Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

OVERSEAS FILIPINO BANK, INC.
(A Digital Bank of Land Bank of the Philippines)

For the Years ended December 31, 2025 and 2024

EXECUTIVE SUMMARY

INTRODUCTION

Overseas Filipino Bank, Inc. (OFB or the Bank), A Savings Bank of LANDBANK, formerly known as Philippine Postal Savings Bank, Inc. (PPSBI) is a subsidiary of the Land Bank of the Philippines (LBP or the Parent Bank or LANDBANK). On September 26, 2017, President Rodrigo Duterte issued Executive Order (EO) No. 44, which mandates the Philippine Postal Corporation and the Bureau of Treasury to transfer their PPSBI shares to LANDBANK at zero value. The EO further stated that PPSBI will be converted into the Overseas Filipino Bank.

On January 5, 2018, the PPSBI registered with the Securities and Exchange Commission the Amended Articles of Incorporation bearing the new corporate name. The Bangko Sentral ng Pilipinas (BSP) through its Circular Letter No. CL-2018-007 dated January 18, 2018 approved the change of corporate name of the PPSBI to "Overseas Filipino Bank, Inc., a Savings Bank of LANDBANK".

The Monetary Board of the BSP, in its Resolution No. 358 dated March 25, 2021, approved the application of the Bank to convert its banking license from a thrift bank to a digital bank license, subject to the fulfillment of certain conditions.

As stated in its Vision/Mission, OFB is the first digital bank in the country and the official digital bank of the Philippine government committed to provide convenient, reliable and secure banking solutions responsive to the needs of the global Filipinos, focused on developing long-term relationship with customers and other stakeholders through strategic alliances and partnerships. By 2024, OFB shall be the country's leading OFW-centric Branchless Digital Bank committed to provide competitive and innovative products and services through convenient, reliable and secure banking platforms.

As of December 31, 2025, the Bank has 12 organic employees, nine seconded employees from the Parent Bank and 13 contractual employees. Its principal place of business is at Liwasang Bonifacio, Intramuros, Manila.

SCOPE OF AUDIT

Our audit covered the examination, on a test basis, of OFB transactions and accounts for the period January 1 to December 31, 2025, in accordance with the International Standards of Supreme Audit Institutions, to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2025 and 2024. Also, the audit aimed to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

Particulars	2025	2024 As Restated	Increase
Assets	5,562,618,838	4,981,838,438	580,780,400
Liabilities	4,082,626,682	3,614,440,532	468,186,150
Equity	1,479,992,156	1,367,397,906	112,594,250

II. Comparative Results of Operations

Particulars	2025	2024 As Restated	Increase/ (Decrease)
Income	321,054,408	303,354,947	17,699,461
Personnel services	11,668,649	10,292,334	1,376,315
Maintenance and other operating expenses	122,256,091	105,618,164	16,637,927
Financial expenses	75,418,791	101,431,368	(26,012,577)
Total expenses	209,343,531	217,341,866	(7,998,335)
Net income before tax	111,710,877	86,013,081	25,697,796
Income Tax Expense	0	0	0
Net income after tax	111,710,877	86,013,081	25,697,796
Other comprehensive income	883,373	2,409,876	(1,526,503)
Total comprehensive income	112,594,250	88,422,957	24,171,293

III. Comparative Budget and Actual Expenditures

	2025		2024	
	Approved Budget	Expenditures	Approved Budget	Expenditures
Personnel services	12,530,000	11,668,649	11,500,000	10,292,334
Maintenance & other operating expenses	127,310,000	122,256,091	180,470,000	105,618,164
Financial expenses	75,420,000	75,418,791	103,800,000	101,431,368
Capital outlay	36,051,584	4,299,154	73,110,000	0
Total	251,311,584	213,642,685	368,880,000	217,341,866

AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the OFB financial statements for the years ended December 31, 2025 and 2024.

SIGNIFICANT AUDIT OBSERVATION AND RECOMMENDATION

The GAD Plan and Budget (GPB) for CY 2025 of OFB was not endorsed by the Philippine Commission for Women (PCW), and the total GAD Expenditures amounted to only six per cent of the allocated GAD Budget due to the partial implementation or non-implementation of several planned activities, contrary to PCW-NEDA-DBM Joint Circular No. 2012-01 and PCW Memorandum Circular 2024-03.

We recommended and Management agreed that in the preparation of the succeeding GPB, the Administrative Services Unit, to:

a. Strictly comply with the prescribed timelines and proper procedures for the preparation and submission of the GPB in accordance with PCW-NEDA-DBM JC No. 2012-01 and other relevant PCW issuances;

b. Formulate GAD activities that are practical, achievable and based on realistic targets; and

c. Strengthen the implementation of GAD programs, projects, and activities to maximize the utilization of the GAD Budget and attain the mandated five per cent allocation for gender and development initiatives.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

Total disallowances amounted to P13.181 million as at December 31, 2025. There were no outstanding audit suspensions and charges as at year end.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

All six audit recommendations embodied in the CY 2024 Annual Audit Report were implemented.

TABLE OF CONTENTS

PART I

AUDITED FINANCIAL STATEMENTS

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Overseas Filipino Bank, Inc.
Liwasang Bonifacio, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Overseas Filipino Bank, Inc. (OFB), a wholly owned subsidiary of Land Bank of the Philippines, which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the OFB in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee than an audit conducted in accordance with ISSAIs 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 ISSAIs, we exercise professional judgement 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 OFB's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimate 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 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 auditor's 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 auditor's report. However, future events or conditions may cause the OFB to cease to continue as a going concern.

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

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

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 25, and BSP Circular No. 1074 in Note 29 to the 2025 financial statements is presented for purposes of filing with the Bureau of Internal Revenue, and the BSP, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

MARIE FRANCES HAZEL S. ACEBEDO
Supervising Auditor

June 2, 2026

Overseas FilipinoBank
A Digital Bank of LANDBANK

BAGONG PILIPINAS

June 2, 2026

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of OVERSEAS FILIPINO BANK, INC., A Digital Bank of LANDBANK (OFBI), formerly PHILIPPINE POSTAL SAVINGS BANK, INC. (PPSBI), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2025 and 2024, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls as management determines 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 OFB'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 OFB or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing OFB's financial reporting processes.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein and submits the same to the Stockholders, regulators, creditors and other users.

The Commission on Audit (COA), has audited the financial statements of OFB in accordance with International Standards of Supreme Audit Institutions (ISSAI), and in its report to the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such audit.

MA. LYNETTE V. ORTIZ
Chairman of the Board

LEILA C. MARTIN
President and Chief Executive Officer

PATRIA P. MADRIO
Head, Financial Management Unit

OVERSEAS FILIPINO BANK, INC.
(A DIGITAL BANK OF LANDBANK)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024
(In Philippine Peso)

	NOTE	2025	2024 As Restated
ASSETS			
Cash and Cash Equivalents	6	1,262,468,880	1,194,475,473
Fair value thru other comprehensive income	10	297,309,514	286,373,897
Held to Maturity Financial Assets, net	11	2,170,902,991	1,515,235,697
Loans and Receivables, net	12	1,414,231,555	1,694,620,079
Property and Equipment, net	13	145,975,897	146,163,765
Other Intangible Assets, net	14	16,813,235	18,168,981
Other Assets, net	15	254,916,766	126,800,546
TOTAL ASSETS		**5,562,618,838**	**4,981,838,438**
LIABILITIES AND EQUITY			
Liabilities			
Deposit Liabilities	16	3,763,489,247	3,423,934,429
Accrued Expenses	17	123,107,766	104,667,862
Other liabilities	18	196,029,669	85,838,241
Total Liabilities		**4,082,626,682**	**3,614,440,532**
Equity			
Capital Stock	19	2,680,000,000	2,680,000,000
Retained Earnings (Deficit)	20	(1,202,031,081)	(1,313,741,958)
Other Comprehensive Income (Loss)	21	2,023,237	1,139,864
Total Equity		**1,479,992,156**	**1,367,397,906**
TOTAL LIABILITIES AND EQUITY		**5,562,618,838**	**4,981,838,438**

The notes on pages 9 to 38 form part of these statements.

