



LEGAZPI SAVINGS BANK, INC.

2024 ANNUAL REPORT

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1. CORPORATE POLICY

VISION

Building a better Philippines, one family, one school, one community at a time.

MISSION

We Uplift Teachers, We Strengthen Communities.

BANK'S BRAND THAT DIFFERENTIATES IT FROM OTHER BANKS

BPI Legazpi Savings Bank

As a subsidiary of the Bank of the Philippine Islands (BPI), BPI Legazpi Savings Bank (LSB) stands as a trusted financial partner committed to empowering Filipino educators and professionals.

By combining the strength of BPI's legacy with LSB's specialized expertise in teachers' loans, we offer fast, accessible, and tailored financial solutions that set us apart from traditional banks.

At the core of BPI LSB's **Customer Value Proposition (CVP)** is our ability to provide:

- **Fast and Easy Access to Credit** – LSB simplifies loan applications with a streamlined process that requires only one payslip, offers digital signing of documents, and enables instant crediting (as fast as 1 minute for LSB accounts and 1 hour for other banks).
- **Extensive Reach Through BPI and Banko Branches** – With an expansive network of over 1,200 branches nationwide, LSB ensures that teachers and professionals, even in remote areas, have direct access to financial services. This strategic advantage enables greater convenience and support, surpassing other industry players.
- **Flexible and Competitive Loan Offerings** – LSB provides loans up to ₱2 million, offering teachers higher loan amounts compared to competitors, with competitive rates and repayment terms designed to match their needs.
- **Innovative Digital Solutions** – Through a fully digital onboarding platform, LSB eliminates lengthy approval times, making the loan application process more efficient. Soon, LSB will expand to e-commerce platforms like Lazada, making access to financing even more seamless.

A Future of Growth and Financial Inclusion

BPI LSB is more than just a lender—it is a growth partner dedicated to improving the financial well-being of Filipino educators.

Our dedication to innovation, accessibility, and customer-centric banking positions LSB as a leading force in the teachers' loan market. By continuously improving our services and reaching more educators nationwide, we are shaping a future where every teacher has the financial support they need to thrive.

BUSINESS MODEL

Aided by technology and a tech-driven culture, we aim to consistently give the best value to our customers by being the least cost operator in the teachers' loan market.

2. FINANCIAL HIGHLIGHTS

	2024	2023	Variance	%
Profitability	<i>Amounts in Millions of Philippine Pesos (PHP)</i>			
Total Net Interest Income	589.85	425.73	164.12	39%
Total Non-Interest Income	12.32	11.59	0.73	6%
Total Non-Interest Expenses	491.58	348.4	143.18	41%
Pre-Provision Profit	176.19	126.81	49.38	39%
Allowance For Credit Losses	65.59	37.89	27.7	73%
Net Income	66.19	63.2	2.99	5%

Selected Balance Sheet Data				
Liquid Assets	2,685.41	1,499.62	1185.79	79%
Gross Loans	7,776.37	267.17	7509.2	2,811%
Total Assets	10,525.58	4,948.64	5576.94	113%
Deposits	8,673.11	3,977.59	4695.52	118%
Total Equity	1,486.21	751.05	735.16	98%

Selected Ratios	2024	2023
Return On Equity	6.11%	9.38%
Return On Assets	0.90%	1.32%
CET 1 Capital Ratio	16.35%	15.38%
Tier 1 Capital Ratio	16.35%	15.38%
Capital Adequacy Ratio	16.73%	15.58%

Headcount		
Officers	80	77
Staff	247	190

3. FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All Amounts in Philippine Pesos

Assets	2024	2023
Cash and Other Cash Items	101,234,361	84,375,199
Due from Bangko Sentral ng Pilipinas	2,434,341,237	1,310,213,117
Due from Other Banks	149,838,839	105,035,823
Securities Purchased Under Resale Agreement		249,629,845
Loans and Receivables, Net	7,587,437,882	54,978,640
Financial Assets at Fair Value through Other Comprehensive Income		2,894,348,845
Bank Premises, Furniture, Fixtures and Equipment	67,029,385	79,663,466
Investment Properties	86,653,693	93,099,690
Deferred Tax Asset, Net	71,994,846	60,147,899
Other Assets	27,023,532	17,150,609
Total Assets	10,525,583,775	4,948,642,593
Liabilities and Equity	2024	2023
Deposit Liabilities		
Demand	356,043,253	281,480,044
Savings	8,298,686,682	3,442,232,083
Time	18,384,736	253,874,470
	8,673,114,671	3,977,586,597
Accrued Expenses	203,086,114	62,299,424
Lease Liability	40,877,111	47,564,399
Redeemable Preferred Shares	30,700,000	30,700,000
Other Liabilities	91,591,776	79,445,325
Total Liabilities	9,039,369,672	4,197,595,745
Capital Stock	1,995,960,000	1,245,960,000
Deficit	(529,523,597)	(595,709,039)
Surplus Reserve	6,451,913	6,451,913
Remeasurements on Retirement Liability	13,325,787	663,492
Net Unrealized on Financial Asset at Fair Value through Other Comprehensive Income		93,680,482
Total Equity	1,486,214,103	751,046,848
Total Liabilities And Equity	10,525,583,775	4,948,642,593

All Amounts in Philippine Pesos

	2024	2023
Interest Income		
Loans and Receivable	785,012,077	170,399,025
Financial Asset at Fair Value through other Comprehensive Income	-	341,955,350
Due from Bangko Sentral ng Pilipinas and other Banks	115,070,553	53,367,443
Securities Purchased under Resale Agreement	28,036,802	10,287,716
Investment Securities at Amortized Cost	-	728,528
	928,119,432	576,738,062
Interest Expense		
Deposit Liabilities	334,862,960	147,749,427
Interbank Loans Payable	-	-
	338,270,316	151,008,360
Net Interest Income	589,849,116	425,729,702
Service Fees and Commission Expense	22,130,947	13,891,603
Service Fees and Commission Income	8,151,062	7,298,857
Net Service Fees and Commission Expense	(13,979,885)	(6,592,746)
Profit from Assets Sold	7,891,552	4,207,636
Miscellaneous	18,412,570	13,670,925
Total Operating Income	602,173,353	437,315,517
Operating Expenses		
Compensation and Fringe Benefits	105,015,854	95,416,233
Security, Messengerial and Janitorial	69,014,694	48,266,816
(Recovery from) Provision for Credit and Impairment Losses	65,588,475	37,889,869
Taxes and Licenses	55,516,696	36,035,260
Depreciation and Amortization	28,397,978	34,443,600
Information Technology	30,543,460	21,793,527
Transportation and Travel	31,413,868	17,218,625
Insurance	14,492,050	9,918,141
Power, Light and Water	7,787,583	9,286,052
Occupancy and Equipment-Related	5,380,426	7,455,227
Communication	3,707,363	3,544,284
Management and Professional Fees	2,364,001	3,415,234
Entertainment, Amusement, and Recreation	128,628	1,164,719
Miscellaneous	72,224,008	22,552,569
Total Operating Expense	491,575,084	348,400,156
Income Before Income Tax	110,598,269	88,915,361
Provision for Income Tax	44,412,825	25,711,193
Net Income (Loss)	66,185,444	63,204,168

4. RISK MANAGEMENT FRAMEWORK ADOPTED

A. OVERALL RISK MANAGEMENT CULTURE AND PHILOSOPHY

Legazpi Savings Bank (LSB) is committed to delivering inclusive, sustainable, and value-driven retail financial services to its stakeholders. As the Bank pursues its strategic objectives, risk management remains a cornerstone of its operations, ensuring that risks are prudently identified, assessed, and managed in alignment with regulatory expectations and sound banking practices.

The Bank's risk management philosophy is anchored on the following principles:

1. **Adherence to International Standards**

Risk management practices are aligned with internationally accepted principles, regulatory requirements, and industry best practices, ensuring consistency in the Bank's day-to-day operations and strategic decision-making.

2. **Proactive and Prudent Risk-Taking**

The Bank actively anticipates potential risks, implements controls and safeguards that balance risk-taking with resilience, sustainable growth, sound capitalization and profitability.

3. **Institutionalizing a Risk-Aware Culture**

The Bank fosters a culture of risk awareness by upholding the highest standards of professionalism, ethics, and integrity. This includes strengthening internal controls, promoting accountability, and ensuring the effective use of capital and resources.

To embed a strong risk management culture, the Bank implements the **Three Lines of Defense model**:

1. **First Line of Defense – Business and Service Units**

Responsible for day-to-day risk management, ensuring that internal controls are observed and that operations comply with enterprise-wide policies and procedures. Senior Management ensures consistent adherence to the ERM framework.

2. **Second Line of Defense – Risk Management Unit (RMU) and Compliance Unit**

- The **RMU** oversees the implementation of the ERM framework, designs risk assessment tools, coordinates risk activities, and consolidates reports for the Risk Management Committee (RMC) and Senior Management.
- The **Compliance Unit** conducts independent assessments of the Bank's adherence to laws, regulations, and internal policies, identifying areas that may result in operational losses due to non-compliance.

3. **Third Line of Defense – Internal Audit**

Provides independent assurance on the adequacy and effectiveness of the overall risk management framework and governance structures. Reports directly to the **Board of Directors** through the **Audit Committee**.

B. RISK APPETITE AND STRATEGY

The Bank adopts an overall low to moderate risk appetite for the Bank's aggregated and total financial and non-financial risk exposures. The Bank's appetite for credit risk, market, liquidity, interest rate risk, business and strategic risk, reputational risk, conduct risk, and operational risk are detailed below:

Risk Area	LSB Risk Appetite Statements
1. Credit Risk (Portfolio Asset Quality)	The Bank shall ensure to maintain a moderate level of non-performing loans (NPLs), and make certain that the amounts of loss reserves are sufficient to cover the NPL and ROPA levels
2. Credit Risk (Regulatory Limits, Credit Counterparty Risk & Credit Concentration)	The Bank has zero tolerance for non-compliance to regulatory risk but moderate risk appetite for ceilings on credit risk. For Credit Risk Concentration Risk, since the Bank strategies are mainly focused on DepEd APDS Loans, the bank will be exposed to credit concentration on Salary Based General Consumption loans which the bank recognizes and accepts said inherent risk.
3. Credit Risk (Environmental and Social Risk)	The Bank has a low credit risk appetite for industries or sectors with material E&S risks which the Bank has sustainability goals, considering that most exposures are geared toward Teacher's Loans.
4. Liquidity Risk	The Bank aims to meet regulatory and internal requirements on liquidity in terms of the ability to meet current and prospective obligations when they come due without incurring unacceptable losses or costs, thus a moderate liquidity risk appetite for the bank.
5. Interest Rate Risk	The bank has a moderate risk appetite for losses due to adverse movements in the interest rates as measured by the impact on the Bank's net interest income and the underlying value of assets, liabilities, and off-balance sheet instruments
6. Business Strategic Risk	The Bank has a moderate risk appetite for losses to earnings or capital, whether current or prospective, due to adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes in business conditions.
7. Reputational Risk	The Bank has a very low appetite for reputational risk and takes immediate action to resolve clients' complaints, local and overseas regulatory concerns, and high-risk issues.
8. Conduct Risk	The Bank has low risk appetite for incidents involving improper business practices. The Bank nurtures a culture of high ethical and moral standards among employees where the tone is set at the top for conducting business with honesty, decency, fairness, and integrity.
9. Operational Risk	The Bank has a <u>moderate risk appetite</u> for losses relative to operational risk. The Bank strives to mitigate risks with annual aggregated operational risk losses not to exceed 15% of gross income per year. The Bank has zero tolerance for any loss incident of catastrophic proportions.

With the merger between Robinsons Bank, the former parent bank of Legazpi Savings, and Bank of the Philippine Islands, the surviving bank, the bank aims to align with and directly report to BPI's Risk Management Office in terms of its risk-related initiatives. Legazpi Savings adopts a forward-looking and dynamic risk management framework.

As the bank continues to push for its aggressive growth, significant risk management initiatives were undertaken during the year which include continuous adherence to the new accounting standard by adopting the IFRS 9 – Financial Instruments Recognition and Measurement particularly on the adoption of Expected Credit Loss (ECL). The bank ensures that assumptions were regularly enhanced to include most recent economic outlook considering the recent impact of the pandemic.

