<b>-</b>	<b>9</b>	<b>105</b>	<b>-</b>	<b>114</b>
<b>Other receivables</b>					
Balance at beginning of year	143	81	1,590	-	1,814
Transfers:					
Stage 1 to Stage 2	(23)	23	-	-	-
Stage 2 to Stage 1	2	(2)	-	-	-
Stage 2 to Stage 3	-	(71)	71	-	-
Stage 3 to Stage 2	-	11	(11)	-	-
Assets derecognized or repaid	(210)	(3)	(217)	-	(430)
New assets originated:					
Remained in Stage 1	147	-	-	-	147
Moved to Stages 2 and 3	-	33	5	-	38
Write-offs	-	-	(187)	-	(187)
	(84)	(9)	(345)	-	(432)
Balance at end of year	<b>59</b>	<b>72</b>	<b>1,251</b>	<b>-</b>	<b>1,382</b>
	<b>2,916</b>	<b>3,391</b>	<b>16,733</b>	<b>16</b>	<b>23,056</b>
2024					
<b>Corporate loans</b>					
Balance at beginning of year	923	222	7,891	16	9,052
Transfers:					
Stage 1 to Stage 2	(8)	8	-	-	-
Stage 1 to Stage 3	(63)	-	63	-	-
Stage 2 to Stage 1	7	(7)	-	-	-
Stage 2 to Stage 3	-	(107)	107	-	-
Stage 3 to Stage 2	-	355	(355)	-	-
Assets derecognized or repaid	(667)	(217)	(38)	-	(922)
New assets originated:					
Remained in Stage 1	765	-	-	-	765
Moved to Stages 2 and 3	-	218	684	-	902
	34	250	461	-	745
Balance at end of year	957	472	8,352	16	9,797
Balance forwarded	957	472	8,352	16	9,797



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<i>(Amounts in PHP)</i>					
Balance carried forward	390	1,056	8,997	-	10,443
<b>Consumer loans</b>					
Balance at beginning of year	820	515	1,669	-	3,004
Transfers:					
Stage 1 to Stage 2	(23)	23	-	-	-
Stage 1 to Stage 3	(26)	-	26	-	-
Stage 2 to Stage 1	110	(110)	-	-	-
Stage 2 to Stage 3	-	(28)	28	-	-
Stage 3 to Stage 2	-	33	(33)	-	-
Assets derecognized or repaid	(103)	(99)	(313)	-	(515)
New assets originated:					
Remained in Stage 1	987	-	-	-	987
Moved to Stages 2 and 3	-	484	1,081	-	1,565
Write-offs	-	-	(1,024)	-	(1,024)
	945	303	(235)	-	1,013
Balance at end of year	<b>1,765</b>	<b>818</b>	<b>1,434</b>	<b>-</b>	<b>4,017</b>
<b>Credit cards</b>					
Balance at beginning of year	734	891	2,804	-	4,429
Transfers:					
Stage 1 to Stage 2	(49)	49	-	-	-
Stage 1 to Stage 3	(410)	-	410	-	-
Stage 2 to Stage 1	98	(98)	-	-	-
Stage 2 to Stage 3	-	(929)	929	-	-
Stage 3 to Stage 1	93	-	(93)	-	-
Stage 3 to Stage 2	-	45	(45)	-	-
Assets derecognized or repaid	(1,483)	(576)	(880)	-	(2,939)
New assets originated:					
Remained in Stage 1	1,351	-	-	-	1,351
Moved to Stages 2 and 3	-	1,899	8,201	-	10,100
Write-offs	-	-	(6,758)	-	(6,758)
	(400)	390	1,764	-	1,754
Balance at end of year	<b>334</b>	<b>1,281</b>	<b>4,568</b>	<b>-</b>	<b>6,183</b>
<b>Other receivables</b>					
Balance at beginning of year	142	81	1,294	-	1,517
Transfers:					
Stage 1 to Stage 2	(23)	23	-	-	-
Stage 2 to Stage 1	3	(3)	-	-	-
Stage 2 to Stage 3	-	(72)	72	-	-
Stage 3 to Stage 2	-	12	(12)	-	-
Assets derecognized or repaid	(202)	(3)	(224)	-	(429)
New assets originated:					
Remained in Stage 1	147	-	-	-	147
Moved to Stages 2 and 3	-	33	133	-	166
Write-offs	-	-	(187)	-	(187)
	(75)	(10)	(218)	-	(303)
Balance at end of year	<b>67</b>	<b>71</b>	<b>1,076</b>	<b>-</b>	<b>1,214</b>
	<b>2,556</b>	<b>3,226</b>	<b>16,075</b>	<b>-</b>	<b>21,857</b>

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<i>(Amounts in PHP)</i>					
2024					
<b>Corporate loans</b>					
Balance at beginning of year	923	222	7,890	-	9,035
Transfers:					
Stage 1 to Stage 2	(8)	8	-	-	-
Stage 1 to Stage 3	(63)	-	63	-	-
Stage 2 to Stage 1	7	(7)	-	-	-
Stage 2 to Stage 3	-	(107)	107	-	-
Stage 3 to Stage 2	-	355	(355)	-	-
Assets derecognized or repaid	(667)	(217)	(38)	-	(922)
New assets originated:					
Remained in Stage 1	764	-	-	-	764
Moved to Stages 2 and 3	-	218	685	-	903
	33	250	462	-	745
Balance at end of year	956	472	8,352	-	9,780
<b>Consumer loans</b>					
Balance at beginning of year	558	280	1,187	-	2,025
Transfers:					
Stage 1 to Stage 2	(57)	57	-	-	-
Stage 1 to Stage 3	(139)	-	139	-	-
Stage 2 to Stage 1	130	(130)	-	-	-
Stage 2 to Stage 3	-	(145)	145	-	-
Stage 3 to Stage 2	-	29	(29)	-	-
Assets derecognized or repaid	(149)	(61)	(272)	-	(482)
New assets originated:					
Remained in Stage 1	477	-	-	-	477
Moved to Stages 2 and 3	-	485	607	-	1,092
Write-offs	-	-	(108)	-	(108)
	262	235	482	-	979
Balance at end of year	820	515	1,669	-	3,004
<b>Credit cards</b>					
Balance at beginning of year	886	747	2,018	-	3,651
Transfers:					
Stage 1 to Stage 2	(40)	40	-	-	-
Stage 1 to Stage 3	(252)	-	252	-	-
Stage 2 to Stage 1	76	(76)	-	-	-
Stage 2 to Stage 3	-	(623)	623	-	-
Stage 3 to Stage 1	50	-	(50)	-	-
Stage 3 to Stage 2	-	51	(51)	-	-
Assets derecognized or repaid	(1,046)	(396)	(524)	-	(1,966)
New assets originated:					
Remained in Stage 1	1,060	-	-	-	1,060
Moved to Stages 2 and 3	-	1,148	5,508	-	6,656
Write-offs	-	-	(4,972)	-	(4,972)
	(152)	144	786	-	778
Balance at end of year	734	891	2,804	-	4,429
Balance forwarded	2,510	1,878	12,825	-	17,213



# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

(Amounts in PHP)	Group and Parent Company			
	Stage 1	Stage 2	Stage 3	Total
<b>2024</b>				
<i>Corporate loans</i>				
Balance at beginning of year	11	-	-	11
Assets derecognized or repaid	(8)	-	-	(8)
New assets originated —				
Remained in Stage 1	9	-	-	9
	1	-	-	1
Balance at end of year	12	-	-	12
<i>Credit cards</i>				
Balance at beginning of year	293	-	-	293
New assets originated —				
Remained in Stage 1	65	-	-	65
Balance at end of year	358	-	-	358
	370	-	-	370

The information on how the significant changes in the gross carrying amount of the financial instruments contributed to the changes in the amount of allowance for ECL are presented in Note 4.4.9.

#### 4.4.9 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

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

##### a) Loans and receivables

(Amounts in PHP)	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<b>2025</b>					
<i>Corporate loans</i>					
Balance at beginning of year	395,971	7,283	18,470	20	421,744
Transfers:					
Stage 1 to Stage 2	(7,775)	7,775	-	-	-
Stage 1 to Stage 3	(1,954)	-	1,954	-	-
Stage 2 to Stage 1	57	(57)	-	-	-
Stage 2 to Stage 3	-	(4,094)	4,094	-	-
Stage 3 to Stage 1	1	-	(1)	-	-
Stage 3 to Stage 2	-	619	(619)	-	-
Assets derecognized or repaid	(199,729)	(844)	(4,363)	-	(204,936)
New assets originated:					
Remained in Stage 1	160,284	-	-	-	160,284
Moved to Stages 2 and 3	-	9,352	1,695	-	11,047
	(49,116)	12,751	2,760	-	(33,605)
Balance at end of year	346,855	20,034	21,230	20	388,139
Balance forwarded	346,855	20,034	21,230	20	388,139

(Amounts in PHP)	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	346,855	20,034	21,230	20	388,139
<i>Consumer loans</i>					
Balance at beginning of year	161,681	5,289	7,903	-	174,873
Transfers:					
Stage 1 to Stage 2	(4,466)	4,466	-	-	-
Stage 1 to Stage 3	(3,460)	-	3,460	-	-
Stage 2 to Stage 1	1,710	(1,710)	-	-	-
Stage 2 to Stage 3	-	(1,454)	1,454	-	-
Stage 3 to Stage 2	-	436	(436)	-	-
Assets derecognized or repaid	(11,227)	(3,487)	(2,166)	-	(16,880)
New assets originated:					
Remained in Stage 1	63,222	-	-	-	63,222
Moved to Stages 2 and 3	-	1,692	1,828	-	3,520
Write-offs	-	-	(1,025)	-	(1,025)
	45,779	(57)	3,115	-	48,837
Balance at end of year	207,460	5,232	11,018	-	223,710
<i>Credit cards</i>					
Balance at beginning of year	104,645	1,814	3,994	-	110,453
Transfers:					
Stage 1 to Stage 2	(1,796)	1,796	-	-	-
Stage 1 to Stage 3	(6,887)	-	6,887	-	-
Stage 2 to Stage 1	195	(195)	-	-	-
Stage 2 to Stage 3	-	(1,567)	1,567	-	-
Stage 3 to Stage 1	128	-	(128)	-	-
Stage 3 to Stage 2	-	58	(58)	-	-
Assets derecognized or repaid	(225,638)	(1,118)	(1,385)	-	(228,141)
New assets originated:					
Remained in Stage 1	266,001	-	-	-	266,001
Moved to Stages 2 and 3	-	1,720	2,522	-	4,242
Write-offs	-	-	(6,758)	-	(6,758)
	32,003	694	2,647	-	35,344
Balance at end of year	136,648	2,508	6,641	-	145,797
<i>Leasing and finance receivables*</i>					
Balance at beginning of year	1,151	134	1,116	-	2,401
Transfers:					
Stage 1 to Stage 2	(18)	18	-	-	-
Stage 1 to Stage 3	(19)	-	20	-	-
Stage 2 to Stage 3	-	(9)	9	-	-
Stage 3 to Stage 2	-	196	(196)	-	-
Assets derecognized or repaid	(944)	(18)	(572)	-	(1,534)
New assets originated:					
Remained in Stage 1	657	-	-	-	657
Moved to Stages 2 and 3	-	282	800	-	1,082
Write-offs	-	-	(330)	-	(330)
	(324)	469	(270)	-	(125)
Balance at end of year	827	603	846	-	2,276
Balance carried forward	691,790	28,377	39,735	20	759,922