OVERSEAS FILIPINO BANK, INC.
(A DIGITAL BANK OF LANDBANK)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Philippine Peso)

	NOTE	2025	2024 As Restated
INTEREST INCOME			
Loans & discounts		140,716,444	144,683,915
Investments		104,181,033	76,943,861
Loans and receivables arising from RA/CA/PR/SLB		5,345,745	5,206,440
Due from Bangko Sentral ng Pilipinas		38,621,923	42,231,862
Deposits with banks		79,910	63,015
		288,945,055	269,129,093
INTEREST EXPENSE			
Deposit liabilities		75,418,791	101,431,368
NET INTEREST INCOME		213,526,264	167,697,725
Provision for credit losses	12	0	3,800,000
NET INTEREST INCOME AFTER PROVISION FOR LOSSES		213,526,264	163,897,725
OTHER OPERATING INCOME			
Fees and commission		31,260,162	30,490,424
Foreign exchange gains from revaluation		256	17
Miscellaneous income	22	848,935	3,735,413
		32,109,353	34,225,854
OTHER OPERATING EXPENSES			
Compensation and fringe benefits	23a	11,668,649	10,292,334
Depreciation and amortization	23b	7,609,261	7,646,437
Taxes and licenses	25b	12,035,881	10,783,831
Miscellaneous expenses	24	102,610,949	83,387,896
		133,924,740	112,110,498
NET INCOME FOR THE PERIOD		111,710,877	86,013,081
INCOME TAX EXPENSE	25	0	0
NET INCOME AFTER TAX		**111,710,877**	**86,013,081**
OTHER COMPREHENSIVE GAIN		883,373	2,409,876
TOTAL COMPREHENSIVE INCOME		**112,594,250**	**88,422,957**

The notes on pages 9 to 38 form part of these statements.

OVERSEAS FILIPINO BANK, INC.
(A DIGITAL BANK OF LANDBANK)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Philippine Peso)

	Capital Stock Note 19	Other Comprehensive Income (Loss) Note 21	Retained Earnings (Deficit) Note 20	Total Equity
Balance as of December 31, 2023	**2,680,000,000**	**(1,270,012)**	**(1,400,670,077)**	**1,278,059,911**
Prior period adjustment			915,038	915,038
Balance as of December 31, 2023, as restated	**2,680,000,000**	**(1,270,012)**	**(1,399,755,039)**	**1,278,974,949**
Unrealized gain on available for sale financial assets		2,409,876		2,409,876
Net Income for CY 2024, as restated			86,013,081	86,013,081
Balance as of December 31, 2024, as restated	**2,680,000,000**	**1,139,864**	**(1,313,741,958)**	**1,367,397,906**
Unrealized gain on available for sale financial assets		883,373		883,373
Net Income for CY 2025			111,710,877	111,710,877
Balance as of December 31, 2025	**2,680,000,000**	**2,023,237**	**(1,202,031,081)**	**1,479,992,156**

The notes on pages 9 to 38 form part of these statements.

OVERSEAS FILIPINO BANK, INC.
(A DIGITAL BANK OF LANDBANK)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Philippine Peso)

	Note	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		279,643,132	265,960,734
Interest paid		(77,695,388)	(141,867,132)
Fees and Commissions		31,259,827	30,490,424
Miscellaneous Income	22	848,935	3,735,413
General and Administrative Expenses		(108,362,519)	(96,782,511)
Operating income before changes in operating assets and liabilities		125,693,987	61,536,928
Changes in operating assets and liabilities			
(Increase) / Decrease in operating assets			
Loans and Receivables		280,388,524	47,840,870
Other Resources		(116,027,270)	35,173,171
Increase / (Decrease) in operating liabilities:			
Deposit Liabilities		339,554,818	170,389,201
Other Liabilities		110,168,278	7,868,922
Net Cash Provided by Operating Activities		739,778,337	322,809,092
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible asset, property and equipment (net)	13 & 14	(6,065,648)	0
Investments in Bonds		(655,667,293)	(101,672,016)
Placement in investment management account		(10,103,471)	(132,009,292)
Net Cash Used in Investing activities		(671,836,412)	(233,681,308)
Effects of Exchange Rate changes on Cash & Cash Equivalents		51,482	133,176
NET INCREASE IN CASH AND CASH EQUIVALENTS		67,993,407	89,260,960
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,194,475,473	1,105,214,513
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	1,262,468,880	1,194,475,473

The notes on pages 9 to 38 form part of these statements.

OVERSEAS FILIPINO BANK, INC.
(A Digital Bank of LANDBANK)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024
(All amounts in Philippine Peso unless otherwise stated)

1. Corporate Information

Overseas Filipino Bank, Inc., a Digital Bank of LANDBANK (OFB or the Bank) formerly known as Philippine Postal Savings Bank, Inc. (PPSBI) is a subsidiary of the Land Bank of the Philippines (the Parent Bank or LANDBANK) acquired by the latter at zero value as stated on Executive Order (EO) No. 44 dated September 26, 2017.

The PPSBI is a subsidiary of the Philippine Postal Corporation (PPC) re-established and re-opened by virtue of PPC Board Resolution No. 94-34 dated February 24, 1994 in fulfillment of the intents and purposes of Republic Act (RA) No. 7354, otherwise known as Postal Services Act of 1992, which was enacted by the Congress on April 03, 1992. The re-establishment of PPSBI was finally approved under the Bangko Sentral ng Pilipinas (BSP) Board Resolution No. 267 dated March 18, 1994. The PPSBI was incorporated on June 22, 1994 and started operations as a savings and mortgage bank on July 21, 1994. The PPSBI was mandated to mobilize savings and promote entrepreneurship to widen economic opportunities and to provide the Filipino people with a full range of professional banking and financial resources accessible in all areas of the country, and shall promote the values of thrift, industry and prudence especially in the youth.

In December 2016, the National Government directed the LANDBANK to initiate the acquisition of PPSBI as its subsidiary, with the plan of eventually converting it to a bank for Overseas Filipino Workers. On September 26, 2017, President Rodrigo Duterte issued EO No. 44, which mandates the PPC and the Bureau of Treasury (BTr) to transfer their PPSBI shares to LANDBANK at zero value.

PPSBI registered with the Securities and Exchange Commission the Amended Articles of Incorporation bearing the new corporate name on January 05, 2018. The BSP through its Circular Letter no. CL-2018-007 dated January 18, 2018, approved the change of corporate name of the PPSBI to "Overseas Filipino Bank, Inc., a Savings Bank of LANDBANK". On March 2018, the BTr and PPC transferred and conveyed to LANDBANK the 3,802,428 and 2,999,998 common shares respectively at P100 per share.

The Monetary Board of the BSP, in its Resolution No. 358 dated March 25, 2021, approved the application of the Bank to convert its banking license from a thrift bank to a digital bank license, subject to the fulfillment of certain conditions. As stated in its Vision/Mission: "OFB is the first digital bank in the country and the official digital bank of the Philippine government committed to provide convenient, reliable and secure banking solutions responsive to the needs of the global Filipinos, focused on developing long-term relationship with customers and other stakeholders through strategic alliances and partnerships."

As of December 31, 2025, the Bank has 12 organic employees, nine seconded employees from the Parent Bank and 13 contractual employees. Its principal place of business is at Liwasang Bonifacio, Intramuros, Manila.

2. Statement of Compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards/Philippine Accounting Standards (PAS)

The financial statements of the Bank have been prepared in accordance with PFRS Accounting Standards/PAS.

The accompanying comparative financial statements were authorized for issue by the Board of Directors per Secretary's Certificate issued on June 2, 2026.

3. Summary of Material Accounting Policies

3.1 Basis of Financial Statements Preparation

The financial statements were prepared on historical cost basis unless otherwise stated.

Fair Value through Other Comprehensive Income (FVOCI) are measured at fair value while Loans and Receivables are measured at amortized cost. Held to Maturity Financial Assets are carried at cost less/add premium/discount amortizations. Discount amortization uses the effective interest rate method.

The accompanying financial statements include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The financial statements prepared for these units are combined after eliminating inter-unit accounts. The functional currency of RBU and FCDU is Philippine Peso and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated assets and liabilities in the RBU are translated in Philippine Peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the end the year.

The preparation of financial statement requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies.

The accounting policies adopted are consistent with those of the previous year.

The financial statements are presented in Philippine Peso and all values are rounded to the nearest peso except when otherwise indicated.

3.2 New and Amended Standards

Adoption of New and Amended PAS/PFRS Accounting Standards

The following new and amended standards which are mandatorily effective for annual periods beginning on or after January 1, 2025.

a. Amendments to PAS 21- Lack of Exchangeability. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency of a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency. (with normal administrative delay) and the transaction would take place through a market or exchange mechanisms that creates enforceable rights and obligations.

The adoption of these amendments have no impact in the amounts and disclosures reported in the financial statements of the Bank.

