STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Legazpi Savings Bank, Inc. (the Bank)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year ended December 31, 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

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

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

Elfren Antonio S. Sarte Jr.
Chairman of the Board

Jerome B. Minglana
President

Erlinda O. Del Villar
Finance Head

Aarika C. Sy
OIC Controller

Eleanor Leni M. Ante
Treasurer

Signed this 24st day of April 2025

Legazpi Savings Bank, Inc.

Financial Statements
As at and for the year ended December 31, 2024
(With comparative figures as at and for the year ended December 31, 2023)

Independent Auditor's Report

To the Board of Directors and Shareholder of
Legazpi Savings Bank, Inc.
738 Bldg. Rizal Street
Old Albay District
Legazpi City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Legazpi Savings Bank, Inc., (the "Bank") as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

What we have audited

The financial statements of the Bank comprise:

- the statements of condition as at December 31, 2024 and 2023;
- the statements of income for the years ended December 31, 2024 and 2023;
- the statements of total comprehensive income for the years ended December 31, 2024 and 2023;
- the statements of changes in capital funds for the years ended December 31, 2024 and 2023;
- the statements of cash flows for the years ended December 31, 2024 and 2023; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Other Information

Management is responsible for other information. The other information comprises the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern.

  If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 in Note 24 and Bureau of Internal Revenue (BIR) Revenue Regulations No. 15-2010 in Note 25 to the financial statements is presented for the purposes of filing with the BSP and BIR, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management of the Bank. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Dexter DJ V. Toledaña
Partner
CPA Cert. No. 0121827
P.T.R. No. 0032961; issued on January 3, 2025 at Makati City
T.I.N. 255-979-765
BIR A.N. 08-000745-241-2023, issued on January 30, 2023; effective until January 29, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 16, 2025

Legazpi Savings Bank, Inc.

Statement of Financial Position
As at December 31, 2024
(With comparative figures as at December 31, 2023)
(All amounts in Philippine Peso)

	Notes	2024	2023
Assets			
Cash and other cash items	2	101,234,361	84,375,199
Due from Bangko Sentral ng Pilipinas	2	2,434,341,237	1,310,213,117
Due from other banks	2	149,838,839	105,035,823
Securities purchased under resale agreement	3	-	249,629,845
Loans and receivables, net	4	7,587,437,882	54,978,640
Financial assets at fair value through other comprehensive income	4	-	2,894,348,845
Bank premises, furniture, fixtures and equipment	5	67,029,385	79,663,466
Investment properties	6	86,653,693	93,099,690
Deferred tax asset, net	20	71,994,846	60,147,899
Other assets	7	27,053,532	17,150,069
Total assets		10,525,583,775	4,948,642,593
Liabilities and Equity			
Deposit liabilities	9		
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	10	203,086,114	62,299,424
Lease liability	17	40,877,111	47,564,399
Redeemable preferred shares	11	30,700,000	30,700,000
Other liabilities	10	91,591,776	79,445,325
Total liabilities		9,039,369,672	4,197,595,745
Capital stock	13	1,995,960,000	1,245,960,000
Deficit		(529,523,597)	(595,709,039)
Surplus reserve	13	6,451,913	6,451,913
Remeasurements on retirement liability	16	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

The notes on pages 1 to 68 are integral part of these financial statements

Legazpi Savings Bank, Inc.

Statement of Income
For the years ended December 31, 2024
(With comparative figures as at December 31, 2023)
(All amounts in Philippine Peso)

	Notes	2024	2023
Interest income			
Loans and receivables	4	785,012,077	170,399,025
Financial asset at fair value through other comprehensive income	4	-	341,955,350
Due from Bangko Sentral ng Pilipinas and other banks		115,070,553	53,367,443
Securities purchased under resale agreement	3	28,036,802	10,287,716
Investment securities at amortized cost		-	728,528
		928,119,432	576,738,062
Interest expense			
Deposit liabilities	9	334,862,960	147,149,427
Lease liability	17	3,407,356	3,858,933
Interbank loans payable		-	-
		338,270,316	151,008,360
Net interest income		589,849,116	425,729,702
Service fees and commission expense	14	22,130,947	13,891,603
Service fees and commission income	14	8,151,062	7,298,857
Net service fees and commission expense	14	(13,979,885)	(6,592,746)
Profit from assets sold	5,6,7	7,891,552	4,207,636
Miscellaneous	14	18,412,570	13,970,925
Total operating income		602,173,353	437,315,517
Operating expenses			
Compensation and fringe benefits	15,16	105,015,854	95,416,233
Security, messengerial and janitorial		69,014,694	48,266,816
(Recovery from) provision for credit and impairment losses	8	65,588,475	37,889,869
Taxes and licenses		55,516,696	36,035,260
Depreciation and amortization	5,6,7	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	17	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	14	72,224,008	22,552,569
Total operating expenses		491,575,084	348,400,156
Income before income tax		110,598,269	88,915,361
Provision for income tax	20	44,412,825	25,711,193
Net income (loss)		66,185,444	63,204,168