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

<i>(Amounts in PHP)</i>	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<i>Balance forwarded</i>	691,790	28,377	39,735	20	759,922
<b><i>Micro and small business loans**</i></b>					
Balance at beginning of year	892	50	221	-	1,163
Transfers:					
Stage 1 to Stage 2	(12)	12	-	-	-
Stage 1 to Stage 3	(43)	-	43	-	-
Stage 2 to Stage 1	1	(1)	-	-	-
Stage 2 to Stage 3	-	(18)	18	-	-
Stage 3 to Stage 1	2	-	(2)	-	-
Stage 3 to Stage 2	-	1	(1)	-	-
Assets derecognized or repaid	(661)	(14)	(54)	-	(729)
New assets originated:					
Remained in Stage 1	778	-	-	-	778
Moved to Stages 2 and 3	-	46	57	-	103
Write-offs	-	-	-	-	-
	65	26	61	-	152
Balance at end of year	<b>957</b>	<b>76</b>	<b>282</b>	<b>-</b>	<b>1,315</b>
<b><i>Other receivables</i></b>					
Balance at beginning of year	48,794	883	2,316	-	51,993
Transfers:					
Stage 1 to Stage 2	(79)	79	-	-	-
Stage 1 to Stage 3	(66)	-	66	-	-
Stage 2 to Stage 1	34	(34)	-	-	-
Stage 2 to Stage 3	-	(379)	379	-	-
Stage 3 to Stage 2	-	32	(32)	-	-
Assets derecognized or repaid	(1,678)	(171)	(692)	-	(2,541)
New assets originated:					
Remained in Stage 1	15,217	-	-	-	15,217
Moved to Stages 2 and 3	-	476	273	-	749
Write offs	-	-	(187)	-	(187)
	13,428	3	(193)	-	13,238
Balance at end of year	<b>62,222</b>	<b>886</b>	<b>2,123</b>	<b>-</b>	<b>65,231</b>
	<b>754,969</b>	<b>29,339</b>	<b>42,140</b>	<b>20</b>	<b>826,468</b>

<i>(Amounts in PHP)</i>	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<b>2024</b>					
<b><i>Corporate loans</i></b>					
Balance at beginning of year	394,872	5,435	13,984	20	414,311
Transfers:					
Stage 1 to Stage 2	(1,256)	1,256	-	-	-
Stage 1 to Stage 3	(3,034)	-	3,034	-	-
Stage 2 to Stage 1	271	(271)	-	-	-
Stage 2 to Stage 3	-	(2,117)	2,117	-	-
Stage 3 to Stage 1	5	-	(5)	-	-
Stage 3 to Stage 2	-	709	(709)	-	-
Assets derecognized or repaid	(228,997)	(1,323)	(1,254)	-	(231,574)
New assets originated:					
Remained in Stage 1	234,110	-	-	-	234,110
Moved to Stages 2 and 3	-	3,594	1,303	-	4,897
	1,099	1,848	4,486	-	7,433
Balance at end of year	395,971	7,283	18,470	20	421,744
<b><i>Consumer loans</i></b>					
Balance at beginning of year	118,194	3,686	6,987	-	128,867
Transfers:					
Stage 1 to Stage 2	(3,409)	3,409	-	-	-
Stage 1 to Stage 3	(2,836)	-	2,836	-	-
Stage 2 to Stage 1	1,123	(1,123)	-	-	-
Stage 2 to Stage 3	-	(1,276)	1,276	-	-
Stage 3 to Stage 2	-	311	(311)	-	-
Assets derecognized or repaid	(6,477)	(428)	(3,499)	-	(10,404)
New assets originated:					
Remained in Stage 1	55,086	-	-	-	55,086
Moved to Stages 2 and 3	-	710	722	-	1,432
Write-offs	-	-	(108)	-	(108)
	43,487	1,603	916	-	46,006
Balance at end of year	161,681	5,289	7,903	-	174,873
<b><i>Credit cards</i></b>					
Balance at beginning of year	70,864	1,247	2,556	-	74,667
Transfers:					
Stage 1 to Stage 2	(1,283)	1,283	-	-	-
Stage 1 to Stage 3	(4,208)	-	4,208	-	-
Stage 2 to Stage 1	144	(144)	-	-	-
Stage 2 to Stage 3	-	(1,053)	1,053	-	-
Stage 3 to Stage 1	68	-	(68)	-	-
Stage 3 to Stage 2	-	64	(64)	-	-
Assets derecognized or repaid	(170,466)	(931)	(779)	-	(172,176)
New assets originated:					
Remained in Stage 1	209,526	-	-	-	209,526
Moved to Stages 2 and 3	-	1,348	2,060	-	3,408
Write-offs	-	-	(4,972)	-	(4,972)
	33,781	567	1,438	-	35,786
Balance at end of year	104,645	1,814	3,994	-	110,453
<i>Balance carried forward</i>	662,297	14,386	30,637	-	707,320

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<i>(Amounts in PHP)</i>					
Balance forwarded	662,297	14,386	30,637	-	707,320
<i>Leasing and finance receivables*</i>					
Balance at beginning of year	648	1,216	937	-	2,801
Transfers:					
Stage 1 to Stage 2	(44)	44	-	-	-
Stage 1 to Stage 3	(247)	-	247	-	-
Stage 2 to Stage 1	9	(9)	-	-	-
Stage 2 to Stage 3	-	(122)	122	-	-
Stage 3 to Stage 1	2	-	(2)	-	-
Assets derecognized or repaid	(986)	(1,002)	(469)	-	(2,457)
New assets originated:					
Remained in Stage 1	1,769	-	-	-	1,769
Moved to Stages 2 and 3	-	7	302	-	309
Write-offs	-	-	(21)	-	(21)
	503	(1,082)	179	-	(400)
Balance at end of year	1,151	134	1,116	-	2,401
<i>Micro and small business loans**</i>					
Balance at beginning of year	994	79	203	-	1,276
Transfers:					
Stage 1 to Stage 2	(9)	9	-	-	-
Stage 1 to Stage 3	(22)	-	22	-	-
Stage 2 to Stage 1	16	(16)	-	-	-
Stage 2 to Stage 3	-	(21)	21	-	-
Stage 3 to Stage 1	1	-	(1)	-	-
Stage 3 to Stage 2	-	6	(6)	-	-
Assets derecognized or repaid	(726)	(39)	(63)	-	(828)
New assets originated:					
Remained in Stage 1	638	-	-	-	638
Moved to Stages 2 and 3	-	32	48	-	80
Write-offs	-	-	(3)	-	(3)
	(102)	(29)	18	-	(113)
Balance at end of year	892	50	221	-	1,163
<i>Other receivables</i>					
Balance at beginning of year	43,050	344	2,008	-	45,402
Transfers:					
Stage 1 to Stage 2	(620)	620	-	-	-
Stage 1 to Stage 3	(68)	-	68	-	-
Stage 2 to Stage 1	26	(26)	-	-	-
Stage 2 to Stage 3	-	(465)	465	-	-
Stage 3 to Stage 2	-	58	(58)	-	-
Assets derecognized or repaid	(3,762)	(517)	(813)	-	(5,092)
New assets originated:					
Remained in Stage 1	10,168	-	-	-	10,168
Moved to Stages 2 and 3	-	869	646	-	1,515
	5,744	539	308	-	6,591
Balance at end of year	48,794	883	2,316	-	51,993
	713,134	15,453	34,020	20	762,627