Standards Issued but not yet Effective

Below consists of new and amended standards issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt these standards when they become effective. Except as otherwise indicated, the Bank does not expect the adoption of these new and amended standards to have significant impact on its financial statements.

b. PFRS 18 Presentation and Disclosures in Financial Statements. This includes requirements for all entities applying PFRS for the presentation and disclosure of information in financial statements. Replaces PAS 1 Presentation of Financial Statements. Major changes in the requirements includes a more structured statement of profit or loss, requires some "non-GAAP" measures to be reported in the Financial Statements, greater disaggregation of information and other changes applicable to the primary financial statements. Applicable to annual reporting period beginning on or after January 1, 2027.

c. Amendments to PFRS 9 and PFRS 7 Amendments to the Classification and Measurement of Financial Instruments. Settlement of liabilities through electronic payment systems. The amendment to PFRS 9 clarifies when a financial asset or a financial liability is recognized and derecognized. Under the amendments, a company generally derecognizes its trade payable on the settlement date. Normally this is the date on which payment is completed. The amendment also provide an optional exception, with certain criteria. Effective for annual reporting periods beginning on or after January 1, 2026.

d. Amendment to PFRS 9 and PFRS 7 – Contracts Referencing Nature-dependent Electricity. The amendments enable nature-dependent electricity contracts, which are sometimes referred to as renewable power purchase agreements (PPAs), to be better reflected in the financial statements. The amendments clarify the application of the own use exemption to these contracts, amend the hedge accounting requirements to allow contracts for electricity from nature-dependent renewable energy sources to be used as a hedging instrument if certain conditions are met and introduce additional disclosure requirements to enable investors to understand the impact of these contracts on a company's financial performance and future cash flow.

3.3 Foreign currency translation

Foreign currency transactions are accounted for and revalued monthly using the month-end closing rate published by the Banker's Association of the Philippines. Foreign exchange differences arising from the revaluation are charged to operations.

3.4 Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair value of the financial instruments include the following:

Cash and cash equivalents and short-term investments – Carrying amounts that approximate fair values due to the relatively short-term maturity of these instruments.

Debt securities – Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using either value obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments.

Other financial assets and financial liabilities – Since quoted market prices are not readily available, they are reported at cost.

3.5 Financial assets and liabilities

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Deposits, amounts due to banks and customers and loans are recognized when cash is received or released to the borrowers.

Initial recognition and classification

The Bank's financial instruments, including investment securities and loans and receivables, are initially recognized at fair value. Except for financial assets and financial liabilities valued at Fair Value through Profit or Loss (FVTPL). The initial measurement of financial instruments includes transaction costs. The Bank generally classifies it financial assets in the following measurement categories as: (1) financial assets at FVTPL, (2) financial assets at Fair Value through Other Comprehensive Income (FVOCI) and (3) financial assets at amortized cost.

The Bank classifies its financial assets under the following categories:

a. Financial assets at FVOCI

These investments are measured at FVOCI that meets the following conditions:

i. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b. Financial assets at FVTPL

This refers to the debt and equity securities held for trading that are measured at FVTPL that the company may, at initial recognition, irrevocably designate as such to eliminate or significantly reduce a measurement or recognition inconsistency. The financial assets are:

i. acquired principally for the purpose of selling or repurchasing them in the near term; or
ii. part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

c. Financial assets at amortized cost

The financial asset shall be measured at amortized cost if the following conditions are met:

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

These includes loans and receivables, due from BSP, due from other banks, and securities under agreement to resell.

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The financial liabilities are classified as financial liabilities at FVTPL and financial liabilities at amortized cost.

Determination of fair value

The fair value of financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotation. In the absence of an available current bid or asking prices, the price of the most recent transaction is used because it provides evidence of the current fair value as long as there has been no significant change in the economic circumstances since the time of the transaction. For other financial instruments not listed in an active market, the Bank determines fair value using relevant valuation models.

3.6 Impairment of Assets

The Bank determines at each reporting date if there is objective evidence that assets may be impaired.

Financial assets at FVOCI

The Bank opted to apply the impairment requirements for the recognition and measurement of loss allowance for FVOCI investments. The said allowance is to be recognized in other comprehensive income and will not reduce the carrying amount of the financial asset in the statement of financial position.

Financial assets at amortized cost

The Bank calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. Because every loan and receivable carries with it some risk of default, every such asset has an expected loss attached to it – from the moment of its origination or acquisition.

The Bank recognizes in profit or loss, as impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with PFRS 9.

Uncollectible loans are written off against the related allowance account for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of loss has been determined. Subsequent recoveries of amounts previously written off are recognized as deductions to provisions in the statement of comprehensive income.

The Bank measures expected credit losses of a financial instrument that reflects:

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

The maximum period considered when measuring expected credit losses is the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

Property and Equipment and Other Assets

Where an indicator of impairment exists, the Bank makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of its fair market value less cost to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. The impairment loss on non-revalued asset is recognized in the profit or loss and an allowance account is set up to reduce the carrying amount of the asset.

3.7 Property and Equipment

Property and equipment including leasehold improvements are stated at cost less accumulated depreciation and amortization and any impairment in value. Depreciation is computed based on a straight-line method net of five per cent residual value of acquisition cost over the estimated useful lives of the related assets as follows:

	Number of Years
Building	10 – 20
Furniture, fixtures and equipment	5 -10
Leasehold improvements	5 (maximum)
Transportation equipment	5

Impairment is only recognized when there is substantial evidence of the decline in the value of the property and equipment.

The cost of leasehold improvements is amortized over the term of the lease or the estimated useful life of the improvements not exceeding five years whichever is shorter. Minor expenditures for replacement, maintenance and repairs are expensed as incurred. Major renovations and improvements that will extend the life of the asset are capitalized.

Properties that are no longer needed or uneconomical to maintain are disposed of in accordance with the existing guidelines on disposal. The cost and the related accumulated depreciation and amortization of the disposed assets are derecognized in the books and any resulting gain or loss is credited or charged to current operations.

3.8 Intangible Assets

Intangible assets represent costs of software licenses and cost incurred directly in the development and maintenance. These are measured at cost and amortized based on a straight-line method with an expected maximum useful life of 10 years. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Cost that are directly associated with the production of identifiable and unique software products controlled by the Bank and that will probably generate economic benefits exceeding costs, beyond one year, are recognized as intangible assets. Direct costs include software licenses, software development, employee costs and the related overheads.

This account includes digital license fees to be amortized within the remaining life of the corporation.

3.9 Leases

The leases entered into by the Bank are primarily operating leases. The payments made under operating leases are recognized as an expense on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

3.10 Recognition of Income and Accounting for Expenses

Interest, other income and expenses are recognized on accrual basis, except for those loan accounts, which are adversely classified consistent with the guidelines of the BSP.

4. Significant Accounting Judgments and Estimates

The following are the critical judgments and key assumptions that have significant influence in the carrying amounts of assets and liabilities:

4.1 Operating lease commitments

The Bank assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for considerations. It applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The Bank has no lease liabilities and Right of Use Assets recognized.

4.2 Impairment losses of loans and receivables

The Bank reviews its loan portfolio to assess impairment at least annually or as the need arises. In determining whether an impairment loss should be recorded in the books, the Bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows including information indicating that there has been an adverse change in payment status of borrowers, or national or local economic conditions that correlate with defaults on assets.

The Bank estimated that no additional provision for credit losses as of December 31, 2025 computed using Expected Credit Losses Model of the Parent Bank. The net carrying value of loans from customers stood at P1,414.23 million, net of allowance for credit losses amounting to P46.74 million.

4.3 Impairment of financial assets at FVOCI

The Bank considers FVOCI investments as impaired when there has been a significant or prolonged decline in fair value (market value) below its carrying amount. The determination of significant or prolonged decline in fair value requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in prices. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the Investee Company, industry and sector performance, changes in technology and operational and financing cash flows.

4.4 Impairment of Property and Equipment /Other Assets

Assets are reviewed and tested whenever there is indication of impairment at least annually. Impairment of assets requires estimates and judgments through the use of certain tools/devices/factors/market data/existing conditions.

Management determines the estimated useful lives and related depreciation charges for its property and equipment. The Bank will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or items that have been sold.

5. Fair Value Hierarchy

These levels are based on the inputs that are used to determine the fair value and can be summarized in:

Level 1: quoted prices in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: inputs that are not based on observable market data or unobservable inputs

6. Cash and Cash Equivalents

This is broken as follows:

	Note	2025	2024
Due from Bangko Sentral ng Pilipinas	7	1,093,790,450	1,130,768,437
Due from Other Banks	8	58,678,430	63,707,036
Loans and Receivables arising from RA/CA/PR/SLB	9	110,000,000	0
		1,262,468,880	1,194,475,473

7. Due from Bangko Sentral ng Pilipinas

This account consists of the following deposits/placement accounts which the Bank utilizes in its clearing operations and reserve requirements of the BSP:

	2025	2024
Term deposit account	999,000,000	900,000,000
Demand deposit account	94,790,450	137,768,437
Overnight deposit account	0	93,000,000
	1,093,790,450	1,130,768,437

8. Due from Other Banks

This account represents demand deposit account, short-term investments in special savings deposits and premium savings account deposited with the Parent Bank, LANDBANK amounting to P58,678,430 and P63,707,036 in CY 2025 and 2024, respectively.

9. Loans and Receivables Arising from Repurchase Agreements)/Certificates of Assignment/Participation with Recourse/Securities Lending and Borrowing

This pertains to loans arising from repurchase agreement with BSP amounting to P110,000,000 and P0 in CY 2025 and 2024, respectively.