C. RISK GOVERNANCE STRUCTURE

The Bank's risk management function is led by the Subsidiary Risk Officer (SRO) / Chief Risk Officer (CRO) of LSB, who is responsible for overseeing the implementation of the risk management framework across all risk areas. The SRO/CRO operates with independence and formal authority and directly reports to the Risk Management Committee (RMC) of the Board of Directors of LSB. With LSB being a subsidiary of BPI that operates an enterprise risk management framework, the LSB SRO/CRO also reports to the Chief Risk Officer of the Bank of the Philippine Islands (BPI). This dual reporting line ensures strategic alignment and consistency in risk management practices with the parent bank and reinforces the integrity of the Bank's risk oversight function.

The Bank's risk governance framework is supported by a dedicated team of risk professionals and is guided by the following governance bodies:

- **The Board of Directors**
Sets the overall risk appetite of the Bank and approves the risk management strategy, ensuring that risk considerations are embedded in strategic decision-making.
- **Senior Management and Board-Level Committees**
Responsible for the implementation and enforcement of risk policies, ensuring that controls are effectively applied and aligned with the Bank's strategic objectives.

This governance structure ensures that risk management is integrated across all levels of the organization, promoting a culture of accountability, transparency, and proactive risk oversight.

Integration into the BPI Group and Risk Governance Alignment

Following the merger of Robinsons Bank and the Bank of the Philippine Islands (BPI), which took effect on January 1, 2024, LSB officially became a subsidiary of the BPI banking group. As part of this transition, LSB's Risk Management Unit (RMU) began aligning its risk management practices with those of its new parent bank to ensure consistency, efficiency, and regulatory compliance across the group.

This alignment includes direct coordination with BPI's Risk Management Office, enabling the Bank to adopt group-wide standards, methodologies, and tools for risk identification, assessment, monitoring, and reporting. The integration also supports the enhancement of LSB's risk culture and operational resilience.

In line with this strategic shift, the Bank's risk governance structure and committee composition underwent key changes to reflect BPI's enterprise-wide risk management framework. These changes ensure that risk oversight is harmonized across the group and that LSB's risk management practices remain responsive to evolving regulatory and market expectations.

This comprehensive and evolving risk management framework reflects the Bank's continued commitment to:

- Sound corporate governance
- Regulatory compliance
- Sustainable and risk-aware growth

It ensures that risk considerations are embedded at all levels of decision-making and that the Bank remains resilient and agile in a dynamic financial environment.

D. AML RISK GOVERNANCE AND CULTURE STRUCTURE

At Legazpi Savings Bank, the commitment to Anti-Money Laundering (AML) governance and culture begins with the tone set at the top. Its leadership is dedicated to fostering a robust AML framework that ensures the integrity and security of its financial operations.

Audit Committee

The Audit Committee, a board-level committee, holds the primary responsibility for AML oversight. This committee ensures that its AML policies and procedures are effectively implemented and adhered to across all levels of the organization.

Anti-Money Laundering Committee (AML Committee)

The AML Committee operates at the management level and is tasked with the critical role of approving the filing of suspicious transaction reports. This committee ensures that any potential money laundering activities are promptly identified and reported.

ML/TF Risk Management Framework

The Bank's comprehensive Money Laundering (ML) and Terrorist Financing (TF) risk management framework is designed to prevent the misuse of the Bank for illicit activities. This framework is structured around three lines of defense:

First Line of Defense: Branches/Units

Branches and units serve as the first line of defense. They are responsible for the customer onboarding process, which includes face-to-face interactions, know-your-customer (KYC) procedures, negative file screening, and customer risk assessments. Additionally, branches and units monitor transactions to detect any unusual or suspicious activities.

Second Line of Defense: Compliance Unit

The Compliance Unit acts as the second line of defense. This unit is responsible for generating and reporting covered transaction reports. It also conducts independent compliance testing of branches and units to ensure adherence to AML policies and procedures.

Third Line of Defense: Internal Audit

Internal Audit functions as the third line of defense. This team conducts thorough audits of branches, units and the AML framework of the Bank to evaluate the effectiveness of AML controls and to identify any areas for improvement.

MTPP Manual

The Bank is guided by its Money Laundering and Terrorist Financing Prevention Program (MTPP) Manual, which is aligned with its parent bank, the Bank of the Philippine Islands. This manual is regularly updated to reflect the latest laws and regulatory issuances, ensuring that the AML framework remains current and effective.

By maintaining a strong AML governance structure and a comprehensive risk management framework, the Bank is committed to preventing the use of its services for money laundering and terrorist financing activities. The Bank continuously strives to enhance its AML capabilities to safeguard the financial system and uphold the trust of its customers and stakeholders.

5. CORPORATE GOVERNANCE

A. OVERALL CORPORATE GOVERNANCE STRUCTURE AND PRACTICES

The Bank's corporate governance structure and practices are meticulously aligned with the Bangko Sentral ng Pilipinas (BSP) Manual of Regulations for Banks (MORB) Section 132, the General Banking Law of 2000, and the Revised Code on Corporate Governance. In addition, they are harmonized with the governance standards of its parent institution, the Bank of the Philippine Islands (BPI).

These frameworks collectively uphold the highest standards of integrity, accountability, and transparency, ensuring that the Bank operates with sound governance principles across all levels of its organization.

Board of Directors

The Board of Directors is the cornerstone of the Bank's corporate governance structure. Comprising experienced and qualified individuals, the Board is responsible for setting the strategic direction of the Bank and overseeing its overall performance. The Board ensures adherence to all regulatory requirements and best practices in corporate governance.

Audit Committee

The Audit Committee, a key component of the Board, plays a crucial role in maintaining the integrity of financial reporting and internal controls. This committee oversees the internal and external audit

functions, ensuring that all financial statements are accurate and comply with applicable laws and regulations. The Audit Committee also oversees the Compliance function including compliance with laws and regulations on Anti-Money Laundering and Data Protection.

Risk Management Committee

The Risk Management Committee is tasked with identifying, assessing, and mitigating risks that could impact the Bank's operations. This committee ensures that the Bank has robust risk management policies and procedures in place, aligned with the General Banking Law of 2000 and BSP regulations.

Corporate Governance Committee

The Corporate Governance Committee is responsible for developing and recommending governance policies and practices to the Board. This committee ensures that the Bank's governance framework is in line with the Revised Code on Corporate Governance, promoting ethical conduct and compliance with all relevant laws and regulations.

B. SELECTION PROCESS FOR THE BOARD AND SENIOR MANAGEMENT

The Bank's selection process for the Board and Senior Management is designed to ensure the application of fit and proper standards, in alignment with BSP MORB Section 132, the General Banking Law of 2000, and the Revised Code on Corporate Governance. This rigorous process guarantees that only individuals with the highest qualifications and integrity are appointed to these critical roles.

Identification and Assessment

The identification and assessment of candidates for the Board and Senior Management begins with a thorough evaluation of their qualifications, experience, and reputation. The Bank seeks individuals who have demonstrated excellence in their respective fields and possess a deep understanding of the banking industry.

- 1. Qualifications:** Candidates must meet the qualifications outlined in BSP MORB Section 132, which include a relevant educational background, professional experience, and a track record of ethical conduct.
- 2. Experience:** The General Banking Law of 2000 emphasizes the importance of experience in banking and finance. Candidates are assessed based on their previous roles and contributions to the industry.
- 3. Reputation:** The Revised Code on Corporate Governance requires that candidates have a reputation for integrity and ethical behavior. This is verified through background checks and references.

Selection Procedure

The selection procedure involves multiple stages to ensure a comprehensive evaluation of each candidate:

1. **Initial Screening:** Potential candidates undergo an initial screening based on their resumes and professional profiles. This step ensures that candidates meet the basic qualifications and fit the Bank's strategic needs.
2. **Detailed Evaluation:** Shortlisted candidates undergo a detailed evaluation, which includes interviews, reference checks, and assessments of their past performance. This evaluation focuses on their ability to contribute to the Bank's goals and uphold its values.
3. **Final Approval:** The final selection of candidates is subject to approval by the Board of Directors. The Board reviews the evaluations and ensures that the selected individuals align with the Bank's governance standards and regulatory requirements.

Fit and Proper Standards

The Bank adheres to fit and proper standards as mandated by BSP MORB Section 132, the General Banking Law of 2000, and the Revised Code on Corporate Governance. These standards ensure that appointed individuals possess the necessary competence, integrity, and commitment to fulfill their roles effectively.

1. **Competence:** Candidates must demonstrate a high level of competence in their field, including knowledge of banking regulations, risk management, and corporate governance.
2. **Integrity:** The Bank prioritizes integrity, requiring candidates to have a history of ethical behavior and compliance with legal standards.
3. **Commitment:** Selected individuals must show a strong commitment to the Bank's mission and values, ensuring they will act in the best interests of the Bank and its stakeholders.

By implementing a robust selection process and adhering to fit and proper standards, the Bank ensures that its Board and Senior Management are composed of highly qualified and ethical individuals. This commitment to excellence in governance supports the Bank's long-term success and stability.

C. BOARD'S OVERALL RESPONSIBILITY

The Board of Directors holds the ultimate responsibility for the sound and prudent management of the Bank. It plays a pivotal role in setting a strategic direction and ensuring that the Bank operates in a safe, ethical, and sustainable manner. The Board is entrusted with the approval and oversight of the Bank's strategic objectives, risk appetite, corporate governance framework, and core values.

In fulfilling its mandate, the Board:

- **Approves the Bank's Strategic Objectives:** The Board reviews and endorses the long-term vision, mission, and strategic goals of the Bank. It ensures that these objectives align with the interests of stakeholders and are responsive to the evolving market and regulatory landscape.
- **Oversees Risk Strategy and Appetite:** The Board defines the Bank's risk appetite and ensures that a robust risk management framework is in place. It monitors the effectiveness of risk controls and ensures that risks are identified, assessed, and managed within acceptable parameters.

- **Ensures Strong Corporate Governance:** The Board is committed to upholding the highest standards of corporate governance. It establishes clear roles and responsibilities, promotes accountability and transparency, and ensures compliance with legal and regulatory requirements.
- **Promotes Ethical Conduct and Corporate Values:** The Board sets the tone at the top by fostering a culture of integrity, professionalism, and ethical behavior. It ensures that the Bank's core values are embedded in its operations, decision-making processes, and stakeholder interactions.
- **Monitors Management Performance:** The Board provides oversight of senior management, ensuring that their actions are aligned with the Bank's strategic goals and risk appetite. It evaluates management's performance and succession planning to ensure leadership continuity and effectiveness.

Through these responsibilities, the Board ensures that the Bank remains resilient, competitive, and responsive to the needs of its customers, shareholders, and the broader community.

D. ROLE AND CONTRIBUTION OF DIRECTORS AND THE CHAIRMAN OF THE BOARD

The Bank's governance framework is designed to ensure that the roles and contributions of executive, non-executive, and independent directors, as well as the Chairman of the Board, are clearly defined and aligned with the BSP MORB Section 132, the General Banking Law of 2000, and the Revised Code on Corporate Governance. This structure promotes effective oversight, strategic guidance, and accountability.

Executive Director

The President is the sole executive director and is actively involved in the day-to-day operations of the Bank. The President's contributions include:

1. **Strategic Implementation:** The President is responsible for implementing the strategic objectives set by the Board. They ensure that the Bank's operations align with its long-term goals and regulatory requirements.
2. **Operational Management:** The President oversees various departments and functions within the Bank, ensuring efficient and effective management of resources.
3. **Risk Management:** The President plays a key role in identifying and mitigating risks, ensuring that the Bank operates within its risk appetite and complies with regulatory standards.

Non-Executive Directors

Non-executive directors are not involved in the daily operations of the Bank but provide independent oversight and strategic guidance. Their contributions include:

1. **Independent Judgment:** Non-executive directors bring an objective perspective to Board discussions, helping to ensure balanced decision-making.
2. **Governance Oversight:** They monitor the performance of executive management and ensure that the Bank adheres to high standards of corporate governance.

- 3. Stakeholder Interests:** Non-executive directors represent the interests of shareholders and other stakeholders, ensuring that the Bank's actions align with its corporate values and objectives.

Independent Directors

Independent directors are non-executive directors who meet specific independence criteria to ensure impartiality. Their contributions include:

- 1. Objective Oversight:** Independent directors provide unbiased oversight of the Bank's management and operations, free from any conflicts of interest.
- 1. Regulatory Compliance:** They ensure that the Bank complies with all relevant laws and regulations, including those set forth by the BSP MORB Section 132 and the General Banking Law of 2000.
- 2. Ethical Standards:** Independent directors uphold the highest ethical standards, promoting transparency and accountability within the Bank.