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<i>(Amounts in PHP)</i>					
<b>2025</b>					
<i>Corporate loans</i>					
Balance at beginning of year	395,043	7,217	16,825	-	419,085
Transfers:					
Stage 1 to Stage 2	(7,775)	7,775	-	-	-
Stage 1 to Stage 3	(1,954)	-	1,954	-	-
Stage 2 to Stage 1	57	(57)	-	-	-
Stage 2 to Stage 3	-	(4,094)	4,094	-	-
Stage 3 to Stage 1	1	-	(1)	-	-
Stage 3 to Stage 2	-	619	(619)	-	-
Assets derecognized or repaid	(222,627)	(1,746)	(4,624)	-	(228,997)
New assets originated:					
Remained in Stage 1	183,754	-	-	-	183,754
Moved to Stages 2 and 3	-	10,254	1,935	-	12,189
	(48,544)	12,751	2,739	-	(33,054)
Balance at end of year	<b>346,499</b>	<b>19,968</b>	<b>19,564</b>	-	<b>386,031</b>
<i>Consumer loans</i>					
Balance at beginning of year	161,681	5,289	7,903	-	174,873
Transfers:					
Stage 1 to Stage 2	(4,466)	4,466	-	-	-
Stage 1 to Stage 3	(3,460)	-	3,460	-	-
Stage 2 to Stage 1	1,710	(1,710)	-	-	-
Stage 2 to Stage 3	-	(1,454)	1,454	-	-
Stage 3 to Stage 2	-	436	(436)	-	-
Assets derecognized or repaid	(11,227)	(3,487)	(2,166)	-	(16,880)
New assets originated:					
Remained in Stage 1	63,222	-	-	-	63,222
Moved to Stages 2 and 3	-	1,692	1,828	-	3,520
Write-offs	-	-	(1,025)	-	(1,025)
	45,779	(57)	3,115	-	48,837
Balance at end of year	<b>207,460</b>	<b>5,232</b>	<b>11,018</b>	-	<b>223,710</b>
<i>Credit cards</i>					
Balance at beginning of year	104,645	1,814	3,994	-	110,453
Transfers:					
Stage 1 to Stage 2	(1,796)	1,796	-	-	-
Stage 1 to Stage 3	(6,887)	-	6,887	-	-
Stage 2 to Stage 1	195	(195)	-	-	-
Stage 2 to Stage 3	-	(1,567)	1,567	-	-
Stage 3 to Stage 1	128	-	(128)	-	-
Stage 3 to Stage 2	-	58	(58)	-	-
Assets derecognized or repaid	(225,638)	(1,118)	(1,385)	-	(228,141)
New assets originated:					
Remained in Stage 1	266,001	-	-	-	266,001
Moved to Stages 2 and 3	-	1,720	2,522	-	4,242
Write-offs	-	-	(6,758)	-	(6,758)
	32,003	694	2,647	-	35,344
Balance at end of year	<b>136,648</b>	<b>2,508</b>	<b>6,641</b>	-	<b>145,797</b>
Balance forwarded	690,607	27,708	37,223	-	755,538

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

<i>(Amounts in PHP)</i>	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<i>Balance carried forward</i>	690,607	27,708	37,223	-	755,538
<b><i>Other receivables</i></b>					
Balance at beginning of year	47,941	883	2,026	-	50,850
Transfers:					
Stage 1 to Stage 2	(79)	79	-	-	-
Stage 1 to Stage 3	(66)	-	66	-	-
Stage 2 to Stage 1	34	(34)	-	-	-
Stage 2 to Stage 3	-	(379)	379	-	-
Stage 3 to Stage 2	-	32	(32)	-	-
Assets derecognized or repaid	(1,264)	(171)	(401)	-	(1,836)
New assets originated:					
Remained in Stage 1	14,800	-	-	-	14,800
Moved to Stages 2 and 3	-	476	114	-	590
Write-off	-	-	(187)	-	(187)
	13,425	3	(61)	-	13,367
Balance at end of year	<b>61,366</b>	<b>886</b>	<b>1,965</b>	<b>-</b>	<b>64,217</b>
	<b>751,973</b>	<b>28,594</b>	<b>39,188</b>	<b>-</b>	<b>819,755</b>
<b>2024</b>					
<b><i>Corporate loans</i></b>					
Balance at beginning of year	393,983	4,623	13,100	-	411,706
Transfers:					
Stage 1 to Stage 2	(1,213)	1,213	-	-	-
Stage 1 to Stage 3	(2,663)	-	2,663	-	-
Stage 2 to Stage 1	266	(266)	-	-	-
Stage 2 to Stage 3	-	(1,609)	1,609	-	-
Stage 3 to Stage 2	-	709	(709)	-	-
Assets derecognized or repaid	(228,997)	(1,323)	(1,254)	-	(231,574)
New assets originated:					
Remained in Stage 1	233,667	-	-	-	233,667
Moved to Stages 2 and 3	-	3,870	1,416	-	5,286
	1,060	2,594	3,725	-	7,379
Balance at end of year	395,043	7,217	16,825	-	419,085
<i>Balance forwarded</i>	395,043	7,217	16,825	-	419,085