10. Fair Value through Other Comprehensive Income

This account is composed of:

	2025	2024
Investment in Treasury Bills/Fixed Treasury Notes purchased from Security Bank Corp.	49,514,098	48,332,320
Investment Management Account with LANDBANK-Trust Banking Group (52401-26777-13-01)	247,795,416	238,041,577
Investment in QUEDANCOR Bonds	30,000,000	30,000,000
Allowance for credit losses	(30,000,000)	(30,000,000)
	297,309,514	286,373,897

The Investment in Treasury Bills/Fixed Treasury Notes has a Face Value of P50 million and a stated quarterly coupon rate of 3.5 per cent which will mature on September 20, 2026.

The Investment Management Account (IMA) with the LANDBANK-Trust Banking Group consists of various placements in government securities and corporate bonds. This is covered by an agency agreement between OFB and LANDBANK-Trust Banking Group for financial return and appreciation of assets of the account. The agreement does not guaranty a yield, return or income by the investment manager, as such, past performance of the account is not a guaranty of future performance and the income from investments may rise or fall depending on prevailing market conditions.

The investment in QUEDANCOR bonds amounting to P30 million with allowance for probable losses of the same amount was recorded initially under Unquoted Debt Securities Classified as Loans and subsequently reclassified to Miscellaneous Assets account in 2018 in accordance with BSP Circular No. 1011 dated August 14, 2018 and to FVOCI account in 2020. This investment was made for the Bank's Agri-Agra compliance which is now under negotiation for the replacement of QUENDANCOR Restructured Notes.

11. Held to Maturity Financial Assets, net

	2025	2024
BTR-Retail Treasury Bonds (05-16,18,19)	1,600,000,000	1,400,000,000
San Miquel Corporation GP Bonds	43,440,000	59,830,000
Robinson Land Corporation Bonds	32,500,000	62,200,000
Aboitiz Bond	200,000,000	0
Petron Bond	300,000,000	0
Total	2,175,940,000	1,522,030,000
Less: Unamortized Discount	5,037,009	6,794,303
	2,170,902,991	1,515,235,697

12. Loans and Receivables, net

This account consists of:

	2025	2024
Loans to Individuals for Other Purposes	1,460,973,731	1,741,362,255
Allowance for Losses	(46,742,176)	(46,742,176)
	1,414,231,555	1,694,620,079

On November 26, 2021 and December 15, 2021, OFB and LANDBANK had secured their respective Board of Directors' approval for the assignment of LANDBANK's Electronic Salary Loans to OFB with total outstanding principal amount of up to Two Billion Pesos.

On May 11, 2022 and June 15, 2022, LANDBANK assigned its Salary Loan portfolio composed of 13,065 and 1,662 eligible borrowers' accounts to OFB and pursuant to said assignments, LANDBANK executed a Deed of Assignment in favor of OFB covering the Salary Loan accounts assigned. There were 15 accounts returned to the Parent Bank due to ineligibility.

After the assignment, OFB shall outsource from the concerned LANDBANK branches various operational support and administrative services relative to the loans assigned to further enhance OFB's business efficiency, aligned with its new structure, in providing digital banking services to its clients.

A service fee of 1.5 per cent based on total interest collected per month per covered of LANDBANK Branch shall be paid by OFB to LANDBANK. The Cash Agency Arrangement executed by both parties shall supplement the Memorandum of Agreement.

Allowance for Losses

The details of specific allowances on loans are:

	2025	2024
Balance, January 1	27,221,179	23,420,672
Provisions	0	3,800,000
Transfers and other adjustments	0	507
Balance, December 31	27,221,179	27,221,179

The movement of the general loan loss provisions are:

	2025	2024
Balance, January 01	19,520,997	19,520,997
Adjustments	0	0
Balance, December 31	19,520,997	19,520,997

As to Status:

	2025	2024
Current Loans	1,425,785,515	1,714,056,247
Non-Performing Loans	35,188,216	27,306,008
	1,460,973,731	1,741,362,255

As to Security:

	2025	2024
Secured Loans	0	0
Unsecured Loans	1,460,973,731	1,741,362,255
	1,460,973,731	1,741,362,255

13. Property and Equipment, net

This account consists of:

	Land	Buildings	Leasehold Rights and Improvements	Furniture Fixture & Equipment	Motor Vehicles	Computer and Peripherals	Total
Cost							
January 1, 2025	131,008,000	48,686,618	0	7,761,857	3,976,723	91,789,656	283,222,854
Additions	0	0	829,600	936,894	663,000	963,244	3,392,738
Reclassifications	0	0	0	0	0	(445,170)	(445,170)
December 31, 2025	131,008,000	48,686,618	829,600	8,698,751	4,639,723	92,307,730	286,170,422
Accumulated Depreciation/ Allowance for Impairment							
January 1, 2025	0	35,229,920	0	7,410,300	3,812,169	90,606,700	137,059,089
Provisions	0	2,336,920	275,055	121,336	220,448	183,831	3,137,590
Reclassifications	0	0	0	0	0	(2,154)	(2,154)
December 31, 2025	0	37,566,840	275,055	7,531,636	4,032,617	90,788,377	140,194,525
Carrying amount December 31, 2025	131,008,000	11,119,778	554,545	1,167,115	607,106	1,519,353	145,975,897

	Land	Building	Furniture Fixture & Equipment	Motor Vehicles	Computer and Peripherals	Total
Cost						
January 1, 2024	131,008,000	48,686,618	7,761,857	3,976,723	91,789,656	283,222,854
December 31, 2024	131,008,000	48,686,618	7,761,857	3,976,723	91,789,656	283,222,854
Accumulated Depreciation/Allowance for Impairment						
January 1, 2024	0	32,609,784	7,410,300	3,812,169	90,556,313	134,388,566
Provisions	0	2,620,136	0	0	50,387	2,670,523
December 31, 2024	0	35,229,920	7,410,300	3,812,169	90,606,700	137,059,089
Carrying amount December 31, 2024	131,008,000	13,456,698	351,557	164,554	1,182,956	146,163,765

The OFB (formerly PPSBI) building was acquired through Dacion En Pago from the PPC on November 02, 2012 with booked value amounting to P37.567 million. The Net Book Value of the Building is P11.12 million as of December 31, 2025.

14. Other Intangible Assets, net

This account represents cost of the Digital license fee, creation of the OFB microsite in LANDBANK, various enhancements of the Digital On Boarding System Mobile Banking Application (DOBS MBA) and the Livelihood Loan System (LLS) to support OFB operations. Details as follows:

	2025	2024
Other intangible assets	36,896,762	33,778,682
Accumulated amortization	(20,083,527)	(15,609,701)
	16,813,235	18,168,981

15. Other Assets, net

This account is composed of the following:

	2025	2024 restated
Accounts receivable	399,762,077	298,694,722
Accrued interest income from financial assets	21,786,537	12,484,614
Prepaid expenses	1,132,808	1,258,470
Documentary stamps on checks	3,523,836	730,814
Other investments	969,460	538,792
Stationery and supplies on hand	64,429	70,424
Sundry debits	14,245,263	32,898
Miscellaneous assets	45,366,139	44,923,595
	486,850,549	358,734,329
Other Assets - Allowance for Losses	(231,933,783)	(231,933,783)
	254,916,766	126,800,546

<u>Accounts receivable</u>

The Accounts Receivable account includes the amounts relative to cases involving former officers of the then PPSBI branches, to wit: Sorsogon Branch in the amount of P4.10 million and Tacloban Branch of P8.64 million. Appropriate charges were filed in court. In addition, outstanding accounts receivable from Naga branch amounted to P179.37 million as of December 2019 as restitution for losses appropriated by a former employee. On the last quarter of 2018, the Bank requested for staggered booking of the estimated P237.9 million provision for losses arising from Naga branch fraud. On March 2019, the BSP approved the staggered booking of allowance at P11.90 million quarterly starting March 31, 2019 for five years ending in December 2023. As of October 2022, accounts receivable from Naga branch fraud were 100 per cent provided with allowance amounting to P179.37 million.

This account also includes temporary partner clearing accounts on collections of loans under the Purchase of Receivable Program which will result to inflow of funds on the Due from Other Banks account with LANDBANK Intramuros Branch.

Sundry Debits

This is a temporary account used for unmatched salary loan proceeds which are cleared the next day and discrepancies of online transactions with corresponding System Feedback Form for resolution.

Prepaid Expenses

This account consists of prepayment on documentary stamp tax for the high-yield savings account renewal and mobile banking application maintenance.

Miscellaneous assets

The account is composed of various security deposits and advance rentals of building and utilities transferred from the closed branches, prepayment of taxes from CY 2020 to 2024 and creditable withholding taxes from payments of service recipients. Prepayment of taxes has a cumulative balance of P5.22 million and shall be applied in the future payments of income tax requirements of the Bank.