Chairman of the Board

The Chairman of the Board plays a pivotal role in leading the Board and ensuring its effectiveness. The chairman's contributions include:

- 1. Leadership:** The Chairman provides leadership to the Board, facilitating effective discussions and decision-making processes.
- 2. Strategic Direction:** The Chairman ensure that the Board sets and adheres to the strategic direction of the Bank, aligning with its long-term goals and regulatory requirements.
- 3. Board Coordination:** The Chairman coordinates the activities of the Board, ensuring that all directors contribute effectively to the governance of the Bank.

By clearly defining the roles and contributions of the President as the executive director, the non-executive, and independent directors, as well as the Chairman of the Board, the Bank ensures a robust governance framework that promotes accountability, transparency, and strategic alignment. This structure supports the Bank's commitment to maintaining high standards of corporate governance and achieving long-term success.

E. BOARD COMPOSITION

The table below presents a comprehensive overview of the current composition of the company's Board of Directors. It outlines each director's classification—whether executive, non-executive, or independent—along with their tenure and shareholding status. The board reflects a balanced and diverse governance structure, combining seasoned leadership with fresh perspectives. Notably, all directors hold only a nominal number of shares, underscoring their primary role in strategic oversight rather than equity ownership. It is also important to highlight a recent change in board membership: Jenelyn Z. Lacerna has joined the board, succeeding Maria Josephine M. Ocampo, who retired on September 30, 2024.

Name of Director	Type of Directorship	Principal Stockholder Represented	Years Served as Director	Direct or Indirect Shares	% of Total Outstanding Shares
Elfren Antonio S. Sarte, Jr.	Non-Executive	N/A	10 years	1	0.00%
Jerome B. Minglana	Executive	N/A	1 year	1	0.00%
Mykel D. Abad	Non-Executive	N/A	12 years	1	0.00%
Maria Cristina L. Go	Non-Executive	N/A	1 year	1	0.00%
Jenelyn Z. Lacerna *	Non-Executive	N/A	3 months	1	0.00%
Eric Roberto M. Luchangco	Non-Executive	N/A	1 year	1	0.00%
Ernesto C. Santiago	Independent	N/A	2 years	1	0.00%
Jocelyn C. Sta. Ana	Independent	N/A	1 year	1	0.00%
Maria Dolores B. Yuvienco	Independent	N/A	1 year	1	0.00%

* Replaced Maria Josephine M. Ocampo, who retired on 30-Sept-2024.

F. BOARD QUALIFICATIONS

The Bank's Board of Directors comprises individuals with diverse qualifications and extensive experience in the banking, finance, corporate governance, and strategic leadership. Each member brings a unique perspective and a strong commitment to the Bank's mission, ensuring sound oversight and strategic direction.

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Collective Expertise

The Board collectively possesses:

- Extensive experience in banking and financial services
- Proven leadership in executive and governance roles
- Strong academic credentials from reputable institutions
- Active involvement in regulatory, industry, and community organizations

Individual Profiles

Each director's qualifications include:

- **Elfren Antonio S. Sarte, Jr.** – Non-Executive Chairman
Former President and CEO of Robinsons Bank Corp.; EVP at BPI; Director at BancNet, Inc.; Chair of multiple financial institutions.
- **Jerome B. Minglana** – Executive Director, President
SVP at BPI; Former President of BPI Direct BanKo; seasoned in retail banking and strategic operations.
- **Mykel D. Abad** – Non-Executive Director
SVP at BPI; Former President of Legazpi Savings Bank; expert in physical channels and branch operations.

- **Maria Cristina L. Go** – Non-Executive Director
EVP at BPI; Harvard Business School graduate; former President of BPI Family Bank; leadership roles at Citibank and Ayala Land.
- **Jenelyn Z. Lacerna** – Non-Executive Director
SVP at BPI; extensive experience in remittance and retail banking; leadership roles at American Express and Citibank Thailand.
- **Eric Roberto M. Luchangco** – Non-Executive Director
SVP at BPI; CFO and Chief Sustainability Officer; background in investment banking and corporate finance.
- **Ernesto C. Santiago** – Independent Director
Former CEO and Chairman of St. Peter Life Plans; extensive experience in credit management and financial planning.
- **Jocelyn C. Sta. Ana** – Independent Director
Former executive at Ayala Investment and BPI; credit, governance and investment management expertise.
- **Maria Dolores B. Yuvienco** – Independent Director
Former BSP official with 41 years of service; CPA and Career Executive Service Professional; governance and audit expert.

G. LIST OF BOARD-LEVEL COMMITTEES

As part of our commitment to robust governance and effective oversight, we have established several key board-level committees. Each committee plays a vital role in ensuring the integrity and success of our organization. Below is a summary of these committees, their membership, and their primary functions:

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Risk Management Committee

- **Membership:** two (2) Independent Directors and one (1) Non-Executive Director
- **Function:** The Risk Management Committee is responsible for identifying, assessing, and managing potential risks that could impact the organization's strategic objectives and financial performance. This committee ensures that risk management policies and procedures are effectively implemented and regularly reviewed.

Corporate Governance Committee

- **Membership:** two (2) Independent Directors and one (1) Non-Executive Director
- **Function:** The Corporate Governance Committee ensures the implementation of effective corporate governance practices. It is tasked with identifying and nominating qualified candidates

for board membership, overseeing board effectiveness through self-assessment, and ensuring compliance with governance standards and regulations.

Audit Committee

- **Membership:** two (2) Independent Directors and one (1) Non-Executive Director
- **Function:** The Audit Committee oversees the integrity of the financial reporting process, internal controls, and external audits. This committee ensures that financial statements are accurate and comply with legal and regulatory requirements. It also monitors the performance of internal and external auditors.

H. DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Board Meeting

In 2024, all members of the Board substantially complied with the attendance requirement and actively participated in the deliberations on matters taken up during the regular and/or special meetings.

	Board of Directors	Number of Meetings Held	Number of Meetings Attended
1	Elfren Antonio S. Sarte, Jr.	13	13
2	Jerome B. Minglana	13	13
3	Mykel D. Abad	13	12
4	Maria Cristina L. Go	13	13
5	Jenelyn Z. Lacerna *	13	2
6	Eric Roberto M. Luchangco	13	9
7	Ernesto C. Santiago	13	13
8	Jocelyn C. Sta. Ana	13	13
9	Maria Dolores B. Yuvienco	13	13
10	Maria Josephine M. Ocampo	13	10

* Replaced Maria Josephine M. Ocampo, who retired on 30-Sept-2024.

Corporate Governance Committee Meeting

The Committee holds regular meetings and may call for special meetings as deemed necessary. To properly evaluate its performance, the Committee meetings are properly and duly minuted.

	Board of Directors	Number of Meetings Held	Number of Meetings Attended
1.	Jocelyn C. Sta. Ana	4	4
2.	Elfren Antonio S. Sarte, Jr.	4	4
3.	Ernesto C. Santiago	4	4

Risk Oversight Committee Meeting

The Board has appointed three (3) members of the Committee who possess a broad range of expertise as well as adequate knowledge of the Bank's risk exposures which enable them to develop appropriate strategies for preventing losses when they occur. The committee members meet regularly and may call for special meetings whenever necessary.

	Board of Directors	Number of Meetings Held	Number of Meetings Attended
1.	Maria Dolores B. Yuvienco	7	7
2.	Maria Cristina L. Go	7	7
3.	Jocelyn C. Sta. Ana	7	6

Audit Committee Meeting

The Committee holds regular meetings and may call special meetings upon the request of the Chairperson or by at least two (2) of its members, which proceedings are duly minuted.

	Board of Directors	Number of Meetings Held	Number of Meetings Attended
1.	Ernesto C. Santiago	5	5
2.	Mykel D. Abad	5	4
3.	Maria Dolores B. Yuvienco	5	5

I. LIST OF EXECUTIVE OFFICERS/SENIOR MANAGEMENT

As of December 31, 2024, LSB's executive team comprises highly qualified and experienced professionals dedicated to steering the bank towards continued success.

Name	Position and Rank
Jerome B. Minglana	President
Erlinda O. Del Villar	Finance Head, Vice President
Eleanor Leni M. Ante	Treasurer, Assistant Vice President
Victor C. Dela Cruz Jr.	Branch Channels & Enterprise Services Head, Assistant Vice President
Rean Apdua	Branch Banking Head, Assistant Vice President
Gyrasyr Marasigan	Agency Sales Head, Vice President
Adrian T. Llana	Credit Cycle & Enabling Services Head, Vice President
Jason-Dennis R. Sambitan	Technology Head, Vice President
Abundio B. Blanquisco Jr.	Bank Operations Head, Assistant Vice President
Mary Rose R. Samaniego	Product Marketing Officer, Senior Manager
Nabeel Paolo M. Gatchalian	Product and Segment Officer, Assistant Vice President
Kareen R. Villareal	Chief Risk Officer, Assistant Vice President
Elmer D. Borres	Chief Compliance Officer, Assistant Vice President
Dante M. Delos Santos	Data Privacy Officer, Assistant Vice President

J. PERFORMANCE ASSESSMENT PROGRAM

The Bank's Performance Assessment Program is designed to evaluate the effectiveness of the Board and Senior Management in achieving the Bank's strategic objectives. The assessment process ensures that performance standards are consistently applied and that the Bank operates with high standards of integrity, accountability, and transparency.

Assessment Process

The Bank adopts a comprehensive and systematic approach to assess the performance of the Board and Senior Management. The process includes the following key steps:

1. **Establishment of Performance Standards:** The Bank sets clear and measurable performance standards that are consistent with its strategic objectives. These standards cover various aspects of governance, risk management, financial performance, and compliance with regulatory requirements.
2. **Regular Evaluations:** The performance of the Board and Senior Management is evaluated regularly, typically on an annual basis. This evaluation includes both self-assessments and peer reviews to ensure a balanced and objective assessment.
3. **Use of Performance Metrics:** The Bank employs a range of performance metrics to assess the effectiveness of the Board and Senior Management. These metrics include financial indicators, risk management outcomes, compliance with governance standards, and achievement of strategic goals.
4. **Feedback Mechanism:** The assessment process incorporates feedback from various stakeholders, including shareholders, employees, and regulatory bodies. This feedback is used to identify areas for improvement and to enhance the overall effectiveness of the Board and Senior Management.
5. **Action Plans:** Based on the assessment results, the Bank develops action plans to address any identified gaps or areas for improvement. These plans are implemented to ensure continuous enhancement of governance practices and alignment with strategic objectives.

By implementing a robust Performance Assessment Program, the Bank ensures that its Board and Senior Management are effectively contributing to the achievement of strategic objectives. This commitment to excellence in governance supports the Bank's long-term success and stability.

ORIENTATION AND EDUCATION PROGRAM

The Bank is committed to ensuring that its directors and senior management continuously possess the necessary qualifications and skills to effectively fulfill their roles. To achieve this, the Bank has implemented a comprehensive Orientation and Education Program that includes both in-house and external training initiatives. This program is designed to keep our leadership team updated on the latest developments in corporate governance, risk management, and sustainability.

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In-House Training Programs

The Bank offers a variety of in-house training programs tailored to the specific needs of its directors and senior management. These programs cover a wide range of topics, including:

1. **Corporate Governance:** Training sessions on the roles and responsibilities of directors, fiduciary duties, standards of conduct, and conflicts of interest.
2. **Risk Management:** Workshops on identifying, assessing, and mitigating risks, as well as understanding regulatory requirements and industry trends.
3. **Compliance:** Regular updates on compliance management, including AML regulations, and the latest developments in banking laws and regulations.
4. **Strategic Planning:** Sessions focused on strategic planning, financial performance, and operational management to align with the Bank's long-term goals.

These in-house training programs are designed to provide high-quality education in an easy-to-follow format, utilizing visual aids, written materials, and interactive sessions to enhance learning.

External Training Programs

In addition to in-house training, the Bank encourages its directors and senior management to participate in external training programs. These programs offer opportunities to gain insights from industry experts and stay abreast of global best practices. Key external training initiatives include the 2024 Ayala Integrated Corporate Governance, Risk Management, and Sustainability Summit and AML Online Training provided by the AMLC.

K. RETIREMENT AND SUCCESSION POLICY

The Bank's Retirement and Succession Policy is designed to ensure a smooth transition of leadership while maintaining the highest standards of governance. It outlines the retirement age for the Board and senior management, as well as the term limits for Board members.

Retirement Age

The Bank has established a mandatory retirement age to promote dynamism and avoid perpetuation in power. The retirement age for the Board and senior management is set at 65 years. This policy ensures that leadership positions are regularly refreshed, allowing for new perspectives and ideas to drive the Bank's strategic objectives.