<i>(Amounts in PHP)</i>	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<i>Balance carried forward</i>	395,043	7,217	16,825	-	419,085
<b><i>Consumer loans</i></b>					
Balance at beginning of year	118,194	3,686	6,987	-	128,867
Transfers:					
Stage 1 to Stage 2	(3,409)	3,409	-	-	-
Stage 1 to Stage 3	(2,836)	-	2,836	-	-
Stage 2 to Stage 1	1,123	(1,123)	-	-	-
Stage 2 to Stage 3	-	(1,276)	1,276	-	-
Stage 3 to Stage 2	-	311	(311)	-	-
Assets derecognized or repaid	(6,477)	(428)	(3,499)	-	(10,404)
New assets originated:					
Remained in Stage 1	55,086	-	-	-	55,086
Moved to Stages 2 and 3	-	710	722	-	1,432
Write-offs	-	-	(108)	-	(108)
	43,487	1,603	916	-	46,006
Balance at end of year	161,681	5,289	7,903	-	174,873
<b><i>Credit cards</i></b>					
Balance at beginning of year	70,864	1,247	2,556	-	74,667
Transfers:					
Stage 1 to Stage 2	(1,283)	1,283	-	-	-
Stage 1 to Stage 3	(4,208)	-	4,208	-	-
Stage 2 to Stage 1	144	(144)	-	-	-
Stage 2 to Stage 3	-	(1,053)	1,053	-	-
Stage 3 to Stage 1	68	-	(68)	-	-
Stage 3 to Stage 2	-	64	(64)	-	-
Assets derecognized or repaid	(170,466)	(931)	(779)	-	(172,176)
New assets originated:					
Remained in Stage 1	209,526	-	-	-	209,526
Moved to Stages 2 and 3	-	1,348	2,060	-	3,408
Write-offs	-	-	(4,972)	-	(4,972)
	33,781	567	1,438	-	35,786
Balance at end of year	104,645	1,814	3,994	-	110,453
<b><i>Other receivables</i></b>					
Balance at beginning of year	42,401	344	1,717	-	44,462
Transfers:					
Stage 1 to Stage 2	(620)	620	-	-	-
Stage 1 to Stage 3	(68)	-	68	-	-
Stage 2 to Stage 1	26	(26)	-	-	-
Stage 2 to Stage 3	-	(465)	465	-	-
Stage 3 to Stage 2	-	58	(58)	-	-
Assets derecognized or repaid	(3,964)	(517)	(813)	-	(5,294)
New assets originated:					
Remained in Stage 1	10,166	-	-	-	10,166
Moved to Stages 2 and 3	-	869	647	-	1,516
	5,540	539	309	-	6,388
Balance at end of year	47,941	883	2,026	-	50,850
	709,310	15,203	30,748	-	755,261

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

The amounts of “Transfers to” include the changes in the ECL on the exposures transferred from one stage to another during the year.

The Group’s receivables arising from salary loans are generally fully recoverable as those are collected through salary deductions, except for those receivables from resigned employees which were provided with full ECL allowance.

## b) Investment in debt securities at amortized cost and at FVOCI

(Amounts in PHP)	Group		Parent Company	
	HTC	FVOCI	HTC	FVOCI
<b>2025</b>				
Balance at beginning of year	260,344	154,488	259,419	154,376
Assets purchased	7,807	234,682	757	234,443
Assets derecognized	(14,305)	(287,275)	(7,516)	(287,127)
Fair value gain	-	2,110	-	2,198
Balance at end of year	<b>253,846</b>	<b>104,005</b>	<b>252,660</b>	<b>103,890</b>
<b>2024</b>				
Balance at beginning of year	236,810	78,533	235,835	78,431
Assets purchased	26,208	391,742	24,213	391,718
Assets derecognized	(2,674)	(315,409)	(629)	(315,400)
Fair value loss	-	(378)	-	(373)
Balance at end of year	<b>260,344</b>	<b>154,488</b>	<b>259,419</b>	<b>154,376</b>

## c) Loan Commitments

(Amounts in PHP)	Group and Parent Company			
	Stage 1	Stage 2	Stage 3	Total
<b>2025</b>				
<b>Corporate loans</b>				
Balance at beginning of year	6,999	10	-	7,009
Transfer:				
Stage 1 to Stage 2	(121)	121	-	-
Stage 2 to Stage 3	-	(7)	7	-
Assets derecognized or repaid	(5,358)	(71)	(4)	(5,433)
New assets originated:				
Remained in Stage 1	5,305	-	-	5,305
Moved to Stage 2	-	1	-	1
Balance at end of year	<b>6,825</b>	<b>54</b>	<b>3</b>	<b>6,882</b>
<b>Credit cards</b>				
Balance at beginning of year	30,646	-	-	30,646
New assets originated — Remained in Stage 1	4,979	-	-	4,979
Balance at end of year	<b>35,625</b>	<b>-</b>	<b>-</b>	<b>35,625</b>
	<b>42,450</b>	<b>54</b>	<b>3</b>	<b>42,507</b>

(Amounts in PHP)	Group and Parent Company			
	Stage 1	Stage 2	Stage 3	Total
<b>2024</b>				
<b>Corporate loans</b>				
Balance at beginning of year	8,282	3	-	8,285
Transfer:				
Stage 1 to Stage 2	(5)	5	-	-
Assets derecognized or repaid	(6,417)	-	-	(6,417)
New assets originated:				
Remained in Stage 1	5,139	-	-	5,139
Moved to Stage 2	-	2	-	2
Balance at end of year	<b>6,999</b>	<b>10</b>	<b>-</b>	<b>7,009</b>
<b>Credit cards</b>				
Balance at beginning of year	23,718	-	-	23,718
New assets originated — Remained in Stage 1	6,928	-	-	6,928
Balance at end of year	<b>30,646</b>	<b>-</b>	<b>-</b>	<b>30,646</b>
	<b>37,645</b>	<b>10</b>	<b>-</b>	<b>37,655</b>

## 4.4.10 Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and advances to customers in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2025 and 2024.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31 are presented below and in the succeeding page.