The notes on pages 1 to 68 are integral part of these financial statements.

Legazpi Savings Bank, Inc.

Statement of Comprehensive Income
For the years ended December 31, 2024
(With comparative figures as at December 31, 2023)
(All amounts in Philippine Peso)

	Notes	2024	2023
Net income (loss)		66,185,444	63,204,168
Other comprehensive income			
Item that may not be reclassified to profit or loss:			
Remeasurement gains (losses) on retirement liability, net of tax	16	12,662,295	(2,563,642)
Item that may be reclassified to profit or loss:			
Net unrealized on financial asset at fair value through other comprehensive income, net of tax	4	-	93,680,482
		12,662,295	91,116,840
Total comprehensive income (loss)		78,847,739	154,321,008

The notes on pages 1 to 68 are integral part of these financial statements.

Legazpi Savings Bank, Inc.

Statement of Changes in Equity
For the years ended December 31, 2024
(With comparative figures as at December 31, 2023)
(All amounts in Philippine Peso)

	Capital stock (Note 17)	Deficit	Surplus reserve (Note 17)	Net unrealized gain/loss on financial asset at FVOCI (Notes 2 and 8)	Remeasure-ment losses on retirement liability (Note 20)	Total
Balance, January 1, 2023	1,245,960,000	(658,913,209)	6,451,913	-	3,227,134	596,725,838
Comprehensive income						
Net income for the year	-	63,204,168	-	-	-	63,204,168
Other comprehensive income for the year	-	-	-	93,680,482	(2,563,642)	91,116,840
Total comprehensive income for the year	-	63,204,168	-	93,680,482	(2,563,642)	154,321,008
Balance, December 31, 2023	1,245,960,000	(595,709,041)	6,451,913	93,680,482	663,492	751,046,846
Comprehensive income						
Net income for the year	-	66,185,444	-	-	-	66,185,444
Other comprehensive income for the year	-	-	-	(93,680,482)	12,662,295	(81,018,187)
Total comprehensive income for the year	-	66,185,444	-	(93,680,482)	12,662,295	(14,832,743)
Capital infusion	750,000,000	-	-	-	-	750,000,000
Balance at December 31, 2024	1,995,960,000	(529,523,597)	6,451,913	-	13,325,787	1,486,214,103

The notes on pages 1 to 68 are integral part of these financial statements

Legazpi Savings Bank, Inc.

Statement of Cash Flows
For the years ended December 31, 2024
(With comparative figures as at December 31, 2023)
(All amounts in Philippine Peso)