Term Limits

Except for independent directors who are subject to maximum term limit to remain so, directors may remain on the Board for as long as he/ she remains to be physically and mentally fit and proper for the position of a director, able to discharge his duties pursuant to regulatory requirements for banks. Independent directors have a maximum term limit to ensure impartiality and independence in their oversight roles.

Succession Planning

The Bank's succession planning process is designed to identify and develop future leaders who can effectively take on key roles within the organization. This process includes:

1. **Talent Identification:** The Bank proactively identifies high-potential individuals within the organization who demonstrate the skills and competencies required for leadership positions.
2. **Development Programs:** These individuals are enrolled in development programs that provide training, mentorship, and exposure to various aspects of the Bank's operations. This ensures they are well-prepared to assume leadership roles when needed.
3. **Succession Readiness:** The Bank regularly assesses the readiness of potential successors, ensuring that there is a pool of qualified candidates available to step into key positions. This assessment includes evaluating their performance, leadership capabilities, and alignment with the Bank's strategic objectives.

Filling Vacancies

For succession, replacement, or vacancy, the Bank's by-Laws provide that vacancies in the Board may be filled by appointment or election of the remaining directors, if still constituting a quorum; otherwise, the stockholders shall fill such vacancy in a regular meeting called for this purpose.

Retirement Plan for Senior Management

Senior Management, excluding seconded employees from BPI, are covered by LSB's Stand Alone Retirement Plan - a non-contributory defined benefit scheme. This Plan includes provisions for early, optional retirement, and compulsory retirement, as well as resignation benefits based on established criteria.

Succession Management Program

The Bank has a Succession Management Program for Senior Management whereby high potential candidates from critical functions were identified by the incumbent officers and, in coordination with the Human Resources Management Department, came up with an Individual Advancement Planning Process to prepare such candidates to take on the critical positions in case of vacancies. The development plan is updated annually.

By implementing a robust Retirement and Succession Policy, the Bank ensures a seamless transition of leadership while maintaining strong governance practices. This commitment to excellence supports the Bank's long-term success and stability.

L. RENUMERATION POLICY FOR EMPLOYEES

The Bank's employee's compensation structure is designed to be at par with the prevailing banking industry rates. The compensation package is composed of guaranteed compensation, inclusive of statutory and company-initiated bonuses.

Its policy is pay for performance or meritocracy, highlighted by a competitive salary scale, Performance Level Ranking (formerly known as Annual Merit Increase), and employee promotion which are hinged on employee performance and attainment of the Bank's Key indicator.

Competitive fringe benefit programs such as various types of leave benefits, uniform assistance, and financial assistance programs in the form of employee bereavement assistance, personal loan,

motorcycle loan, car plan loan, and housing loan are provided to eligible employees aimed to assist them in their time of financial need and to improve their standard of living. The health and well-being of the employees are given importance in the form of Group Hospitalization Plan or HMO Card, the Group Life Insurance and Personal Accident Insurance and Hazard Pay.

M. RELATED PARTY TRANSACTIONS POLICY

In compliance with BSP Circular No. 895, as amended, the Bank ensures that all related party transactions (RPTs) are subject to appropriate review and approval process. Depending on the materiality of the transaction, these are vetted by either the LSB Management Vetting Committee (MVCom), the Board-level Corporate Governance Committee, or the BPI Related Party Transaction Committee prior to implementation.

LSB's Board-level Corporate Governance Committee is composed of three independent and /or non-executive directors, majority of whom are independent, including the Chairperson. The MVCom, on the other hand, is composed of the President, Heads of Finance, Enterprise Services and Credit Cycle & Enabling Services. The Chief Risk Officer serves as the Secretariat of the MVCom, providing support in carrying out its roles and responsibilities as defined in the charter.

The committees evaluate the fairness and reasonableness of the terms of the RPT. This process is designed to ensure that all RPTs are conducted on an arm's length (i.e. considers whether the RPT is entered into on terms no less favorable to the Bank than terms generally available to non-related parties under the same or similar circumstances). This process is designed to safeguard the interests of the Bank and its stakeholders.

Following the vetting process, all related party transactions are submitted for final approval by the Bank's Board of Directors.

The Bank's RPT Policy defines "related parties" to include the directors, officers, stockholders, and related interests (DOSRI) of the Bank, as well as their close family members. It also covers counterparties in affiliated companies, subsidiaries, and affiliates, and any entity over which the Bank exercises control or which exercises control over the Bank.

N. SELF-ASSESSMENT FUNCTION

COMPLIANCE

In line with its commitment to uphold the safety and soundness of the Philippine banking system, the Bangko Sentral ng Pilipinas (BSP) issued Circular No. 747 – *Revised Compliance Framework for Banks*, as amended by Circular No. 972. This framework fosters an enabling policy and oversight environment rooted in high standards of corporate governance and best practices, jointly developed by the BSP and its supervised institutions.

To support this initiative, the Bank has established a robust, responsive, and contextually appropriate **Compliance Risk Management System** as a core element of its organizational culture and risk governance framework. This system reflects the shared responsibility and accountability of all employees, officers, and the Board of Directors.

A key component of this system is the Bank's strong compliance infrastructure. The **Board of Directors**, through the **Corporate Governance Committee**, exercises oversight over the implementation of compliance policies. It ensures that procedures are followed and that management takes corrective actions to address any breaches, failures, or control deficiencies identified.

To effectively manage compliance risk, the Board has instituted a dedicated **Compliance Function** and appointed a **Chief Compliance Officer (CCO)**, who serves as the lead operating officer for compliance matters. The **Senior Management** ensures adherence to applicable laws and regulations and, through the CCO, facilitates periodic reporting of compliance issues affecting the Bank.

All Bank employees are expected to conduct business with integrity and in full compliance with relevant laws, regulations, standards, and codes of conduct. This includes, but is not limited to:

- Managing conflicts of interest
- Ensuring proper accounting and recordkeeping
- Applying best practices
- Complying with tax laws
- Developing new products and electronic delivery channels
- Providing secure e-banking services
- Preventing money laundering, terrorist financing, and proliferation financing

The Bank's Compliance Risk Management Program is anchored on a structured approach that includes:

1. **Dissemination** of laws, rules, and regulations—including updates—by the Compliance Office to relevant operational areas.
2. **Self-assessment** by business units using the Compliance Self-Assessment Checklist to evaluate adherence to applicable requirements.
3. **Independent validation** of self-assessments conducted by the Compliance Office.
4. **Reporting** of exceptions and findings to the Audit Committee, with close monitoring of outstanding issues to ensure timely resolution.

The compliance program is subject to regular review and revision to incorporate new regulatory issuances and to enhance its effectiveness in achieving excellence in compliance and risk monitoring.

RISK MANAGEMENT

The Bank's Risk Management Function is guided by the regulatory standards set forth in the Bangko Sentral ng Pilipinas (BSP) Manual of Regulations for Banks (MORB), specifically Sections X173 and X174, which emphasize the importance of a sound risk governance framework in promoting the safety and soundness of the banking system

In alignment with BSP expectations, the Bank has established a comprehensive **Risk Management Framework** that ensures risks are identified, measured, monitored, and controlled across all levels of the organization. This framework is designed to be active, adequate, and responsive to the evolving risk landscape, and is anchored on the following key principles:

- **Board and Senior Management Oversight:** The Board of Directors, through its Risk Oversight Committee, provides strategic direction and oversight of the Bank's risk management activities.

Senior Management is responsible for implementing risk policies and ensuring that risk limits are observed across all business units.

- **Risk Identification and Assessment:** The Bank continuously identifies and assesses various risk exposures, including credit, market, liquidity, operational, legal, compliance, strategic, and reputational risks. This process is supported by robust risk assessment tools and methodologies.
- **Risk Monitoring and Reporting:** A dedicated Risk Management Unit (RMU) monitors risk exposures and ensures timely reporting to Senior Management and the Board. Risk dashboards and periodic risk reports provide insights into emerging risks and trends.
- **Risk Control and Mitigation:** The Bank employs internal controls, risk mitigation strategies, and contingency plans to manage and reduce risk exposures. These include credit underwriting standards, stress testing, scenario analysis, and business continuity planning.
- **Compliance with Regulatory Requirements:** The Risk Management Function ensures adherence to BSP regulations and other applicable laws. It supports the Bank's compliance with capital adequacy standards, liquidity requirements, and other prudential norms.
- **Integration with Strategic Planning:** Risk management is embedded in the Bank's strategic planning and decision-making processes, ensuring that risk considerations are factored into business growth and innovation initiatives.

The Bank remains committed to continuously enhancing its risk management capabilities to safeguard its financial stability and uphold public trust. Regular reviews and updates to the Risk Management Framework are undertaken to ensure its relevance and effectiveness in addressing current and emerging risks.

INTERNAL AUDIT

The BPI Internal Audit Division is an independent body that supports LSB Audit Committee in fulfilling its oversight responsibilities, by providing an objective assessment of the Company's risk management, internal controls, and governance processes, and evaluating compliance with internal procedures and regulatory requirements through well-established risk-based audit plans. The division is headed by the Chief Audit Executive (CAE), who reports directly to the Board through the Audit Committee. BPI Internal Audit has a board-approved charter that sets forth its independence, authority, duties, and responsibilities.

The annual audit plan, developed using the risk assessment model, is dynamic and approved by LSB Audit Committee. Internal Audit follows the COSO¹¹ and COBIT²² frameworks in assessing the effectiveness of the internal control system. Results of the audit are communicated to the Audit Committee on a quarterly basis. The Committee, in the discharge of its oversight responsibilities, reviews the audit reports prepared by Internal Audit, and ensures that significant matters are discussed,

¹ COSO - Committee of Sponsoring Organizations of the Treadway Commission

² COBIT - Control Objectives for Information and Related Technologies, a framework created by Information Systems Audit and Control Association for IT management and governance.

and senior management is taking the necessary corrective actions to address weaknesses, and non-compliance with policies, laws, and regulations.

Internal Audit has a quality assurance and improvement program that ensures conformance with the Institute of Internal Auditors' (IIA) International Standards and Code of Ethics. Based on the annual internal assessments and external assessments conducted by qualified validators, Internal Audit has consistently maintained a "generally conforms" rating, indicating continuous adherence to professional standards and ethical benchmarks.

O. DIVIDEND POLICY

Pursuant to the Bank's by-laws and subject to resolution of the Board of Directors, the Bank may declare dividends annually, provided the Bank has unrestricted retained earnings or surplus available for distribution. However, as of reporting date, the Bank has not declared any dividends. This is in accordance with existing laws, rules and regulations.

P. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

In line with BPI's enduring vision of *"Building a better Philippines—one family, one community at a time,"* Legazpi Savings Bank (LSB), now proudly part of the BPI family, actively participated in two impactful Corporate Social Responsibility (CSR) initiatives in 2024.

On June 19, 2024, LSB, in partnership with Banko, joined the **Brigada Eskwela Regional Kick-Off Ceremony** and Launching of **Oplan Balik Eskwela Helpdesk** held at Zeferino Arroyo High School in San Agustin, Iriga City. This event, hosted by the Schools Division Office (SDO) and the Local Government Unit (LGU) of Iriga City, brought together key education stakeholders from Region 5—including Schools Division Superintendents from Albay, Masbate, Sorsogon, and Camarines provinces—alongside representatives from LGUs, PNP, BJMP, and other education partners. Demonstrating its commitment to nation-building, BPI-LSB contributed cleaning materials and fresh coats of paint to support the Department of Education's school readiness efforts.

Further amplifying its community impact, BPI-LSB took part in the **2024 BPI Employee Volunteer Day Program**, where LSBankers joined hands to provide essential school supplies to 123 pupils from Grades 1 to 6 at Bagong Abre Elementary School in Legazpi City. Each student received a backpack filled with notebooks, pencils, crayons, and other learning essentials—generously donated by BPI HR and supported by LSB employees.

These initiatives reflect BPI-LSB's deep-rooted commitment to education, volunteerism, and community upliftment—igniting a spirit of service and solidarity among all LSBankers

Q. CONSUMER PROTECTION PRACTICES

Pursuant to **BSP Circular 857 - BSP Regulations on Financial Protection**, Legazpi Savings Bank upholds its commitment to safeguard the rights and interest of its clients by embedding customer protection principles into its corporate governance, risk management, and operational practices.