(Amounts in PHP)	Group			
	Stage 1	Stage 2	Stage 3	Total
<b>2025</b>				
Real properties	184,398	13,580	9,107	207,085
Chattel	125,182	5,955	5,931	137,068
Hold-out deposits	9,122	687	55	9,864
Equity securities	8,196	2,649	6,133	16,978
Others	236,350	9,810	10,132	256,292
	<b>563,248</b>	<b>32,681</b>	<b>31,358</b>	<b>627,287</b>

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

(Amounts in PHP)	Group			
	Stage 1	Stage 2	Stage 3	Total
2024				
Real properties	149,001	6,473	10,336	165,810
Chattel	78,222	3,405	5,996	87,623
Hold-out deposits	4,401	7	28	4,436
Equity securities	6,570	270	248	7,088
Others	353,287	1,927	14,647	369,861
	<u>591,481</u>	<u>12,082</u>	<u>31,255</u>	<u>634,818</u>
(Amounts in PHP)	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2025				
Real properties	182,476	13,332	8,540	204,348
Chattel	123,628	5,399	5,243	134,270
Hold-out deposits	9,064	684	39	9,787
Equity securities	8,196	2,649	6,133	16,978
Others	234,165	9,775	9,395	253,335
	<u>557,529</u>	<u>31,839</u>	<u>29,350</u>	<u>618,718</u>
2024				
Real properties	145,607	6,389	9,576	161,572
Chattel	77,029	3,245	4,785	85,059
Hold-out deposits	4,338	5	21	4,364
Equity securities	6,570	270	248	7,088
Others	351,424	1,691	13,795	366,910
	<u>584,968</u>	<u>11,600</u>	<u>28,425</u>	<u>624,993</u>

The Group and the Parent Company have recognized certain properties arising from foreclosures in settlement of loan account amounting to P1,176 and P1,146, respectively, in 2025 and P972 and P891, respectively, in 2024.

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

There were no changes in the Group and the Parent Company's collateral policies in 2025 and 2024, except for the cessation of accepting dacion in payment in 2024 as a result of the Parent Company's change in ownership structure (see Note 1.1).

## 4.4.11 Modifications of Financial Assets

### (a) Financial Reliefs Provided by the Group

In certain cases, the Group modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Group is owed to.

Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary. Restructuring is most commonly applied to term or corporate loans.

The outstanding balance of loans modified under the Bank's restructuring programs in 2025 and 2024 amounted to P23,682 and P22,625, respectively, for the Group, and P20,907 and P21,665, respectively for the Parent Company.

The following tables provide a summary of the outstanding balance of modified loans resulting from the financial reliefs provided by the Group as of December 31:

(Amounts in PHP)	Group		Parent Company	
	2025	2024	2025	2024
<b>Stage 1 (Performing)</b>				
Corporate	1,807	5,696	1,742	5,696
Consumer	2,425	2,956	2,425	2,956
Credit card	3,053	1,169	3,053	1,169
Leasing and finance	28	73	-	-
Microfinance and small business	2	8	-	-
	<u>7,315</u>	<u>9,902</u>	<u>7,220</u>	<u>9,821</u>
<b>Stage 2 (Underperforming)</b>				
Corporate	3,805	4,205	3,793	4,205
Consumer	847	789	847	789
Credit card	318	104	318	104
Leasing and finance	214	5	-	-
Microfinance and small business	4	10	-	-
	<u>5,188</u>	<u>5,113</u>	<u>4,958</u>	<u>5,098</u>
<b>Stage 3 (Nonperforming)</b>				
Corporate	8,114	4,930	7,199	4,930
Consumer	1,530	1,816	1,530	1,816
Leasing and finance	1,451	777	-	-
Microfinance and small business	84	87	-	-
	<u>11,179</u>	<u>7,610</u>	<u>8,729</u>	<u>6,746</u>

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

## (b) Assessment of SICR

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the performance of the financial asset subsequent to its modification.

The Group may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 3 or Stage 2.

The Group continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets.

## 4.4.12 Write-offs

The Group and the Parent Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset.

Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Group and Parent Company's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Group and Parent Company may write off financial assets that are still subject to enforcement activity. The outstanding amounts of such assets written off in 2025 and 2024 amounted to P10,205 and P5,104 respectively, for the Group, and P9,865 and P5,080, respectively, for the Parent Company. The Group and the Parent Company still seek to recover amounts legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

## 4.4.13 Credit Risk Stress Test

To enhance the assessment of credit risk, the Group adopted a credit risk stress testing framework using break-even sales and cash flow debt service to determine a borrower's vulnerability and ultimately impact to the Group's capital adequacy. The Parent Company adopted a portfolio credit risk testing framework that takes into consideration the causal relationships among industry sectors.

## 4.4.14 Analysis on ECL Measurement

Set out below and in the succeeding pages are the changes to the Group's ECL as of December 31, 2025 and 2024 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions:

(Amounts in PHP)	Change in MEVs		Impact on ECL	
	Upside Scenario	Downside Scenario	Upside Scenario	Downside Scenario
<b>2025</b>				
Credit card receivables			(6,249)	7,343
GDP	+ 0.50%	- 6.00%		
CPI	- 0.64	+ 6.38		
Unemployment rate	- 2.00%	+ 9.00%		
Corporate loans			(83)	8
Consumer Price Index	- 0.50%	+ 5.00%		
91D TD bill	- 0.50%	- 5.00%		
Consumer loans:				
Salary loans			(493)	540
Unemployment rate	- 2.00%	+ 9.00%		
USD-Php exchange rate	+ 3.00	- 10.50		
Inflation rate	- 0.50%	+ 5.00%		
Bank lending rate	- 5.70%	+ 11.20%		
Housing loans			(19)	103
GDP	+ 0.50%	- 6.00%		
CPI	- 0.64	+ 6.38		
Unemployment rate	- 2.00%	+ 9.00%		
Auto loans			(24)	464
GDP	+ 0.50%	- 6.00%		
CPI	- 0.64	+ 6.38		
Unemployment rate	- 2.00%	+ 9.00%		
Personal loans			(819)	903
GDP	+ 0.50%	- 1.00%		
CPI	- 0.64	+ 135.57		
Unemployment rate	- 2.00%	+ 9.00%		
<b>2024</b>				
Credit card receivables			(5,498)	6,334
GDP	+ 7.00%	- 0.50%		
CPI	- 131.3	+ 138.36		
Unemployment rate	- 1.00%	+ 12.00%		
Corporate loans			(310)	101
Inflation rate	- 0.50%	+ 5.00%		
91D TD bill	- 0.50%	+ 5.00%		
Consumer loans:				
Salary loans			(319)	786
Unemployment rate	- 1.00%	+ 12.00%		
USD-Php exchange rate	- 55.50	+ 69.00		
Inflation rate	- 2.20%	+ 7.70%		
Bank lending rate	- 5.65%	+ 11.15%		
Housing loans			(14)	78
GDP	+ 7.00%	- 0.50%		
CPI	- 131.3	+ 138.36		
Unemployment rate	- 3.00%	+ 8.00%		