	Notes	2024	2023
Cash flows from operating activities			
Income before income tax		110,598,269	88,915,361
Adjustments for:			
Provision for credit and impairment losses	8	65,588,475	37,889,869
Depreciation and amortization	5	28,397,978	34,443,600
Profit from assets sold	5,6,7	(7,891,552)	(4,207,636)
Interest on lease liability	10,17	3,407,356	3,858,934
Retirement expense	16	4,171,650	2,874,395
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans and receivables		(4,820,448,003)	10,376,878
Financial asset at FVOCI		5,322,893	44,796,561
Other assets		(4,381,730)	(473,190)
Increase in:			
Deposit liabilities		4,695,528,074	102,240,316
Accrued expenses		140,786,690	24,768,851
Other liabilities		(21,539,887)	18,497,315
Net cash (used in) generated from operations		199,540,213	363,981,254
Income taxes paid		(9,248,979)	(3,117,967)
Net cash (used in) provided by operating activities		190,291,234	360,863,287
Cash flows from investing activities			
Acquisitions of:			
Property and equipment	5	(6,626,228)	(7,673,122)
Software costs	7	(1,409,991)	(999,552)
Proceeds from sale and maturity of:			
Investment securities at amortized cost		-	20,000,000
Investment properties	6	6,359,581	7,193,275
Property and equipment	5	2,340,356	122,245
Repossessed chattels	7	14,650,000	577,000
Capital infusion		750,000,000	-
Net cash provided by investing activities		765,313,718	19,219,846
Cash flows from financing activity			
Payment of principal portion of lease liability	17	(16,037,143)	(17,981,086)
Payment of interest portion of lease liability		(3,407,356)	-
Cash flows from financing activities		(19,444,499)	(17,981,086)
Net increase in cash and cash equivalents		936,160,453	362,102,047
Cash and cash equivalents at beginning of year			
Cash and other cash items	26	84,375,199	123,700,910
Due from Bangko Sentral ng Pilipinas	26	1,310,213,117	860,677,828
Due from other banks	26	105,035,823	105,742,516
Securities purchased under resale agreement		249,629,845	277,948,745
		1,749,253,984	1,368,069,999
Cash and cash equivalents at end of year			
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
		2,685,414,437	1,749,253,984
Operational cash flows from interest			
Interest received		922,351,544	597,741,533
Interest paid		440,935,310	137,206,358

The notes on pages 1 to 68 are integral part of these financial statements

Legazpi Savings Bank, Inc.

Notes to the Financial Statement
As at and for the year ended December 31, 2024
(With comparative figures as at and for the year ended December 31, 2023)
(All amounts are shown in Philippine Peso unless otherwise stated)

1 Corporate information

1.1 Business information

Legazpi Savings Bank, Inc. (the Bank) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 8, 1976. The Bank offers a wide range of financial services that includes checking, savings, special savings, time, automated teller machine (ATM) accounts, market vendors loan, agricultural loan, salary loan for employees, real estate loan, consumption loan, commercial loan, credit line, bills purchased line, back-to-back loan, auto loan, housing loan, developmental loan, and other financial services.

The Bank operates and provides its services through a network of twenty seven (27) banking units including its branch light units, head office and a main branch in the area of Albay.

The Bank's principal place of business is at 738 Bldg. Rizal Street, Old Albay District, Legazpi City.

Robinsons Bank Corporation (Robinsons Bank) acquired effective control and management of the Bank on December 26, 2012, in accordance with Philippine Financial Reporting Standards (PFRS) 3, Business Combinations.

As at December 31, 2023, the Bank's parent company is Robinson's Bank and the ultimate parent company is and JG Summit Holdings.

On September 30, 2022, the Board of Directors of Robinsons Bank approved the plan of merger of the Robinsons Bank with the Bank of Philippine Islands (BPI), with BPI as the surviving entity. The Bank is included in the agreement for the merger and will continue to be a subsidiary of the merged entity, subject to the final approval of BPI. On November 16, 2022, Robinsons Bank notified the Philippine Competition Commission (PCC) about the proposed statutory merger with BPI.

On January 17, 2023, at the special stockholders' meeting of Robinsons Bank, its stockholders owning more than two thirds (2/3) of all issued and outstanding shares approved the plan of merger and articles of merger with BPI. On January 26, 2023, Robinsons Bank and BPI jointly filed with the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC) their request for approval of their statutory merger.

The Philippine Competition Commission approved the plan of merger on March 9, 2023 as contained in the decision released by the Commission on September 13, 2023. On December 14, 2023, the BSP, through Monetary Board Resolution No. 1633 approved the merger. The SEC issued the Certificate of Filing of the Articles and Plan of Merger on December 29, 2023, with January 1, 2024 as the effective date of the merger. Effective January 1, 2024, the Bank is now a wholly owned subsidiary of BPI (referred to herein as Parent Bank).

1.2 Approval of Financial Statements

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 16, 2025.

2 Cash and cash items

This account as at December 31 consist of the following:

	Notes	2024	2023
Cash and other cash items		101,234,361	84,375,199
Due from other banks		149,838,839	105,035,823
Due from Bangko Sentral ng Pilipinas (BSP)		2,434,341,237	1,310,213,117
		2,685,414,437	1,499,624,139

Due from other banks represent demand deposits which are due on demand. Demand deposits earn annual interest of 0.0125% to 0.30% in 2024 (2023 - 0.125% to 0.3%). Interest earned from due from other banks for the year ended December 31, 2024 amounts to P0.15 million (2023 - P0.09 million)

Cash and cash equivalents are classified as current as at December 31, 2024 and 2023.