The BSP Framework outlines five key **Consumer Protection Standards**, which Banks must observe at all times:

1. **Disclosure and Transparency** – Ensuring clients are provided with clear, accurate, and timely information to make informed financial decisions.
2. **Fair Treatment** – Promoting equitable and respectful treatment of all clients, free from discrimination or abusive practices.
3. **Protection of Client Information** – Safeguarding the confidentiality and security of client data through robust information security protocols.
4. **Financial Education and Awareness** – Empowering clients through accessible financial literacy initiatives and resources.
5. **Effective Recourse** – Providing accessible, fair, and efficient mechanisms for resolving client complaints and concerns.

To operationalize these standards, LSB established and implemented its **Consumer Protection Risk Management System (CPRMS) Guidelines**. These guidelines have been periodically updated to clearly define the roles and responsibilities of various business units and to outline the risk management tools, processes, and procedures used to manage consumer protection risks.

The CPRMS aims to **identify, measure, monitor, and control** risks that may affect both the financial consumer and the Bank. This includes risks arising from product design, sales practices, service delivery, and complaint handling. By integrating consumer protection into its risk management framework, LSB ensures that client welfare remains a central consideration in all aspects of its operations.

These practices ensure that client welfare remains central to all operations.

6. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

Qualifying Capital (Amounts in PHP Millions)	2024	2023
Tier 1 Capital		
Paid-up common stock	1,495.96	1,245.96
Additional paid-in capital	500.00	-
Deposit for common stock subscription	-	-
Retained earnings	-570.26	-627.44
Undivided profits	69.27	60.08
Net Unrealized Gains or Losses on AFS Securities	-	-
Cumulative foreign currency translation	-	-
Others	0.66	3.23
Minority Interest	-	-
Less: Regulatory Adjustments		
DOSRI	-	-0.74
Deferred Income Tax	-71.99	-84.47
Goodwill	-	-
Other intangible assets	-2.07	-1.82
Investment in Subsidiary	-	-
Total Common Equity Tier 1 Capital	1,421.56	594.80
Additional Tier 1 Capital	-	-
Instruments issued by the Bank eligible as Capital	-	-
Total Tier 1 Capital	1,421.56	594.80
Less: Investment in Subsidiary - 50%	-	-
Net Tier 1 Capital	1,454.32	594.80
Tier 2 Capital		
Redeemable Preferred Stock	-	-
General Loan Loss Provision (GLLP)	32.75	7.85
Unrealized Gain AFS Equity Securities	-	-
Total Tier 2 Capital	32.75	7.85
Less: Investments in equity of unconsolidated subsidiary banks and quasi banks, and other financial allied undertakings - 50%	-	-
Net Tier 2 Capital	32.75	7.85
Total Gross Qualifying Capital	1,454.32	602.65
Less: Total Investment in Subsidiary	-	-
TOTAL QUALIFYING CAPITAL	1,454.32	602.65

Qualifying Capital (in Php Millions)	2024	2023
Tier 1 Capital	1,421.56	594.80
Common Equity Tier 1	1,421.56	594.80
Additional Tier 1 Capital	-	-
Tier 2 Capital	32.75	7.85
Gross Qualifying Capital	1,454.32	602.65
Less: Required Deductions	-	-
TOTAL GROSS QUALIFYING CAPITAL	1,454.32	602.65
RISK WEIGHTED ASSETS	8,692.58	3,868.22
Common Equity Tier 1 Ratio	16.35%	15.38%
Capital Conservation Buffer	10.35%	9.38%
Tier 1 Capital Ratio	16.35%	15.38%
Capital Adequacy Ratio	16.73%	15.58%

Credit Risk-Weighted Assets (in Php Millions)	2024	2023
Credit Risk-Weighted Asset		
Total Risk Weighted On-Balance Sheet Asset	8,029.05	3,282.43
Total Risk Weighted Off-Balance Sheet Asset	-	-
Total Counterparty Risk Weighted Assets in the Trading Book	-	-
Total Gross Risk-Weighted Assets	8,029.05	3,282.43
<u>Deductions:</u>		
General Loan Loss Provisions (in excess of the amount permitted to be included in Upper Tier 2)	-	-
Unbooked Valuation Reserves and Other Capital adjustments affecting asset accounts based on the latest report of examination as approved by the Monetary Board	-	-
Total Credit Risk-Weighted Assets	8,029.05	3,282.43

The capital requirements for Credit, Market and Operational Risks are provided below:

Capital Requirement (RWAs) in Php Millions	2024		2023	
	Risk Weighted Assets	Capital Charge	Risk Weighted Assets	Capital Charge
Credit Risk	8,029.05	802.90	3,282.43	328.24
Market Risk	-	-	-	-
Operational Risk	663.53	66.35	585.80	58.58
Total Capital Requirements	8,692.58	869.26	3,868.22	386.82

CAPITAL RECONCILIATION

	2024	2023
PFRS Capital	1486.21	751.05
Difference due to Accounting Principles	-18.99	-46.04
RAP Capital	1467.22	705.01
General Loan Loss Provision	32.75	7.85
Capital Adjustments	-45.66	-110.21
Qualified Capital for Minimum Capital Adequacy		
Compliance under Basel III	1454.32	602.65
PER CAR submitted to BSP	1454.32	602.65

Risk-Weighted On-Balance Sheet Assets (In Millions)

<i>December 31, 2024</i>	Exposure after risk mitigants	0%	20%	50%	75%	100%	150%	CRWA
Cash On Hand	101.14	101.14						101.14
Checks and Other Cash Items	-							0.00
Due from Bangko Sentral ng Pilipinas (BSP)	2,437.13	2,437.13						2,437.13
Due from Other Banks	119.02			63.63		55.39		119.02
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-		-	-	-
Available-for-Sale (AFS) Financial Assets	-							-
Held-to-Maturity (HTM) Financial Assets	-	-	-	-		-	-	-
Unquoted Debt Securities Classified as Loans	-							-
Loans and Receivables	7,572.66			2.45		7,364.87	204.96	7,572.28
Loans and Receivables Arising from Repurchase Agreements Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions	-	-						-
Sales Contract Receivable (SCR)	4.29		-	-		4.21	0.08	4.29
Real and Other Properties Acquired	82.23						82.23	82.23
Total Exposures Excluding Other Assets	10,316.46	2,538.27	-	66.08	0.00	7,424.46	287.27	10,316.09
Other Assets	140.36					140.36		140.36
Total exposures, including Other Assts	10,456.82	2,538.27	-	66.08	0.38	7,564.82	287.27	10,456.82
Total Risk-weighted On-Balance Sheet Assets not covered by CRM [O times the applicable risk weight]		-	-	33.04	0.28	7,564.82	430.90	8,029.05
Total risk-weighted On-Balance sheet Assets covered by CRM		-	-	-		-		-
TOTAL RISK-WEIGHTED On-BALANCE SHEET ASSETS		-	-	33.04	0.28	7,564.82	430.90	8,029.05

<i>December 31, 2023</i>	Exposure after risk mitigants	0%	20%	50%	75%	100%	150%	CRWA
Cash On Hand	84.28							84.28
Checks and Other Cash Items								
Due from Bangko Sentral ng Pilipinas (BSP)	1,312.05	1,302.05						1,312.05
Due from Other Banks	85.94					85.94		85.94
Financial Assets Designated at Fair Value through Profit or Loss								
Available-for-Sale (AFS) Financial Assets								
Held-to-Maturity (HTM) Financial Assets								
Unquoted Debt Securities Classified as Loans								
Loans and Receivables	2,975.70			5.74		2,802.90	167.07	2975.70
Loans and Receivables Arising from Repurchase Agreements Certificates of Assignment/ Participation with Recourse, and Securities Lending and Borrowing Transactions	249.63	249.63						249.63
Sales Contract Receivable (SCR)	6.25					5.60	0.65	6.25
Real and Other Properties Acquired	89.03						89.03	89.03
Total Exposures Excluding Other Assets	4,802.88	1,645.96		5.74		2,894.44	256.75	4,802.88
Other Assets	146.47							
Total exposures, including Other Assts	4,949.35	1,645.96		5.74		2,894.44	256.75	4,802.88
Total Risk-weighted On-Balance Sheet Assets not covered by CRM [O times the applicable risk weight]				2.87		2,894.44	385.12	3,282.43
Total risk-weighted On-Balance sheet Assets covered by CRM								
TOTAL RISK-WEIGHTED On-BALANCE SHEET ASSETS				2.87		2,894.4	385.12	3,282.43

7. RISK EXPOSURE AND ASSESSMENT

CREDIT RISK AND CONCENTRATION RISK MANAGEMENT

In accordance with BSP Circular No. 855 and the Basel III risk-based capital framework, LSB maintains a robust credit risk management system that ensures prudent lending practices, effective portfolio monitoring, compliance with internal and prudential requirements on credit risk management including the Related Party Transactions guidelines, and capital adequacy aligned with regulatory standards.

Strategic Shift and Credit Risk Focus

In 2024, the Bank continues to focus on Automatic Payroll Deduction Scheme (APDS) loans, particularly for DepEd teachers. This segment demonstrated strong portfolio performance and growth potential. Regulatory reforms under the Terms and Conditions on APDS Accreditation (TCAA) allowed Private Lending Institutions (PLIs) to offer loans with terms of up to five years and operate nationwide via online platforms, further supporting the Bank's expansion.

Credit Risk Governance and Stakeholders

The Bank's credit risk management function is overseen by the following stakeholders:

- **Risk Management Committee (RMC) / Board of Directors (BOD)**
Provides strategic oversight and approves the Bank's credit risk management framework.
- **Credit Cycle and Enabling Services (CCES)**
Manages credit evaluation, approval, and collection. Acts as an independent credit risk control unit and submits regular reports to Senior Management.
- **Financial Reporting Department**
Prepares regulatory credit reports and provides data on credit exposures.
- **Risk Management Unit (RMU)**
Implements the Risk Management Plan, monitors credit risk exposures, and reports directly to the RMC.

Credit Risk Mitigation and Controls

To manage credit risks, the Bank employs the following practices:

- Defined risk acceptance criteria for loan approvals.
- Clearly defined credit policies processes and procedures consistent with prudent standards, practices, and relevant regulatory requirements subject to annual review
- Credit limits and exposure monitoring to ensure compliance with regulatory ceilings such as Single Borrower's Limit, Large Exposures and Related Party Transactions Ceilings
- Portfolio quality reviews to assess the overall performance and risk profile of the Bank's loan portfolio and, to recommend appropriate corrective actions, as necessary.
- Use of credit scoring models embedded in the loan origination system.
- Monitoring of past due and non-performing loan (NPL) ratios.
- Calculation of Expected Credit Loss (ECL) under IFRS 9 to determine appropriate provisioning and customer risk profiles.

Credit Risk Measurement and Capital Charge

The Bank uses the Standardized Approach under BSP Circular No. 538 to compute its Credit Risk-Weighted Assets (CRWA). As of December 31, 2024, the Bank's CRWA is at Php 8.029 billion.

The Bank validates its CRWA against a five-year historical range to ensure consistency and reasonableness in capital planning.

Credit Concentration Risk

The Bank recognizes concentration risk as a key component of credit risk, particularly due to its focus on Salary-Based General Consumption Loans for DepEd teachers.

As of December 31, 2024, the Bank's total loan portfolio amounted to Php 7.638 billion, with Php 7.486 billion (98%) concentrated in the Personal Consumption sector. This is followed by Agriculture, Hunting and Forestry at Php 136.38 million (1.79%), and Other Services at Php 8.43 million (0.11%).

Using the Sectoral Concentration Index (SCI) under the simplified approach, the Bank's SCI was calculated at 94%, requiring an additional capital charge of Php 64.23 million. This reflects the Bank's strategic focus on a low-risk, retail loan segment. Conversely, the Individual Concentration Index (ICI) showed no significant concentration risk, as the Bank's retail portfolio has no single borrower exposure exceeding Php 20 million, well below the SBL threshold. Thus, no additional capital charge was required under ICI.

Regulatory Alignment and Strategic Outlook

LSB was among the first six PLIs approved in July 2022 to offer online loan processing, leveraging this regulatory opportunity to develop an end-to-end digital lending platform. The Bank also benefits from a cross-selling arrangement with its parent bank, BPI, to expand its reach nationwide.

The Bank remains committed to sound credit risk governance, continuous monitoring of asset quality, and compliance with BSP regulations to ensure long-term financial stability and resilience.

OPERATIONAL RISK MANAGEMENT

LSB adopts a comprehensive and enterprise-wide approach to Operational Risk Management (ORM), aligned with the principles set forth in Bangko Sentral ng Pilipinas (BSP) Circular No. 900: Guidelines for Operational Risk Management.

Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. The Bank recognizes that operational risk is inherent in all activities, products, and services. These risks may lead to adverse legal, tax, or reputational consequences and must therefore be effectively managed to ensure the safety, soundness, and sustainability of its operations.

Risk Philosophy and Framework

The Bank's operational risk philosophy, adopted from its parent bank for consistency, is grounded in the belief that risk-taking is essential to achieving strategic goals, but must be balanced with robust risk controls. There is an established operational risk management framework that clearly defines responsibilities related to the performance of the risk management function, as well as the accountabilities, processes, and tools employed to identify and mitigate operational and IT risks in the operating units.

Operational Risk Tools and Capital Measurement

The Bank uses the same ORM tools as its parent bank to ensure consistency and effectiveness in identifying, assessing, treating, and monitoring. These include:

- Internal/External Audit Results and BSP ROE Findings
- Risk and Control Self-Assessment (RCSA)
- Business Impact Analysis (BIA)
- Key Risk Indicators (KRI)
- Loss Events Database (LED) and Analysis

For capital adequacy, the Bank uses the Basic Indicator Approach (BIA) under BSP guidelines. As of December 31, 2024, the Bank's Operational Risk-Weighted Assets (ORWA) stood at Php 663.52 million, with a corresponding capital charge of Php 66.35 million.

Information Technology Risk

In line with its ongoing digital transformation, the Bank acknowledges the heightened exposure to Information Technology (IT) risks, including but not limited to cybersecurity threats and data privacy vulnerabilities. To effectively manage these risks, the Bank has established and implemented IT Risk Management policies, which form an integral component of the Bank's overarching Operational Risk Management (ORM) Framework. These policies are regularly reviewed to ensure alignment with regulatory expectations, emerging threat landscapes, and industry best practices

Governance and Oversight

The following stakeholders play key roles in operational risk management:

- **Board of Directors / Risk Management Committee (RMC)**
Defines the Bank's risk culture and exercises strategic oversight of the ORM framework.
- **Business and Service Units**
As the first line of defense, they identify, assess, and manage risks in their respective areas. Risk issues are discussed in Management, Operations, and IT Steering Committees.
- **Risk Management Unit (RMU)**
Oversees the implementation of the ORM framework, including fraud, IT, and business continuity risks. Consolidates and reports risk information to the RMC and Senior Management.

- **Compliance Unit**
Conducts independent compliance assessments to identify potential operational risk exposures due to regulatory breaches.
- **Internal Audit**
Provides independent evaluations of the effectiveness of the ORM framework and reports directly to the Board through the Audit Committee.

This structured and proactive approach to operational risk management ensures that the Bank remains resilient, compliant, and capable of delivering value to its stakeholders in a dynamic and evolving risk environment.

Market Risk Management

In accordance with the principles outlined in BSP Circular No. 544 and related regulatory guidance, market risk is defined as the risk of loss in on- and off-balance sheet positions arising from movements in market prices. This includes risks related to interest rates, foreign exchange rates, equity prices, and commodity prices, which may adversely affect the Bank's earnings or capital.

For LSB, market risk is limited in scope and primarily composed of Interest Rate Risk which pertains to risk arising from potential changes in interest rates that could affect the value of fixed-income instruments and the Bank's net interest income.

As of December 31, 2024, the Bank's exposure to market risk is assessed as NIL since the Bank does not engage in trading activities nor hold positions in foreign exchange or equity instruments that would otherwise contribute to market risk. The Bank's securities portfolio is classified under HTC and together with our other banking book assets and liabilities, are assessed under the Bank's Interest Rate in the Banking Book (IRRBB) framework.

To ensure continued compliance and interest rate risk sensitivity, the Bank evaluates interest rate risk through its IRRBB framework, in line with BSP Circular No. 1044. This includes periodic repricing gap analyses and Earnings-at-Risk (EaR) assessments to monitor potential impacts on earnings and capital.

INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk is a key component of market risk and arises from the potential impact of changes in interest rates on the Bank's earnings and economic value. This risk is inherently multi-dimensional, involving shifts in the yield curve across various instruments and maturities. Within the banking book, interest rate risk primarily stems from the Bank's core activities—granting fixed-rate loans, accepting deposits with varying maturities and interest terms, and investing in fixed-income securities.

The Bank's loan portfolio consists predominantly of fixed-rate receivables with an average term of five years. In contrast, most of its deposit liabilities are short-term in nature. This structural mismatch between asset and liability repricing profiles exposes the Bank to interest rate risk, which may affect the timing and recognition of interest income and expense.

To manage this exposure, the Bank employs a repricing gap analysis as a foundational tool in assessing its capital adequacy for interest rate risk. This analysis enables the Bank to evaluate the sensitivity of its balance sheet to interest rate movements and to estimate the potential impact on both earnings.

The Bank employs the Earnings-at-Risk (EaR) methodology to quantify potential declines in net interest income over a specified holding period. This approach is grounded in repricing gap analysis, which measures mismatches between the timing of assets and liability repricing across defined time bands. EaR estimates assume a normal market environment and provide a probabilistic assessment of earnings volatility arising from interest rate movements.

The Risk Management Committee (RMC) is regularly informed of the Bank's interest rate risk profile. This includes updates on the balance sheet structure, current and projected repricing mismatches, and the estimated impact on net interest income. Periodic gap reports are generated to capture repricing data across loans, investments, and other interest-sensitive assets and liabilities. These reports support strategic decision-making and ensure that the Bank's interest rate risk exposures remain within its defined risk appetite and regulatory expectations.

Stakeholders in Market and IRRBB Risk Management

The effective management of Market Risk and Interest Rate Risk in the Banking Book (IRRBB) involves coordinated efforts across several key units within the Bank. Each stakeholder plays a distinct and critical role in ensuring that interest rate risk is identified, monitored, and managed in accordance with regulatory expectations and internal risk appetite.

- **Risk Management Unit (RMU)**
Conducts regular repricing gap analyses to measure the Bank's exposure to interest rate risk. The results are assessed against the Earnings-at-Risk (EaR) limits approved by the Board of Directors (BOD).
- **Treasury Department**
Provides detailed explanations, justifications, and proposed strategies in the event of a breach in EaR limits. Treasury is responsible for recommending appropriate actions to mitigate the risk and restore compliance.
- **Asset and Liability Committee (ALCO)**
Reviews and utilizes repricing gap reports to strategically align interest rate-sensitive assets and liabilities, ensuring optimal balance sheet positioning in response to prevailing and anticipated market conditions. ALCO is also responsible for evaluating and approving any breach management strategies proposed by the Treasury, based on the accompanying justifications and risk mitigation plans.
- **Risk Management Committee (RMC) / Board of Directors (BOD)**
Reviews and deliberates on the results of the repricing gap analysis, with reference to the limits set by the BOD. The RMC ensures that the Bank's interest rate risk exposures remain within acceptable thresholds and aligned with the *Bank's overall risk management framework*.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is defined by the Bank as the current and prospective risk to earnings or capital arising from its inability to meet financial obligations as they fall due, without incurring unacceptable losses. This includes the risk of being unable to manage unexpected reductions or changes in funding sources, as

well as the inability to recognize or respond to shifts in market conditions that may impair the Bank's capacity to liquidate assets promptly and with minimal loss in value.

To monitor and manage this risk, the Bank utilizes the Maximum Cumulative Outflow (MCO) methodology, which measures liquidity gaps between maturing assets and liabilities. The Bank's liquidity risk appetite is expressed through limits set for its books or fund vehicle and liquidity target.

As of December 31, 2024, the MCO report indicated that the Bank's liquidity position remained sound, with positive gaps across all tenors. This reflects a stable funding structure and effective liquidity management practices.

The Bank maintains a high level of liquid assets, including Cash, Due from BSP, Due from Other Banks, and placements in BSP's Overnight Reverse Repurchase (RRP) facility. These instruments are considered readily liquefiable and serve as key liquidity buffers.

In compliance with Appendix 71 of Section 145 of the Manual of Regulations for Banks (MORB) – *Guidelines on Liquidity Risk Management* – the Bank also computes and monitors its Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to ensure adherence to minimum regulatory requirements.

Liquidity Risk Governance and Stakeholder Roles

Effective liquidity risk management is supported by a clearly defined governance structure involving the following key stakeholders:

- **Risk Management Unit (RMU)**
Monitors market and regulatory developments affecting interest rates and liquidity. Conducts regular maturity gap analyses to measure MCO and compares results against Board-approved MCO limits and liquidity ratios.
- **Treasury Group**
Measures the Bank's liquidity and reserves position. In the event of a breach, Treasury provides detailed explanations, justifications, and proposed strategies to address the issue.
- **Asset and Liability Committee (ALCO)**
ALCO plays a central role in liquidity risk management by utilizing maturity gap reports to ensure the effective alignment of asset and liability maturities. The committee meets weekly to assess the Bank's liquidity position and proactively manage funding requirements. In cases of limit breaches, ALCO is responsible for reviewing and approving the breach management strategies proposed by Treasury, ensuring that all actions are consistent with the Bank's risk appetite, regulatory expectations, and operational capabilities.
- **Risk Management Committee (RMC) / Board of Directors (BOD)**
Reviews and deliberates on the results of maturity gap analyses, considering the MCO limits and liquidity ratios set by the Board. The RMC ensures that any breaches are appropriately escalated and addressed.

COMPLIANCE RISK MANAGEMENT

In accordance with BSP Circular No. 972, the Bank has established a dynamic and responsive compliance risk management system designed to identify, assess, and mitigate risks that could erode its franchise value. These risks include potential legal or regulatory sanctions, material financial losses, or reputational damage resulting from non-compliance with applicable laws, regulations, self-regulatory standards, and codes of conduct.

Compliance risk may also arise from the failure to manage conflicts of interest, ensure fair treatment of customers, or effectively address risks associated with money laundering and terrorist financing activities. As such, compliance risk management is embedded in the Bank's risk governance framework and corporate culture, and is recognized as a shared responsibility of all personnel, officers, and the Board of Directors

The Bank's Compliance Program, approved by the Board of Directors, outlines the structure and responsibilities of the Compliance Unit, which operates with formal status, independence, and direct access to the Board or a designated board-level committee, in accordance with BSP requirements

The Compliance Unit is empowered to access all necessary information, conduct investigations, and advise management and staff on regulatory matters.

The Bank's risk assessment process includes the following key components:

- **Identification**
The Bank identifies historical risk events across all business units and assesses other potential business risks and their sources.
- **Measurement**
Each identified risk is evaluated using both quantitative (e.g., estimated financial losses) and qualitative (e.g., reputational impact) measures. Where data is limited, qualitative assessments are applied.
- **Mitigation and Control**
Based on the risk assessment, Senior Management implements corrective actions and ensures that appropriate controls and mitigants are in place to maintain exposures within the Bank's risk tolerance.
- **Monitoring**
The Compliance Unit, in coordination with Senior Management, continuously monitors the Bank's exposure to compliance risks and evaluates whether these remain within acceptable levels.

To further strengthen its risk preparedness, the Bank conducts stress testing based on severe but plausible scenarios, such as simultaneous non-compliance with all identified risk events or adverse legal outcomes.

Compliance Risk Governance and Stakeholder Roles

The implementation of the Bank's compliance risk management framework involves the following key stakeholders:

- **The Board of Directors / Corporate Governance Committee**

Provides strategic oversight, approves the Compliance Program, and ensures that the compliance function is independent and adequately resourced.

- **Compliance Unit**

Operates with formal status and independence, with direct access to the Board or a board-level committee. It advises management on regulatory developments, facilitates compliance training, and monitors adherence to applicable laws and internal policies.

- **Business and Service Units**

Serve as the first line of defense by ensuring that day-to-day operations comply with applicable rules and internal standards.

- **Financial Reporting Unit**

Ensures that financial disclosures are accurate and compliant with regulatory requirements.

- **Internal Audit**

Provides independent assurance on the effectiveness of the compliance risk management system and validates the adequacy of controls.

STRATEGIC RISK MANAGEMENT

In line with the principles of sound risk governance and the expectations set forth in BSP Circular No. 972, the Bank recognizes strategic risk as the potential for loss arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to changes in the business environment. This includes external disruptions such as economic downturns, geopolitical instability, and regulatory shifts that may hinder the Bank's ability to achieve its strategic objectives.

The Bank considered identified macroeconomic disruptions as key external risk factors that may adversely affect the execution of its strategic initiatives and financial projections. These risks are assessed using a comprehensive framework that integrates quantitative and qualitative methodologies, enabling the Bank to evaluate the potential impact of economic uncertainties on its capital adequacy and long-term viability.