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

(Amounts in PHP)	Change in MEVs		Impact on ECL	
	Upside Scenario	Downside Scenario	Upside Scenario	Downside Scenario
<i>Auto loans</i>			(14)	251
GDP	+ 7.00%	- 0.50%		
CPI	- 131.3	+ 138.36		
Unemployment rate	- 3.00%	+ 8.00%		
<i>Personal loans</i>			(442)	665
GDP	+ 7.00%	- 0.50%		
CPI	- 131.3	+ 138.36		
Unemployment rate	- 1.00%	+ 12.00%		

## 4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss. Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The Operational Risk Management Division (ORMD) assists management in meeting its responsibility to understand and manage operational risk exposures and to ensure consistent application of operational risk management tools across the Group.

The ORMD applies a number of techniques to efficiently manage operational risks. Among these are as follows:

- Each major business line has an embedded designated Deputy Operational Risk Officer (DORO) who acts as a point person for the implementation of various operational risk tools. The DOROs attend quarterly DORO forums conducted by the ORMD to keep them up-to-date with different operational risk issues, challenges and initiatives;
- With ORMD's bottom up Risk Control Self-Assessment (RCSA) process, which is conducted at least annually, material operational processes and controls are assessed and examined to the Bank's overall risks and controls. The result of said self-assessment exercise also serves as one of the inputs in identifying specific key risk indicators (KRIs) and Control Sample Tests (CSTs);
- KRIs are used to monitor the operational risk profile of the Group and of each business unit, and alert management of impending problems in a timely fashion;
- CSTs is for the business units to self-assure against key process controls, effective implementation and execution of controls in its day-to-day activities. CSTs are conducted periodically to detect control failures and address any process weaknesses in a timely manner before control failures can be systemic.
- Internal loss information is collected, reported, and utilized to model operational risk; and,

- The ORMD, as part of the clearing house, reviews product and operating manuals, policies, procedures and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

Operational Risk Management, as it relates to capital adequacy, is currently under Basic Indicator Approach (see Note 5.2).

The Group has an institutional Business Continuity Plan (BCP) based on several crisis severity levels which is tested at least annually and updated for any major changes in systems and procedures. Central to the Group's BCP is a disaster recovery plan to address the continued functioning of systems, recovery of critical data, and contingency processing requirements in the event of a disaster.

### 4.5.1 Reputation Risk

Reputation risk is the risk to earnings, capital and liquidity arising from negative public opinion. This affects the Group's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Group to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels, or processes may generate adverse public opinion such that it seriously affects the Group's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The RCBC Group has very low tolerance for engaging in any business activity where foreseeable reputational risk or damage has not been considered and/or mitigated. The Group shall protect its reputation to ensure that there is no material damage to the Group.

The management of reputational risk in the Bank is guided by its Reputational Risk Management Framework in accordance with BSP Circular 1114. The Bank's Reputational Risk Management Framework (RRMF) is in place in order to have an enterprise-wide approach and scope of implementation, beyond the assessment of reputational risk that is focused on customer complaints. While growth is projected to emanate from various drivers, the Bank recognizes that potential failure in the same ushers in a potential damage to reputation.

### 4.5.2 Legal Risk and Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Group's operations and financial reporting. In addition, the Group faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Group uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions. In addition, the Group seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

Regulatory risk refers to the potential for the Group to suffer financial loss due to mid-stream changes in regulatory regime affecting current position and/or strategy. Compliance Risk is the risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities.

The Group's Compliance Program, the design and implementation of which is overseen and coordinated by the Chief Compliance Officer (CCO), is the primary control process for regulatory and compliance risk issues. The CCO is committed to safeguard the integrity of the Group by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing and, and reporting compliance findings to the ACC and the BOD.

## 4.6 Anti-Money Laundering Controls

The AMLA or RA No. 9160 was passed in September 2001. It was subsequently amended by RA No. 9194, RA No. 10167, and RA No. 10365, R.A.11521 in March 2003, June 2012 and February 2021, respectively. Together with the Terrorism Financing Prevention and Suppression Act (TFPSA) which was passed in June 2012 by virtue of RA No. 10168, and Anti-Terrorism Act of 2020 or R.A. 11479 these laws provide the regulatory framework for the Philippine Anti-Money Laundering and Terrorist Financing Prevention regulations. The Anti-Money Laundering Council is the financial intelligence unit tasked to implement AMLA, as amended. It is also the government agency that issues implementing guidelines to the AMLA and the TFPSA.

RCBC, as a BSP-supervised covered person, is subject to the Anti-Money Laundering and Combatting the Financing of Terrorism Regulations under Part Nine of the MORB. Recent amendments to the said regulations were covered by BSP Circular Nos. 950 and 1022.

RCBC's Anti-Money Laundering and Terrorism Financing Prevention Program (MTPP) is aligned with the foregoing laws, rules, and regulations, and follows a risk-based approach in identifying, assessing, and mitigating money laundering, terrorist financing, and proliferation financing risks. It includes the policies, procedures, and controls that are designed to prevent, detect, and deter money laundering and terrorist financing, proliferation financing, and other financial crimes.

Some of these controls include the following:

- Delineation of the sales and the service functions of the first line of defense. The Sales function is focused on marketing and sales, relationship management, cross-selling, credit-related matters and documentation, and loan-related referrals and documentation; while the Service function is focused on BC operations such as: (a) customer servicing, which includes know your customer (KYC) and account opening, account maintenance and tellering, cash and vault management and ATM servicing, (b) BC administration, (c) customer experience management such as inquiries, feedback, and problem resolution, and (d) compliance and audit.