16. Deposit Liabilities

This account is composed of domestic individual savings and demand accounts with outstanding balance of P3,763,489,247 and P3,423,934,429 in CY 2025 and 2024, respectively, which earn annual fixed interest rates ranging from 0.05 for regular accounts and 3.65 to 5.25 per cent for High-Yield Savings Account.

17. Accrued Expenses

This account represents:

	2025	**2024 restated**
Accrued interest expense in financial liabilities	5,343,194	7,619,792
Management and other professional fees	47,445,093	39,238,092
Postage, telephone, cables and telegrams	32,507,649	26,936,609
Information technology	15,622,023	12,341,746
Fees and commissions	3,476,518	996,518
Insurance	3,395,922	3,270,048
Other taxes and licenses	2,280,000	2,280,000
Stationeries and supplies	2,072,425	1,320,169
Security, clerical, messengerial and janitorial	2,957,618	1,669,878
Salaries and wages	0	8,723
Fringe benefits	2,183,601	2,475,160
Repairs and maintenance	38,300	6,383
Power, light and water	124,597	100,000
Advertising and publicity	922,366	810,303
Fuel and lubricants	179,710	83,937
Litigation	4,249,326	4,249,326
Travelling	5,022	0
Others	304,402	1,261,178
	123,107,766	104,667,862

As of December 31, 2025, the remaining accrual on Early Retirement Incentive Plan is P1.16 million included under Fringe benefits. Others include provision for fraud losses in compliance with BSP Memorandum 2017-019, and membership dues to Digital Bank Association of the Philippines.

18. Other Liabilities

This account comprises of:

	2025	2024 restated
Accounts payable – others	170,173,119	68,036,171
Due to the Treasurer of the Philippines	8,987,480	8,987,480
Unclaimed balances	10,416,300	8,388,256
Withholding tax payable	212,220	203,132
SSS, PHIC, Employee Compensation and Pag-ibig Fund Payable	115,083	100,686
Sundry credits	6,023,968	21,017
Miscellaneous liabilities	101,499	101,499
	196,029,669	85,838,241

The Accounts Payable – others account is composed of unpaid obligation to LANDBANK, overpayment on loans pending refund, loans payment pending posting, delivered items of supplies and equipment not yet paid, obligations deducted from employees last salary and others.

Due to the Treasurer of the Philippines refers to all credits and deposits including interest thereon, held by the bank in favor of person known to be dead or who have not made further deposits or withdrawals during the preceding 10 years or more, which have been reported to the Treasurer of the Philippines pursuant to the provisions of the Unclaimed Balances Act (Act No. 3936, as amended). These credits and deposits, including interest thereon, shall remain in this account up to the time the proceeds thereof have been remitted under court order to the Treasurer of the Philippines or other parties.

Unclaimed Balances refers to the other credits held by the Bank in favor or persons known to be dead or unheard from during the preceding 10 years or more which have not been reported to the Treasurer of the Philippines pursuant to the provisions of the Unclaimed Balances Act.

The Sundry Credits account is a temporary account used as partner clearing account on transactions resulting to outflow of funds on the Due Other Banks account which are cleared the next day.

19. Capital Stock

The Bank is authorized to issue 10,000,000 shares at P100 par value of which 10,000,000 shares amounting to P1 billion were fully paid and issued.

Four million four hundred thousand (4,400,000) shares were issued and were fully paid by PPC amounting to P440 million. Additional issuance of 1,310,080 common shares of stock for the National Government was made by PPSBI corresponding to the latest appraised value of parcel of land where Head Office is situated per Board Resolution No. 2014-142 dated June 10, 2014. These shares were then approved for transfer to LANDBANK on October 10, 2017 per PPC Board Resolution no. 2017-147 in compliance with EO No. 44, dated September 28, 2017.

In CY 2011, the Board of Directors of the Bank, through Board Resolution No. 2011-274, approved the issuance to the Republic of the Philippines of common shares of stock with par value equal to the cash balance of the Project Dagdag Regular Income Via Entrepreneurship (DRIVE) Fund, a microfinance program for the transport sector, amounting to P249.23 million or equivalent to 2,492,348 shares. The National Government consented to the treatment of the Fund as capital in the books of PPSBI per memorandum from the Executive Secretary of the Office of the President of the Philippines dated December 16, 2011. On September 28, 2017, the President of the Philippines, through EO No. 44, directed the Bank to return to the National Treasury (NT) the balance amounting to P249.23 million from the previously released P500 million to fund the Project DRIVE Fund.

On January 19, 2018, pursuant to EO No. 44, the Bank transferred to the NT the amount of P249.23 million which is the equivalent value of the Capital Stock issued for the remaining balance of the Project DRIVE Fund.

On July 6, 2018, the LANDBANK subscribed and paid four million two hundred eighty-nine thousand nine hundred twenty (4,289,920) shares amounting to P428.99 million.

EO No. 44 series of 2017 provides that "In order to strengthen the capital base of OFB and enable the same to attain its primary agenda of servicing the various financial and banking needs of overseas Filipinos, the LANDBANK is hereby directed to infuse the necessary capital to OFB".

Relatedly, at the respective meetings of the stockholders and Board of Directors held on May 18, 2018, approved the increase in the authorized capital stock from P1.0 billion to P3.5 billion divided into 30.0 million common shares with a par value of P100 per share and 5.0 million preferred shares with a par value of P100 per share.

In January and December 2019, the Parent Bank, LANDBANK contributed cash of P500 million and P772 million, respectively, and recognized as deposit for stock subscription.

The Bank received the endorsement by the Government Commission on GOCCs on the proposed increase in capital stock which was also filed and approved by the Securities and Exchange Commission through issuance of Certificate of Approval of Increase of Capital Stock from P1.0 billion divided into 10.0 million shares of the par value of P100 each, to P3.5 billion divided into 30.0 million common shares of the par value of P100 each and 5.0 million preferred shares of the par value of P100 each, and Certificate of Filing of Amended Articles of Incorporation dated March 18, 2021.

On May 26, 2022, the Parent Bank infused additional capital amounting to P407.992 million to meet the requirement of the P1.0 billion capitalization of a digital bank.

20. Retained Earnings (Deficit)

In consonance with PAS 8, the balance of this account as of December 31, 2025 was restated for prior period adjustments. The adjustments principally relate to reclassification of various accounts, recognition/reversal of income and expenses.

Details of the restatement of Retained Earnings/(Deficit) of the Bank as of December 31, 2024 are as follows:

Particulars	Debit	Credit	Balance
Retained Earnings, as of December 31, 2023 before restatement			(1,400,670,077)
Prior period adjustments:		915,038	915,038
Retained earnings as of December 31, 2023, as restated			(1,399,755,039)
Net Income for CY 2024 before restatement			86,285,460
Adjustments:			
Postage, Telephone, Cables & Telegrams	1,371,458		
Advertising and Publicity	499,968		
Fees and commissions		68,896	
Fuel and lubricants		17,496	
Management and other professional fees		200,000	
Security services		36,077	
Fringe Benefits-Directors		613,914	
Miscellaneous income		663,000	
	1,871,762	1,599,383	(272,379)
Net Income for CY 2024, as restated			86,013,081
Retained earnings as of December 31, 2024, as restated			(1,313,741,958)

The effects of these restatements in the financial statements as of and for the year ended December 31, 2024 are summarized below:

	As Previously Reported	Effects of Restatement	As Restated
Changes in the Statement of Financial Position			
Assets			
Other Assets	126,715,863	84,683	126,800,546
		84,683	
Liabilities			
Accrued Expenses	104,407,798	260,064	104,667,862
Other Liabilities	86,656,281	(818,040)	85,838,241
		(557,976)	
Equity			
Retained earnings/(deficit)	(1,314,384,617)	642,659	(1,313,741,958)
		84,683	

	As Previously Reported	Effects of Restatement	As Restated
Changes in the Statement of Comprehensive Income			
Other Operating Income			
Miscellaneous income	3,072,749	662,664	3,735,413
Other Operating Expenses			
Compensation and Fringe Benefits	10,906,248	(613,914)	10,292,334
Miscellaneous expenses	81,838,939	1,548,957	83,387,896
		935,043	
Net		(272,379)	

21. Other Comprehensive Income

This account consists of Unrealized Gains on FVOCI Financial Assets representing the gains and losses from mark to market valuation of FVOCI securities which is booked on a daily basis and the Cumulative Foreign Currency Translation representing the foreign exchange differences arising from the revaluation of the foreign currency assets every end of the month using the month-end closing rate published by the Banker's Association of the Philippines.

22. Miscellaneous Income

This account includes loan pre-termination fees and loan penalties on delayed payments with outstanding balances of P848,935 and P3,735,413 in CY 2025 and 2024, respectively.