Strategic Risk Assessment Framework

The Bank's strategic risk assessment process is embedded in its Compliance and Risk Management Programs, approved by the Board of Directors. The process includes:

- **Risk Identification**

Identification of historical and emerging risk events across all business units, including external economic threats and internal strategic vulnerabilities.

- **Risk Measurement**

Evaluation of risk levels using both quantitative metrics (e.g., projected revenue loss, capital impact) and qualitative assessments (e.g., reputational or operational implications). Where data is limited, expert judgment and scenario analysis are applied.

- **Scenario Planning and Stress Testing**

The Bank conducts forward-looking scenario planning using macroeconomic variables. These scenarios simulate severe but plausible economic downturns, testing the resilience of the Bank's capital and strategic plans.

- **Strategic Alignment and Monitoring**

Strategic risk management is integrated into the Bank's strategy formulation, execution, and monitoring processes. The Board of Directors sets the Bank's risk appetite for strategic risk, expressed in terms of expected return on equity (ROE), with flexibility to adjust based on performance and market conditions.

- **Annual and Medium-Term Planning**

The Bank conducts annual strategic planning alongside its medium-term business plan to ensure alignment with long-term goals. Strategic initiatives are regularly reviewed to maintain relevance and responsiveness to market developments.

Strategic Risk Management Governance and Oversight

Strategic risk management is a shared accountability across the organization, with the following stakeholders playing key roles:

- **The Board of Directors**

Provides oversight, sets the strategic risk appetite, and ensures that strategic risk is considered in all major decisions.

- **Senior Management**

Leads the execution of strategic initiatives and ensures that risk mitigation measures are implemented. Reviews the Bank's strategic direction semi-annually or as necessary, in coordination with the Board.

- **Risk Management Unit (RMU)**

Supports the identification, assessment, and monitoring of strategic risks. Provides analytical tools and reports to guide decision-making.

- **Business Units**

Serve as the first line of defense by executing strategies in line with approved risk parameters and reporting emerging risks.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURE

Sustainable Finance Framework

As a subsidiary of the Bank of the Philippine Islands (BPI), LSB aligns with its parent company's sustainability agenda, which is anchored on the distinctive ESG+E² framework. This approach emphasizes the delivery of Economic (E²) value alongside Environmental, Social, and Governance (ESG) principles—recognizing economic impact as a vital dimension of sustainability.

Guided by this framework, LSB integrates sustainability principles into its strategic planning, operational processes, corporate governance, and risk management systems. These principles are translated into actionable initiatives that promote responsible banking and sustainable practices, reinforcing the Bank's commitment to long-term value creation.

In support of BPI's broader financial inclusion goals, LSB continues to focus on serving its core market—public school teachers—by providing inclusive financial services tailored to their needs. These include access to housing, education, small business financing, and personal consumption loans. In 2024, LSB disbursed ₱7.63 billion in loans, benefiting approximately 34,656 teacher-borrowers, thereby contributing meaningfully to community development and economic empowerment.

To further enhance operational efficiency and sustainability, the Bank has transitioned from manual workflows to in-house developed, web-based systems. This digital shift enables paperless processing, faster approvals, and improved data management. By hosting these systems in the cloud, LSB has strengthened its data security and backup capabilities, while also supporting flexible work arrangements, such as remote loan evaluations—demonstrating its commitment to innovation and resilience.

Environmental and Social Risk Management System (ESRMS)

Legazpi Savings Bank (LSB) recognizes that a robust Environmental and Social Risk Management System (ESRMS) is essential to achieving sustainability and long-term resilience. By embedding environmental and social (E&S) considerations into our operations and decision-making processes, we are better equipped to mitigate risks, protect our reputation, enhance stakeholder trust, and capitalize on emerging opportunities. As a thrift bank committed to inclusive and sustainable finance, LSB proactively manages E&S risks that may affect our business, clients, and the communities we serve.

Governance and Oversight

LSB's E&S risk management is anchored in strong governance. The Board of Directors, through the Risk Management and Corporate Governance Committees, provides strategic direction for E&S integration. Senior management and relevant business units are responsible for operationalizing these strategies, ensuring that E&S considerations are embedded in daily decision-making and risk assessments.

In 2023, the Board approved LSB's Sustainable Finance Framework and Environmental and Social Risk Management Framework, which guide the identification, assessment, and mitigation of potential environmental and social impacts. These frameworks are supported by sustainability targets and a defined risk appetite, aligned with three core focus areas:

- **Shared Success** – Limiting exposure to sectors listed in the IFC Exclusion List
- **Better Choice** – Reducing emissions and resource consumption
- **Responsible Business** – Promoting innovation, cost efficiency, and paperless banking

Progress against these targets is continuously monitored and reported.

Risk Identification and Assessment

LSB conducts regular environmental and social impact assessments to identify potential E&S risks associated with its business activities. Stakeholder engagement—including consultations with local communities and regulatory bodies—provides valuable insights into risk identification.

The Risk Management Unit applies structured methodologies to evaluate the likelihood and severity of identified risks, considering regulatory compliance, community impact, and environmental footprint. In 2023, LSB conducted an initial assessment of its loan portfolio using the International Finance Corporation (IFC) Exclusion and Inclusion Lists to identify E&S exposures. Ongoing portfolio reviews are in place to ensure continued alignment with these standards and to identify emerging risks.

Risk Mitigation and Control

To address identified risks, LSB develops and implements targeted action plans, which may include:

- Pollution prevention and resource conservation measures
- Employee health, safety, and wellness programs
- Integration of sustainability criteria into supply chain and vendor selection processes
- Monitoring emissions, waste, and other operational impacts

In 2023, LSB enhanced its outsourcing policies to incorporate sustainability considerations and rolled out several employee wellness initiatives to promote a safe and healthy work environment.

Environmental Risk Considerations

While LSB's direct environmental footprint is modest due to the nature of its operations, we recognize broader environmental risks that may affect our business and stakeholders:

Climate Change

Climate-related risks—both physical and transitional—pose significant challenges. Physical risks such as typhoons, flooding, and volcanic activity can disrupt operations and affect client repayment capacity, particularly in the Bicol Region where many of our clients and personnel are based. Transition risks, including evolving regulations and shifting stakeholder expectations, may influence our lending practices and portfolio strategy. LSB integrates these considerations into credit risk assessments, operational planning, and business continuity management.

Energy and Resource Efficiency

Rising utility costs and resource constraints impact operational efficiency. In response, LSB is investing in energy-efficient infrastructure, promoting digital banking to reduce paper and energy use, and adopting responsible resource management practices across all branches.

Environmental Risk in Lending

Given that the majority of LSB's loan portfolio consists of personal consumption loans to public school teachers, our exposure to high-risk environmental sectors remains low. These loans typically fall within sectors with minimal environmental impact. Nonetheless, LSB continues to evaluate the E&S implications of its lending activities as part of its broader risk management framework.

As of December 31, 2024, the breakdown of our loan portfolio by industry classification is as follows:

Industry Classification	Percentage
Activities of Households as Employers and Undifferentiated Goods-and-services-Producing Activities of Households for Own Use	97.84%
Agriculture, Forestry and Fishing	1.84%
Others	0.32%
Total	100.00%

Social Risks

Social risks are central to Legazpi Savings Bank's mission of promoting financial inclusion and community development. By proactively addressing these risks, LSB strengthens its social impact, supports underserved populations, and fosters long-term stakeholder trust.

Target Market and Financial Inclusion

LSB primarily serves public school teachers—a segment often considered underserved or underbanked within financial inclusion frameworks. Despite their critical role in society, many teachers face barriers to accessing formal financial services due to income limitations, lack of collateral, or geographic isolation.

A significant portion of LSB's clients reside in rural areas with limited access to physical bank branches. To address this, the Bank developed and launched the APDS Online System, a web-based loan application platform that enables teachers to conveniently access financial services anytime, anywhere. This digital innovation underscores LSB's commitment to inclusive banking by bridging the gap between remote communities and essential financial products.

Community Engagement

LSB's operations are deeply rooted in the communities it serves, recognizing that meaningful engagement with stakeholders is essential to fostering trust, mutual understanding, and long-term partnerships. LSB approaches it as a strategic effort to build productive relationships and contribute to inclusive development.

In December 2024, LSB partnered with BPI Foundation and the Department of Education (DepEd) to donate laptops to students nationwide, supporting digital learning initiatives. The Bank also distributed school bags and supplies to selected schools and actively participated in Brigada Eskwela through sponsorships and collaborations. These efforts reflect LSB's commitment to creating positive social impact through corporate social responsibility (CSR), complementing its broader integration of ESG principles and E&S risk management into core operations.

Employee Development and Well-being

LSB is dedicated to fostering a safe, supportive, and growth-oriented workplace. The Bank regularly conducts training programs, stakeholder consultations, and policy reviews to ensure alignment with evolving industry standards and employee expectations.

To promote employee well-being, LSB has implemented various health and safety initiatives, including wellness seminars and workplace safety programs. These initiatives are part of a broader strategy to nurture a resilient, engaged, and high-performing workforce.

In 2024, the Human Resource Management Department (HRMD) successfully conducted 21 training programs focused on enhancing employee skills, knowledge, and professional development. These programs covered a wide range of topics—from technical competencies and leadership development to customer service excellence—reinforcing LSB’s commitment to continuous learning and employee empowerment.

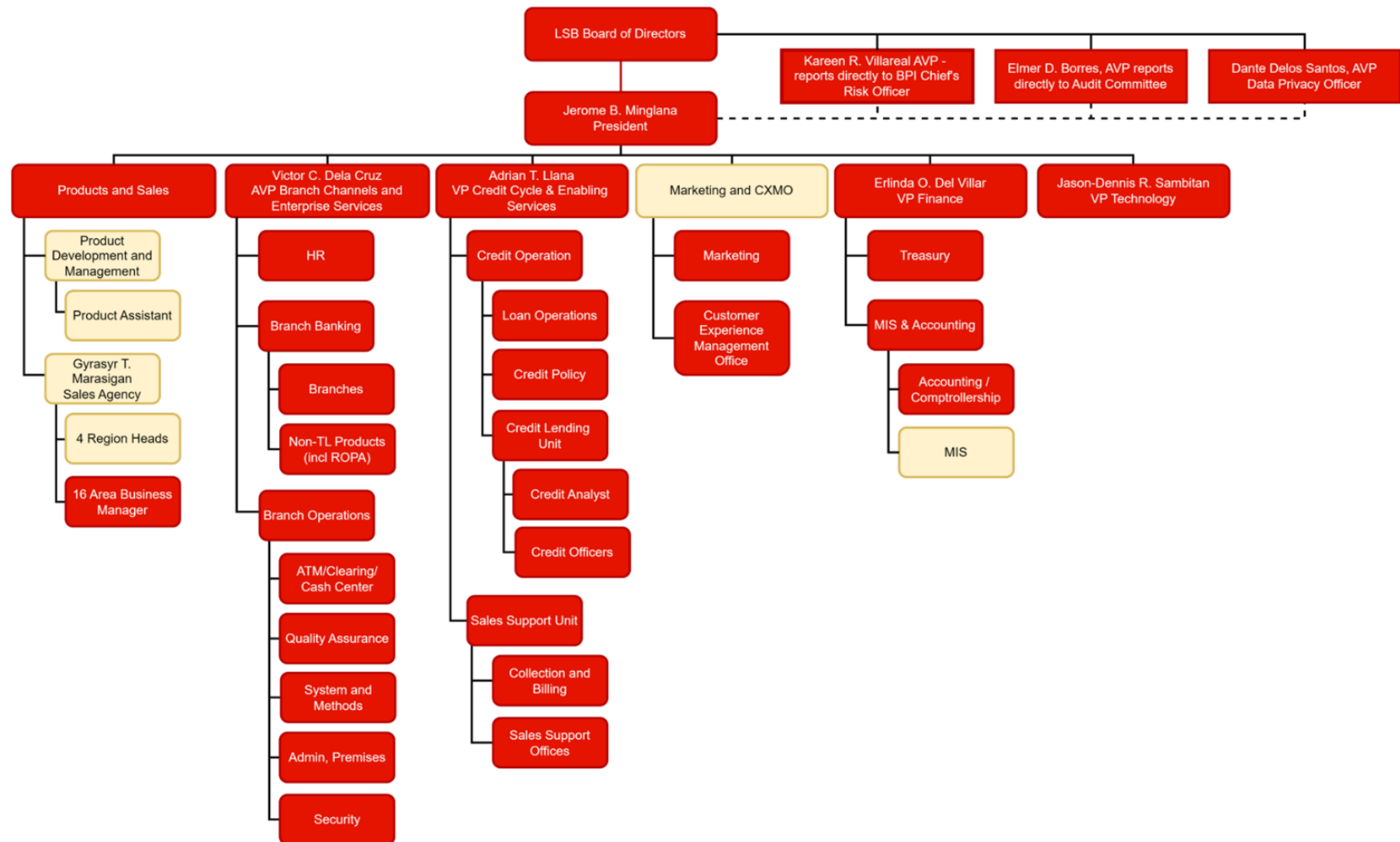
9. AUDITED FINANCIAL STATEMENT

To view the complete 2024 Audited Financial Statement, please scan the QR code below.