- The Group also created middle offices under the Branch Operations and Control Segment, comprised of Middle Office Support Division (MOSD) and Branch Control Division (BCD), tasked to review and validate KYC documents. The MOSD ensures the uniqueness of Customer Information Files and accuracy of information captured in the Customer Relationship Management(CRM). It also reviews the completeness of account opening documents. The BCD, on the other hand, ensures the proper implementation of KYC, the performance of independent enhanced due diligence based on customer risk profile, and monitoring adherence of BCs to standard operating procedures. It also acts as the additional control layer to track exceptions and decides on dispositions, recommends sanctions or additional trainings for BCs, and recommends process improvements. The key processes of the BCD are KYC, exceptions reporting, and quality assurance.
- Use of technology in automating compliance activities such as client risk profiling, watch list and sanctions screening, transaction monitoring, and regulatory reporting. The Bank has also initiated the use of proactive compliance analytics and investigation to gain more actionable insights and typologies. As recent updates, the Bank has enhanced its sanctions policy to ensure the prohibition of dealing with "designated" individuals or entities. It has updated its policy regulating the onboarding and monitoring of transactions with Designated-Non Financial Businesses and Professions (DNFBPs) customers.

For the controls to remain effective, the RCBC Group assesses its key exposures to ML (money laundering)/TF (terrorist financing)/PF (proliferation financing) risks by performing an Institutional ML/TF/PF Risk Assessment (IRA) focusing on evaluating the inherent ML/TF/PF risks presented by the Bank's business activities and the controls in place to mitigate the inherent ML/TF/PF risks so as to determine the overall residual risks. The institutional risk assessment is conducted at least once every two (2) years, or as often as the Board or senior management may direct, depending on the level of risks identified in the previous risk assessment, or other relevant AML/Counteracting Financing of Terrorism developments that may have an impact on the covered person's operations.

## 4.7 Impact of Recent Political and Governance Issues in the Philippines

During 2025, heightened public scrutiny and regulatory actions related to governance and public-sector infrastructure projects in the Philippines led to increased enforcement activity under existing laws on anti-money laundering, fraud, and related financial crimes. These developments resulted in lawful directives affecting certain financial accounts within the banking system and increased regulatory focus on the potential impact of governance-related risks on financial institutions and their counterparties.

The Group considered these developments in the application of significant judgments and estimates, particularly in the assessment of credit risk and the measurement of expected credit losses (ECL) under PFRS 9. The Group's ECL models incorporate forward-looking information, including macroeconomic conditions and sector-specific risks. In 2025, management updated scenario assumptions and applied targeted sector overlays to reflect potential cash-flow disruptions, payment delays, or heightened credit risk among counterparties in certain sectors, including segments of the construction and infrastructure supply chain that may be sensitive to government-related developments.

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 AND 2023 (AMOUNTS IN MILLIONS OF PHILIPPINE PESOS, EXCEPT SHARE AND PER SHARE DATA OR AS INDICATED)

These updates did not result in changes to the Group's staging criteria but informed refinements to PD and LGD assumptions for affected portfolios and the application of overlays for selected exposures.

Separately, the Group continued to enhance its operational readiness to comply with evolving regulatory requirements related to financial crime prevention, including procedures for responding to lawful orders, temporary account restrictions, and regulatory reporting obligations. These measures did not have a material impact on the Group's financial position as of the reporting date.

## 5. CAPITAL MANAGEMENT

### 5.1 Regulatory Capital

The Group's lead regulator, the BSP, sets and monitors the capital requirements of the Group.

In implementing the current capital requirements, the BSP requires the Group to maintain a prescribed ratio of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk computed based on BSP-prescribed formula provided under its circulars.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. Circular No. 781 is effective on January 1, 2014.

The BSP has adopted the Basel III risk-based capital adequacy framework effective January 1, 2014, which requires the Group to maintain at all times the following:

- (a) Common Equity Tier 1 (CET1) of at least 6.0% of risk-weighted assets;
- (b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
- (c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets; and,
- (d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET1 Capital.

Under the relevant provisions of the current BSP regulations, the required minimum capitalization for the Parent Company, RCBC Microbank, RCBC Capital and RCBC LFC is P20,000, P400, P300 and P300, respectively.

In computing for the capital adequacy ratio (CAR), the regulatory qualifying capital is analyzed into two tiers which are: (i) Tier 1 Capital comprised of CET1 and Additional Tier 1 (AT1) capital, and, (ii) Tier 2 Capital, defined as follows and are subject to deductions as defined in relevant regulations:

(a) CET1 Capital includes the following:

- (i) paid-up common stock;
- (ii) common stock dividends distributable;
- (iii) additional paid-in capital;
- (iv) deposit for common stock subscription;
- (v) retained earnings;
- (vi) undivided profits;
- (vii) other comprehensive income from net unrealized gains or losses on financial assets at FVOCI and cumulative foreign currency translation; and,
- (viii) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(b) AT1 Capital includes:

- (i) instruments that do not qualify as CET1, but meet the criteria set out in Annex B of BSP Circular No. 781;
- (ii) financial liabilities meeting loss absorbency requirements set out in Annex E of BSP Circular No. 781;
- (iii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular No. 781;
- (iv) additional paid-in capital resulting from issuance of AT1 capital;
- (v) deposit for subscription to AT1 instruments; and,
- (vi) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(c) Tier 2 Capital includes:

- (i) instruments issued that are not qualified as Tier 1 capital but meet the criteria set forth in Annex C of BSP Circular No. 781;
- (ii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular No. 781;
- (iii) deposit for subscription of Tier 2 capital;
- (iv) appraisal increment reserve on bank premises, as authorized by the Monetary Board (MB) of the BSP;
- (v) general loan loss provisions; and,
- (vi) minority interest in subsidiary banks that are less than wholly-owned, subject to regulatory conditions.

In the calculation of Risk-based CAR, the total Qualifying Capital is expressed as a percentage of Total Risk-Weighted Assets based on book exposures, where Risk Weighted Assets is composed of Credit Risk, Market Risk and Operational Risk, net of specific provisions and exposures covered by CRM.

Banking book exposures shall be risk-weighted based on third party credit assessment of the individual exposure given by eligible external credit institutions and the corresponding external credit assessment are mapped with the corresponding risk weights following the Standardized Credit Risk Weights table as provided under BSP Circular No. 538, *Revised Risk-Based Capital Adequacy Framework*.



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