23. Other Operating Expenses

a. Compensation and fringe benefits

	2025	2024 restated
Salaries and Wages	5,801,026	4,975,002
Fringe Benefits	1,772,290	1,085,257
Government Contribution	524,636	420,652
Other compensation and benefits	3,570,697	3,811,423
	11,668,649	10,292,334

b. Depreciation and amortization

	2025	2024
Bank Premises, Furniture, Fixtures and Equipment	3,135,435	2,670,523
Other Intangible Assets	4,473,826	4,975,914
	7,609,261	7,646,437

24. Miscellaneous Expenses

This account is composed of:

	2025	2024 restated
Management and other professional fees	43,412,696	29,159,811
Documentary stamps used	13,093,361	14,427,803
Information technology	13,001,045	13,348,615
Insurance	7,416,890	6,963,425
Security, clerical, messengerial and janitorial	6,479,557	5,708,863
Postage, telephone, cable and telegram	5,936,006	5,310,608
Stationeries and supplies used	3,477,216	1,571,166
Fees and commission	2,991,107	2,134,118
Advertising and publicity	2,361,677	937,955
Power, light and water	1,337,837	1,696,738
Rent	955,867	0
Representation & entertainment	782,754	512,675
Fuel and lubricants	382,872	125,956
Membership fees and dues	359,258	244,706
Travelling expense	312,965	618,718
Repairs and maintenance	242,725	551,209
Other expenses	67,116	75,530
	102,610,949	83,387,896

Other expenses include litigation expense, notarial fees, fines, penalties and other charges.

25. Income and Other Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid consist principally of gross receipt tax and documentary stamp tax.

Income taxes include the corporate income tax and final taxes paid at the rate of 20 per cent, which is a final withholding tax on gross interest income from government securities.

Interest allowed as a deductible expense is reduced to an amount equivalent to 20 per cent of interest income subject to final tax.

For CY 2025, there was no income tax requirement computed as follows:

Revenue			176,152,559
Less:	Cost of Services		
	Interest on deposit liabilities	46,438,421	
	Insurance	5,263,136	
	Others	29,085,512	80,787,069
Gross Income			95,365,490
Less:	Operating Expenses		
	Compensation and Fringe Benefits	11,668,649	
	Taxes and Licenses	12,035,881	
	Rent	955,867	
	Insurance	2,153,754	
	Management and Other Professional Fees	43,412,697	
	Representation and Entertainment	782,754	
	Travelling	312,965	
	Power, Light and Water	1,337,837	
	Postage, Telephone, Cable and Telegram	5,936,007	
	Repairs and Maintenance	242,725	
	Security, Clerical, Mess. and Janitorial Services	6,479,557	
	Fuels and Lubricants	382,872	
	Advertising and Publicity	2,361,677	
	Membership Fees and Dues	359,258	
	Stationery and Supplies Used	3,477,216	
	Litigation Expenses	20,758	
	Others	46,357	
	Depreciation/Amortization	7,609,261	99,576,092
Net Loss before Income Tax			**(4,210,602)**
Income Tax due (25%)			**0**
Net Loss after Income Tax			**(4,210,602)**

Net Loss before Income Tax			(4,210,602)
Add (Less):	Revenue subject to final tax	144,901,849	
	Tax arbitrage	(28,980,370)	115,921,479
Net Income per books			**111,710,877**

Summary of taxes paid during the year:

	2025	2024
Documentary stamp taxes	13,093,361	14,427,803
Final income taxes (1602)	15,539,073	28,373,417
Income taxes on compensation (1601C)	541,806	421,796
Percentage taxes (2551M)	9,190,130	9,255,430
VAT & other percentage taxes (1600)	349,781	748,323
Expanded Withholding taxes (1601E)	276,702	315,589
Annual registration	0	500
	38,990,853	**53,542,858**

Supplemental Information Required under Revenue Regulation No. 15-2010

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulation to be disclosed as part of the notes to financial statements.

a. Documentary stamp tax

The documentary stamp tax on loan instruments and other transactions subject thereto for the tax period 2025 are as follows:

Documents/Transactions	DST Paid
Certificate of time deposits/Other deposits	13,093,361

b. Other taxes and licenses

In 2025, Taxes and licenses presented as part of "Other Operating Expense" accounts in the statement of comprehensive income includes the following:

Local taxes	2,047,886
National	
Percentage taxes (2551)	9,987,995
	12,035,881

c. Withholding Taxes

The amount of withholding taxes paid/accrued for the year amounted to:

Tax on compensation and benefits	541,806
Expanded (Creditable) withholding taxes	276,702
Final withholding taxes	
Final income taxes	15,539,073
Final withholding VAT	349,781
	16,707,362

26. Related Party Transactions

In the ordinary course of business, the Bank has deposits and other transactions in CY 2025 with its parent bank, LANDBANK, as follows:

	Amount
Due from Other Banks	58,678,430
FVOCI (IMA Account)	247,795,416
Accounts Receivable-Others	199,486,791
Deposit liability	1,700,000,000
Accrued expenses	109,553,587
Accounts payable-others	161,634,412
Paid In Capital Stock-common stock	2,680,000,000
Interest income	79,910
Fees and Commission Expense	2,991,106
Interest expense	69,197,917
	5,229,417,569

Breakdown of Accrued Expenses	Amount
Information technology	16,405,601
Management and other professional fees	47,165,258
Stationeries and Supplies	1,972,853
Fees and Commissions	3,336,940
Security Services	2,315,361
Advertising and Publicity	810,303
Postage, cables, telephone and telegraph	31,979,024
Fuel and Lubricants	179,710
Repairs and Maintenance	38,300
Seminars & Trainings	2,021
Travelling	5,022
Interest expense	5,343,194
	109,553,587

27. Employee Benefits

Sick Leave Credits

Per existing policy, the cash value of the accumulated sick leave credits of the employees can be monetized excess of 40 days accumulated sick leave credits within the year.

Employees Benefits, Plan Amendment, Curtailment or Settlement

Employees of the Bank shall be entitled to the allowances and fringe benefits subject to the conditions for entitlement or eligibility requirements.

As of December 31, 2025, the balance of outstanding accrual for retired employees pursuant to EO No. 44 series of 2017 is P1.16 million.

28. Commitments and Contingent Liabilities

The Bank is contingently liable for lawsuits or claims filed by third parties, which are either pending decision by the courts or under negotiations, the outcomes of which are not determinable at balance sheet date.

29. Basic Quantitative Indicators of Financial Performance

	2025	2024
	(In percentage)	(In percentage)
Return on average equity	7.8	6.4
Return on average assets	2.3	1.7
Net interest margin	4.4	3.4
Risk Based Capital Adequacy Ratio	56.8	53.4

30. Capital Management

The overall capital management objective of the Bank is to create a more efficient capital structure while ensuring compliance with externally imposed capital requirements.

The Bank manages its capital by maintaining strong credit ratings and healthy risk-based Capital Adequacy Ratio to support its business and sustain its mandate. Adjustments to the Bank's capital structure are made in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

31. Management of Risks Related to Financial Instruments

Credit risk management

Credit risk is a possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection.

The Bank is exposed to credit risk as lender, holder of securities and as counterparty in trading activity.

Management of Credit Risk

Credit risk management aims to maintain its risk exposure within proper and acceptable parameters set out in contractual agreement.

The process involves the identification, measurement, and monitoring of actual or potential losses and implementation of appropriate measures by setting-up limits to credit exposures.

The Bank also manages the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions and the correlation of credit risk with other risks. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of the Bank.

The Bank manages credit risk through a structured risk management system and structure, *to wit:*

Risk Management System and Structure

The risk management framework at OFB is a top-down process where all risk policies and procedures are approved by the Board of Directors. The Board sets the overall risk tolerance of the Bank that is consistent with its business plan, financial strength and organizational capability.

The Board of Directors has created the Corporate Governance and Risk Management Committee (CGRMC), composed of two members of the Board, to oversee the implementation of risk management process that includes development of various risk strategies and principles, implementation of risk measurement tools, monitoring risk indicators and approval of risk limits.

The Parent Bank's Risk Management Group (RMG) under the group-wide structure supports the CGRMC in the identification, measurement, monitoring and control of risks. As an independent unit reporting directly to the Board of LANDBANK, the RMG consults with OFB's business units through the Bank's Central Point of Contact Unit in identifying, measuring, and implementing risk management methodologies and controls. It assists business and operating units in measuring risk/return to better manage their risk profile.

Senior Management of OFB is also actively involved in the planning, reviewing and assessing different risks being managed by the Bank through the various committees. The Management Committee ensures that all business objectives are align with the risk tolerance set by the Board. Due to the lean manpower of the Bank, its Management Committee functions as the Assets and Liabilities Committee. This Committee is responsible for ensuring that market and liquidity risks are adequately addressed on long-term and daily basis.

The Parent Bank's Internal Audit Group (IAG) under the group-wide structure, provides another layer for independent check and balance to further strengthen risk controls and compliance. The IAG ensures that risk-takers comply with standards and established policies. It also evaluates the effectiveness and adequacy of the Bank's risk management framework particularly on its control processes.