10. CORPORATE INFORMATION

TABLE OF ORGANIZATION



LIST OF MAJOR STOCKHOLDERS OF THE BANK

Name Of Stocholders	Citizenship	Number of Shares			Percentage Ownership
		Direct	Indirect	Total	
Bank of the Philippine Islands	FILIPINO	14,951,033		14,951,033	99.74%
Bank of the Philippine Islands	FILIPINO	30,200		30,200	0.20%
Los Baños, Luis S.	FILIPINO	2,688		2,688	0.02%
Calleja, Pompeyo	FILIPINO	2,145		2,145	0.01%
Elizalde, Manuel A.	FILIPINO	1,916		1,916	0.01%
Abes, Lidwina	FILIPINO	609		609	0.00%
Los Baños, Adrian	FILIPINO	544		544	0.00%
Calleja, Beatriz	FILIPINO	544		544	0.00%
Abitria, Emily M.	FILIPINO	400		400	0.00%
Frayna, Maria E.	FILIPINO	100		100	0.00%
Mancera, Tina	FILIPINO	100		100	0.00%
Silva, Rolando	FILIPINO	11		11	0.00%
Co, Elizalde	FILIPINO	1		1	0.00%
Abad, Mykel D.	FILIPINO	1		1	0.00%
Sarte, Elfren Antonio Jr. S.	FILIPINO	1		1	0.00%
Minglana, Jerome B.	FILIPINO	1		1	0.00%
Go, Maria Cristina L.	FILIPINO	1		1	0.00%
Luchangco, Eric Roberto M.	FILIPINO	1		1	0.00%
Yuvienco, Maria Dolores B.	FILIPINO	1		1	0.00%
Sta. Ana, Jocelyn C.	FILIPINO	1		1	0.00%
Santiago, Ernesto C.	FILIPINO	1		1	0.00%
Lacerna, Jenelyn Z.	FILIPINO	1		1	0.00%

PRODUCTS AND SERVICES**DEPOSIT PRODUCTS**

LSB offers a wide-range of interest-earning deposit products. The Bank's customers may open a savings, checking, or term deposit account.

Regular Savings Account

An interest-bearing savings account that allows the customer the flexibility of accessing funds anytime through over-the-counter (OTC) both savings and transactional purposes. Target market are individuals, sole proprietorship, and Companies/ Corporations.

Regular Checking Account

A non-interest-bearing peso deposit account that provides additional transactional convenience of a checking facility (i.e. check issuance). Funds are accessed through check issuance, over-the-counter check encashments or deposits. Target market are individuals, sole proprietorship, and Companies/ Corporations.

Bulilit Savings

An interest-bearing savings account designed for minors aging from 7- 12 years old that allows the customer the flexibility of accessing funds anytime through over-the-counter (OTC) for savings and transactional purposes. Target market are Children/ kids aging 7 to 12 years old, and parents who desire to save for their child's future.

Special Savings Account

A Peso Term Deposit account that allows clients to earn higher than regular savings rates. Earnings potential is largely influenced by the amount of deposit maintained, the tenor of deposit, and the prevailing Market Interest Rates. Target market are individuals with excess funds who can afford to lock in their funds for a specified fixed term, and Companies/ Corporations with excess funds who have no immediate need for liquidity.

Friendly Savings Deposit

A Savings Account that allows clients to earn higher than regular savings rates by maintaining high deposit balances. Earnings potential is largely influenced by the amount of deposit maintained and the prevailing Market Interest Rates. Target market are individuals, sole proprietorship, and Companies/ Corporations.

Savings ATM Deposit

An interest-bearing savings account that allows the customer the flexibility of accessing funds anytime through an Automated Teller Machine (ATM) for both savings and transactional purposes. The required age for opening of ATM Account is twelve (12) years old. Target market are individual clients.

Simple Savings Account

An interest earning deposit account with a low minimum opening amount of P100.00. This is recommended for individuals, who would want to have a bank account but cannot afford the high initial deposit and ID requirements. Target market are CD economic class (Mass), factory workers, farmers, market vendors, housekeepers, drivers (TODA), students, teachers and pensioners.

LOAN PRODUCTS

Teachers Loan

A loan product tailored and designed for the needs of the DepEd teaching and non-teaching personnel. It is a financial assistance for public school teachers and administrators under the Terms and Conditions of the APDS Accreditation (TCAA) through DepEd's Automatic Payroll Deduction System (APDS) program or salary deductions. • Teachers can loan a maximum amount of P2 Million at low interest rates for flexible monthly terms for up to five (5) years.

Terms (months)	12, 24, 36, 48, or 60
Loan Amount	Php 10, 000 – Php 2 Million
Interest rate p.a.	Less than 24 months – 7.50% 24 months – 9.00% More than 24 months – 9.66%
Eligibility	<ol style="list-style-type: none"> 1. Must be 60 years old or below (upon loan maturity) 2. Regular/ permanent employee, either teaching or non-teaching personnel, whose salary is processed by the Regional Payroll Services Unit (RPSU) 3. Length of service should be at least six (6) months 4. Included in regular payroll 5. Has an employee number
Requirements	<ol style="list-style-type: none"> 1. One (1) Original Latest Payslip 2. One (1) Valid ID (i.e. PRC, School ID, UMID/E-Card) 3. Accomplished APDS Loan Form (Hard copy or online)
Application Channels	<ol style="list-style-type: none"> A. Website or mobile through QR Code B. Branch, Branch Lite, or Kiosk C. BPI Branch via cross-selling arrangement (sales marketing only)

Express Gabay Loan Program

Definition	Personal Loan
Target Market	Teaching and Non-Teaching Personnel of DepEd
Loan Purpose	<ul style="list-style-type: none"> • Education • Hospitalization and/or medical expenses • Funeral expenses of immediate family members • House repairs and renovation • Car repairs • Travels • Emergency expenses. • Purchase of brand-new appliance and gadgets • Purchase of vehicle or motorcycle Other purposes acceptable to the bank
Tenor	Up to 2 months
Loan Amount	Php 10, 000.00 – Php 500,000.00
Interest Rate	Zero Interest Rate but with Php 1,000.00 PF

BRANCH DIRECTORY

Branch	Type of Banking Office	Address	Mobile Number	Local	E-mail Address
Legazpi	Regular Branch	Rizal Corner & Mabini Streets, (Dinagaan) 4500 Legazpi City	0919-063-0927	80001	legazpi_branch@legazpibank.com.ph
Daraga	Regular Branch	Perete Bldg., Sta Maria Street, Brgy. San Roque, Daraga, Albay 4501	0905-820-7580	80002	daraga_branch@legazpibank.com.ph
Tabaco	Regular Branch	Ground Floor, N.N. Building, AA Berces Street Basud Tabaco City, 4511	0906-528-2489	80003	tabaco_branch@legazpibank.com.ph
Polangui	Regular Branch	National Road, Basud, Polangui, Albay 4506	0908-881-1681	80004	polangui_branch@legazpibank.com.ph
Sorsogon	Regular Branch	CBA Bldg. Jamoralin Street, Burabod, Sorsogon City 4700	0961-861-9605	80005	sorsogon_branch@legazpibank.com.ph
Albay	Regular Branch	738 Building, Rizal, Street, Old Albay District 4500 Legazpi City	0947-375-7873	80006	main_branch@legazpibank.com.ph
Guinobatan	Regular Branch	T. Paulate Street, Guinobatan, Albay 4503	0915-671-0507	80007	guinobatan_branch@legazpibank.com.ph
Daet	Regular Branch	A. Subia Bldg. J Lukban Ext. (J. Lukban St., Brgy 3), Daet, Camarines Norte 4600	0998-540-7485	80008	daet_branch@legazpibank.com.ph
Virac	Regular Branch	G/F DLI Building, Corner Surtida & Rizal Streets, San Jose, Virac, Catanduanes 4800	0963-780-0015	80009	lsbvirac@legazpibank.com.ph
Masbate	Regular Branch	Units 8 & 9 S&T Bldg. Cagba St. Brgy Tugbo, Masbate City, 5400	0917-309-5281	80010	masbate_branch@legazpibank.com.ph
Naga	Regular Branch	NEA Building, (Central Business District 2) Triangulo, Naga City	0995-466-8255	80011	naga_branch@legazpibank.com.ph
Goa	Branch-lite	J. Quinzon Building, Bagumbayan Pequeño, Rizal St., Goa, Camarines Sur	0938-516-9757	80012	goa_branch@legazpibank.com.ph
Calauag	Branch-lite	Rizal St. Brgy. Sta. Maria, Calauag Quezon	0917-309-5281	80013	calauag_branch@legazpibank.com.ph
Lucena	Regular Branch	A.M. Lubi Bldg., M.L. Tagarao corner Elias St., Brgy. 5, Lucena City	0998-850-9983	80014	lucena_branch@legazpibank.com.ph
Dasmariñas	Branch-lite	G/F Wincorp Bldg., Molino Paliparan Rd., Brgy. Salawag, Dasmariñas City, Cavite	0998-565-8874	80016	dasmarinas_branch@legazpibank.com.ph
Iriga	Branch-lite	DLS Building, 121-Zone 6, Hi-Way 1, San Isidro, Iriga City	0977-288-7108	80017	iriga_branch@legazpibank.com.ph
Cainta	Regular Branch	ECCOI Corporate Center, Ortigas Extension, St. Anthony Subdivision, Cainta, Rizal	0949-603-6214	80018	cainta_branch@legazpibank.com.ph

Branch	Type of Banking Office	Address	Mobile Number	Local	E-mail Address
Malolos	Branch-lite Unit	MKTJ Building M2, Fausta, Subdivision, Mabolo, Malolos, Bulacan	9282789215	82506	malolos_blu@legazpibank.com.ph
Sto. Tomas	Branch-lite Unit	Kath's Place, A. Bonifacio Street, Poblacion 2, Sto. Tomas, Batangas	9079608386	82505	stotomas_blu@legazpibank.com.ph
Puerto Princesa (Palawan)	Branch-lite Unit	DRCM Riviera Complex, Unit 5, Brgy. San Manuel, Puerto Princesa City, Palawan	9301910629	82526	palawan_blu@legazpibank.com.ph
San Jose	Branch-lite Unit	ARJ Bldg., San Roque corner Cardenas St., Brgy. Abar 1st., San Jose City, Nueva Ecija	9260236783	82539	sanjosene_kiosk@legazpibank.com.ph
Kabankalan	Branch-lite Unit	Hernando Chua Bldg., Solar St., Kabankalan City, Negros Occidental	9219589867	82524	kabankalan_blu@legazpibank.com.ph
Santiago	Branch-lite Unit	Guevarra St., No. 1229, Perez St., Calao West, Santiago City, Isabela	9366686436		santiago_blu@legazpibank.com.ph
Binmaley (Dagupan)	Branch-lite Unit	D & M Realty Bld., Purok 6, Naguilan Highway, Binmaley, Pangasinan	9122193570	82516	binmaley_blu@legazpibank.com.ph
Calapan	Branch-lite Unit	RR Paras Bldg., Leuterio St., San Vicente South, Calapan City, Oriental Mindoro	9087441607	82523	calapan_kiosk@legazpibank.com.ph
Jaro	Branch-lite Unit	OPC Bldg., EL 98 Street, Jaro, Iloilo City	9309453299	82540	jaro_blu@legazpibank.com.ph
Lipa	Branch-lite Unit	RDL Building, 004 Pres. Laurel Street, National Road, Maraway, Lipa City	9358199497	82521	lipa_blu@legazpibank.com.ph

LEGAZPI SAVINGS BANK, INC.

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Legazpi City, 4500 Philippines

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FACEBOOK PAGE:

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c3@legazpibank.com.ph