The Bank outsources its Legal Office to its Parent Bank. The unit responsible for this is the Legal Services Group of LANDBANK. It has the primary responsibility of reviewing all Banks' documents for completeness and enforceability under respective legal jurisdiction provided for the Service Level Agreement signed by the Bank.

The Credit Risk Management Department (CRMD) of the RMG reviews the Bank's effective impairment to assure proper loan classification and setting up of valuation reserves.

The Bank has no provision for additional credit losses as of December 31, 2025. The existing allowance computed using Expected Credit Losses Model of parent bank, LANDBANK, with total amount of P48.76 million was sufficient to cover the outstanding classified accounts of P50 million or 3.18 per cent of the total loan portfolio.

Credit Risk Rating

The Bank adopts the industry-specific and borrower-specific credit risk scorings with consideration on Single Borrower's Limit rule.

In addition, the Bank shall also continue to use the expert-based credit rating system for banks and financial institutions.

Credit Risk Monitoring

The Bank has continuously adopted a formal reporting system for the Board of Directors and Senior Management to be able to monitor the credit quality of individual and loan portfolio using asset quality indicators such as past due ratio, Non-Performing Loan (NPL) ratio, level of non-performing assets, coverage ratio and concentration risk. Large exposures, breaches in regulatory and internal limits, potential credit risk, Directors, Officers, Stockholder and their Related Interests loans, Related Party Transactions and compliance with Real Estate Stress Test (REST) are intensively monitored by the CGRMC. The recovery of written-off accounts is also within the radar of the OFB Board, CGRMC and Management.

ECL assessment shall be applied to the following exposures:

1. Loans and receivables measured at amortized cost;
2. Investments in debt instruments that are measured at amortized cost;
3. Investments in debt instruments that are measured at FVOCI; and
4. Due from Bangko Sentral ng Pilipinas and Due from Other Banks

Credit exposures follow the staging assessment:

Factor	Stage	Criteria
Age	Stage 1	• Current • One to 30 days past due
	Stage 2	31 to 90 days past due
	Stage 3	• More than 90 days past due (monthly installments) • More than 30 days past due (lump sum payment, and quarterly, semi-annual and annual installments)
Observable Impairment Indicators	Stage 1	General economic and market conditions
	Stage 2	• Economic and market conditions adverse to the borrower • Industry specific issues
	Stage 3	Company-specific business, operational and financial (PFRS 9 loss events)
BSP Classification/ Internal Rating	Stage 1	• 1 (Prime) • 2 (High Grade) • 3 (Good) • 4 (Very Satisfactory) • 5 (Satisfactory) • 6 (Watchlist)
	Stage 2	• 7 (EM) • 8 (Substandard)
	Stage 3	• 9 (Doutbful) • 10 (Loss)

The Bank's exposures shall be further classified into the following stages:

Stage	Characteristics	ECL Assessment
1	credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk	12 month
2	credit exposures that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition	Lifetime
3	credit exposures with objective evidence of impairment, these are considered as "non-performing"	Lifetime

The result of the credit evaluation is used as basis in adjusting credit lines periodically. To efficiently manage credit exposures, collateral and other applicable agreements are executed with counterparties whenever possible.

The Bank monitors and reviews from time to time the credit practices and reporting, and if appropriate, approve credit policy changes and procedures to ensure that credit policies are appropriate and are being complied with. Accounts for write-off shall also approved by the Board of Directors.

The Bank prepares a monthly report on credit quality as summarized below (in million Pesos):

	2025	2024
Neither past due nor impaired	1,410.96	1,707.65
Past Due but not impaired	14.82	6.40
Impaired	35.19	27.31
	1,460.97	1,741.36
Less: Specific allowance for credit losses	27.22	27.22
	1,433.75	1,714.14

The Bank further classifies its NPL into secured and unsecured (in million Pesos):

	2025	Per cent	2024	Per cent
Secured	0	0	0	0
Unsecured	35.19	100	27.31	100
	35.19	100	27.31	100

Credit Stress Test

The Bank regularly conducts stress testing of individual large exposure and its loan portfolio taking into account plausible risk events with high probability of occurrence. Utilizing such scenarios with documented assumptions, tests are done to determine the magnitude of impact on the loan portfolio, on the Credit Risk Weighted Assets, and finally on the Common Equity Tier 1 (CET1) Ratio. The stress testing also includes prescribed regulatory tests such as uniform stress test and REST. Likewise, various loan portfolio assessment and review are conducted to determine impact of a certain event and government regulation to the Parent's loan portfolio, past due ratio and CET 1. Results of the stress testing, together with the contingency plans, are validated by the CRMD and escalated to CGRMC.

Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Bank has established concrete guidelines and procedures relative to managing, monitoring and reporting large exposures and credit risk concentrations in accordance with the rules and regulations issued by the BSP.

Overall credit risk management oversight is a function of the Board of Directors-level CGRMC. In general, mitigation measures on credit risks are implemented at various levels.

As of December 31, 2024, the Bank's qualifying capital covering credit risk is P1.37 billion. On the other hand, the SBL is pegged at P341 million for direct lending. As of December 31, 2025, the Bank's qualifying capital covering credit risk is P1.48 billion. On the other hand, the SBL is pegged at P371 million for direct lending.

The following shows the concentration of credit risk by industry at the reporting date (in million Pesos):

	2025	2024
Salary-Based General–Purpose Consumption Loans	1,460.97	1,741.36
	1,460.97	1,741.36
Allowance for Credit Losses	(27.22)	(27.22)
	1,433.75	1,714.14

Market Risk

Market risk is the risk that changes in interest rates, foreign exchange rates, equity prices, commodity prices and other market indicators which may affect the Bank's income or values of its financial assets. The Bank uses mark-to-market and factor sensitivity to manage risk on its securities portfolios.

The Bank is exposed to market risk that originates primarily from its risk-taking activities on fixed income investments in securities and foreign exchange effects. Transaction limits are used to operationally manage market risks.

Treasury market risks originate from its holdings of debt securities mainly as compliance to liquidity reserves for government deposits. Further, it classifies its debt securities exposures under trading and non-trading portfolios.

The Bank uses a combination of stress testing, CET 1 ratio and capital metrics to manage market risks and establish limits. The OFB Board of Directors and CGRMC define and set the various market risk limits for each treasury portfolio. The Electronic Business Unit manages the liquidity and reserve positions, conducts risk-taking activities and seeks approval from President and Chief Executive Officer.

The Bank also adopts the following staging assessment for its treasury exposures based on external rating:

Stage 1 - investment grade
Stage 2 - downgrade to speculative/non-investment grade; risk ratings downgraded by at least two rating grades
Stage 3 - default

As of December 31, 2025, remaining Government Securities classified under FVOCI with average yield to maturity of 3.5 per cent registered an unrealized gain/mark-to-market loss of P0.45 million for a P50 million portfolio.

Market Risk Measurement

Treasury portfolio is measured at mark-to-market to measure market risk in the books under normal conditions.

Liquidity Risk Management

The Bank's liquidity Risk Management (RM) process is consistent with its general RM framework covering risk identification, measurement and analysis, monitoring and control. The Treasurer through the Management Committee is responsible for the implementation of sound policies and procedures keeping in mind the strategic direction and risk appetite of the Bank. The basic liquidity policy of the Bank is to maintain fund availability at all times and hence, to be in a position to meet all of its obligations, in the normal course of business.

The Bank considers liquidity risk based on market and funding liquidity risk perspectives. Market liquidity risk refers to inability to unwind positions created from market, exchanges and counterparties due to temporary or permanent factors. It is the risk that the Bank cannot easily offset or eliminate a position at the market price because of inadequate market depth or through market disruption.

Market liquidity risk is also associated with the probability that large transactions may have a significant effect on market prices in markets that lack sufficient depth. This liquidity risk perspective is captured through stress testing or scenario analysis.

Funding liquidity risk is the risk that the Bank will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Bank. It occurs from the mismatch of asset, liability, exchange contract and contingent commitment maturities. Funding liquidity risk is being monitored and controlled through the classification of maturities of assets and liabilities over time bands and across functional currencies as reflected in the Liquidity Position Matrix (LPM) and the Intraday Liquidity Reports.

The Bank's Board exercises oversight through CGRMC and has delegated the responsibility of managing overall liquidity to the Treasurer and the Management

Committee. They are responsible for the daily implementation and monitoring of relevant variables affecting liquidity position. The Treasurer presents to the Management Committee the assets and liabilities position on a regular basis where the Management Committee recommends measures to promote diversification of its liabilities according to source, instrument and currency to minimize liquidity risks resulting from concentration in funding sources. The Bank performs a comprehensive liquidity risk measurement and control using LPM.

Liquidity Risk Measurement Models

The Bank conducts liquidity gap analysis using the LPM. This risk measurement tool is used in identifying the current liquidity position and the Bank's ability to meet future funding needs. It categorizes balance sheet items according to estimated maturities of assets and liabilities in order to determine any future mismatch such as long-term assets growing faster than long term liabilities.

Financial ratio analysis is another liquidity risk measurement tool that calculates and compares liquidity leverage ratios derived from information on financial statements against set liquidity/ leverage limits.

The following table sets out the liquidity ratios as of December 31, 2025.

Liquid Assets (Cash and Due From BSP/ Local Bank, Government Securities)	P2,848,267,538
Financial Ratios:	
Liquid Assets to Total Assets	51.2%
Liquid Assets to Total Deposits	75.7%

32. EVENTS AFTER THE REPORTING PERIOD

Program Reversion

The Purchase of Receivable Program (PRP) is undergoing full reversion to the Parent Bank, LANDBANK. This strategic action is being implemented in strict compliance with BSP regulatory requirements, supported by governance and oversight mechanisms to ensure transparency, risk mitigation, and an orderly transition. The reversion ensures continuity of access to credit, robust risk management, and adherence to prudential standards.

Initial Settlement

As of April 28, 2026, the initial settlement of the PRP portfolio was completed. This included the transfer of all outstanding loan accounts, associated documentation, and customer records from OFBank to LANDBANK as of cut-off March 31, 2026. The settlement was conducted under supervisory oversight, ensuring compliance with BSP circulars on fair lending and responsible credit granting.

Current Activity

As of May 2026, the program has entered the reconciliation phase. The focus is on validating portfolio balances and account values to ensure accuracy of transferred records. This process identifies any underpayments or overpayments, with corrective measures being prepared for settlement.

Completion of Reconciliation

All adjustments arising from reconciliation are scheduled to be finalized on or before June 30, 2026. Independent audit and validation will confirm compliance with BSP prudential standards. Final compliance reports will then be submitted to BSP to formally conclude the reversion process.

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

NON-FINANCIAL ISSUES

GENDER AND DEVELOPMENT (GAD)

1. The GAD Plan and Budget for CY 2025 of OFB was not endorsed by the Philippine Commission for Women (PCW), and the total GAD Expenditures amounted to only six per cent of the allocated GAD Budget due to the partial implementation or non-implementation of several planned activities, contrary to PCW-NEDA-DBM Joint Circular No. 2012-01 and PCW Memorandum Circular 2024-03.

1.1 Section 6.1 of PCW-NEDA-DBM Joint Circular (JC) No. 2012-01 states that at least five per cent of an agency's total budget appropriations under the annual GAA shall be allocated for activities supporting its GAD plans and programs. This allocation shall be sourced from the agency's Maintenance and Other Operating Expenses, Capital Outlay, and Personal Services, and shall not be considered an additional budget over and above the agency's total appropriations.

1.2 Meanwhile, PCW Memorandum Circular (MC) 2024-03 dated September 9, 2024, set December 2, 2024, as the deadline for GOCCs to encode and submit their FY 2025 GPBs to the PCW through the Gender Mainstreaming Monitoring System.

1.3 For FY 2025, OFB allocated a GAD Budget of P12,852,200, equivalent to five per cent of its Corporate Operating Budget (COB) of P257,100,000, to fund 16 client-focused and organization–focused activities.

1.4 The GAD Plan and Budget (GBP) for FY 2025 was initially submitted within the prescribed deadline and was returned twice by PCW for revision. However, it was not subsequently endorsed, as OFB had already exhausted the maximum allowable limit of two requests for reconsideration.

1.5 Moreover, review of the GAD Accomplishment Report (AR) showed that actual GAD expenditures amounted to only P775,000, representing 6.03 per cent of the GAD Budget. Out of the 16 planned activities, 10 were not implemented, three were partially implemented and only three were fully implemented. The GAD AR did not provide any justification for the unimplemented and partially implemented activities.

1.6 According to the Head of Administrative Services Unit (ASU), the FY 2025 GPB had been prepared but was submitted only on July 24, 2025 due to the delayed approval of the COB. Consequently, the GPB was submitted beyond the prescribed deadline, remained unendorsed and was considered non-compliant with the GAD planning and budgeting requirements under PCW-NEDA-DBM JC No. 2012-01.

1.7 Nevertheless, the Bank affirmed its commitment to achieving full compliance in CY 2026 and has adopted corrective measures to ensure alignment including: a) Integrate GAD priorities into the 2026 annual plans and programs, ensuring that activities are fully funded, implemented, and endorsed by PCW; and b) Strengthen focus on deposit and loan products with gender exclusivity features.

1.8 We recommended and Management agreed that in the preparation of the succeeding GPB, the ASU, to:

> **a. Strictly comply with the prescribed timelines and proper procedures for the preparation and submission of the GPB in accordance with PCW-NEDA-DBM JC No. 2012-01 and other relevant PCW issuances;**
>
> **b. Formulate GAD activities that are practical, achievable and based on realistic targets; and**
>
> **c. Strengthen the implementation of GAD programs, projects, and activities to maximize the utilization of the GAD Budget and attain the mandated five per cent allocation for gender and development initiatives.**

Compliance with Tax Laws

2. Information on taxes and licenses paid or accrued during the taxable year 2025 was disclosed in Note 25 to the Financial Statements. The taxes withheld from compensation, benefits and other sources amounting to P16.707 million were remitted to the Bureau of Internal Revenue in accordance with the deadlines on payment/remittance of taxes prescribed under the National Internal Revenue Code.

SSS Contributions and Remittances

3. In 2025, the Bank complied with RA No. 8282 on the collection and remittance of contributions to SSS as follows:

> a. Mandatory monthly contribution of covered employees and employer in accordance with Section 18; and
>
> b. Remittance of employees' and employer's contributions and employees' compensation premium within the due date pursuant to Section 19.

Philhealth and Pag-IBIG Fund Premiums

4. In 2025, the Bank complied with Section 18, Rule III, Title III, of the implementing Rules and Regulations (IRR) of RA No. 7875, as amended, in the payment of national health insurance premium contributions to the Philhealth.

4.1 The Bank also complied with Sections 2 and 3, Rule VII, of the IRR of RA No. 9679 in the collection and remittance of contributions to the Pag-IBIG Fund.

Status of Disallowances, Suspensions and Charges

5. The total disallowances of OFB as at December 31, 2025 amounted to P13.181 million, details as follows:

Particulars	Amount	Status
a. Payment of per diems to former board members of the Bank for FY 2010 in violation of Memorandum Order No. 20 dated June 25, 2001 and Administrative Order No. 103 dated August 31, 2004. (ND. Nos. 13-01 to -05 (2010) dated September 17, 2013 and ND. No. 16-001-000-(12-14) dated February 1, 2016)	3,770,587.83	COA Order of Execution was issued to principal persons liable on June 17, 2014. A supplemental ND was issued on March 11, 2016 to former members of the Board of Directors pursuant to COA Decision No. 2016-01 dated January 22, 2016. Notice of Finality of Decision (NFD) No. 2019-190 dated May 21, 2019 was issued approving COA Decision No. 2018-417 dated December 21, 2018 and COA CGS Cluster 1 Decision No. 2015-02 dated March 25, 2015 excluding Mr. Victor A. Tantoco as person liable under ND. Nos. 13-01(2010) to 13-05 (2010). Also, NFD No. 2019-021 dated January 18, 2019 approving COA Decision No. 2017-314 dated September 22, 2017 and COA CGS Cluster 1 Decision No. 2014-07 dated October 13, 2014 excluding Ms. Alda R. Bañez as person liable under ND. Nos. 13-01(2010) to 13-05 (2010), was issued. No collection was received as at year end.
b. Payment of Health Maintenance Program contrary to COA Circular No. 2012-003 dated October 29, 2012 and COA Resolution No. 2005-001 which prohibits the grant of health care allowance and securing of health care insurance from private insurance agencies, respectively.	8,150,784.50	With Commission Proper Decision No. 2021-295 dated November 5, 2021 affirming the ND. Supplemental ND No. OFB-2022-001-000 (2015) dated February 2, 2022 was issued. Additional persons

Particulars	Amount	Status
(ND No. 16-002-000(2015) dated December 20, 2016)		solidarily liable to the full amount of the Disallowance. NFD No. 2024-210 dated May 7, 2024 was issued approving COA Decision No. 2021-295 dated November 5, 2021. NFD No. CCD1-2026-001 dated April 20, 2026 was issued approving CGAS 1 Decision No. 2025-003 dated March 17, 2025 which affirmed Supplemental ND No. 2022-001-000(2015). No collection was received as at year end.
c. Payment of Representation Allowance for the period January 2016 to February 2017. (ND. No. 17-001-000-(16-17) dated December 19, 2017)	1,260,000.00	NFD dated March 4, 2024 of CGS Cluster 1 Decision No. 2018-16 dated September 18, 2018 was issued denying the appeal of Mr. Cesar N. Sarino. No collection was received as at year end.
Total	**13,181,372.33**	

5.1 There are no outstanding suspensions and charges as at December 31, 2025.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

All six audit recommendations embodied in the CY 2024 AAR were implemented.