3 Securities purchased under resale agreement

SPURA pertains to lending to BSP and have a remaining maturity of five (5) days. As of December 31, 2024, the fair value of the related collateral of SPURA amounted to nil (2023 - P249.63 million).

SPURA earns annual interest ranging from 5.26% - 6.63% in 2024 (2023 - from 5.50% - 6.39%). The interest income of the Bank from SPURA amounted to P28.04 million in 2024 (2023 - P10.29 million).

4 Loans and receivables and financial asset at FVOCI

This account consist of the following:

	2024	2023
Financial assets at FVOCI	-	2,894,348,845
Loans and receivables, net	7,587,437,882	54,978,640
	7,587,437,882	2,949,327,485

Financial assets at FVOCI

The movements of the account are as follows:

	Note	2024	2023
Beginning balance, as adjusted		2,894,348,845	-
Reclassification due to change in business model	25.6	(2,894,348,845)	2,764,124,414
New releases		-	5,428,468,374
Collections		-	(1,285,783,023)
Disposals		-	(4,137,362,458)
Fair value movement during the year		-	124,901,538
Ending balance		-	2,894,348,845

Loans and receivables

This account consists of:

	Note	2024	2023
Receivables from customers:			
Consumption		7,760,700,189	243,555,699
Commercial		12,338,834	16,762,584
Real estate		3,326,497	6,851,714
		7,776,365,520	267,169,997
Less: Unearned interest and discount		143,973,767	162,590,140
Discount on loan modification		87,156	180,400
		7,632,304,597	104,399,457
Other receivables:			
Accrued interest		19,106,323	19,170,259
Accounts receivable		55,474,966	46,053,666
Sales contract receivable		4,308,546	6,281,685
		7,711,194,432	175,905,067
Less: Allowance for credit losses	8	(123,756,550)	(120,926,427)
		7,587,437,882	54,978,640

Change in business model

Loans and receivables to financial assets at FVOCI

In July 2022, the BOD approved the change in the Bank's business model due to the Bank's overall change in strategy brought by internal and external events that changed the Bank's business and liquidity requirements to focus on growing DepEd APDS loans receivables. Based on the Bank's liquidity requirement, in order to continue to grow the volume of originations for the APDS loans receivables, the Bank plans to sell its APDS loans to Robinsons Bank as the current core deposits may not be sufficient to meet the forecasted loan growth demand.

As part of the overall change in the strategy of the Bank, starting July 2022 until December 2023, the Bank sold APDS loans receivable to Robinsons Bank amounting P4.85 billion and recognized on sale amounting to P4.42 million (Note 3).

Under PFRS 9, the date of reclassification is first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets, effective January 1, 2023. Further, starting July 2022, the Bank sold its APDS loans receivables with a carrying amount of P772.61 million to Robinsons Bank as part of its new overall change in strategy. As a result, starting January 1, 2023, APDS loans receivables with carrying amount of P2.82 billion were reclassified to financial assets at FVOCI with fair value of P2.76 billion.

The effects of the reclassification on the statement of financial position and statement of comprehensive income as at January 1, 2023 are as follows:

	Old business model	Reclassification due to change in business model	New business model
Statement of financial position			
Loans and receivables	2,959,327,485	(2,818,845,075)	140,482,410
Financial asset at fair value through other comprehensive income	-	2,764,124,415	2,764,124,415
Statement of comprehensive income			
Net unrealized on financial asset at FVOCI	-	(46,364,141)	(46,364,141)

Financial assets at FVOCI to loans and receivables

Following the effectivity of the merger of Robinsons Bank with Parent Bank on January 1, 2024 (Note 1.1), the Bank has ceased the strategy of selling APDS loans to the Robinsons Bank or the merged entity, given the change in management and ultimate ownership of the Bank. To address liquidity concerns, and for the Bank to continuously expand its APDS loans, the Parent Bank has infused additional capital of P750 million. Further, the Bank ceased to offer other loan products aside from APDS. Hence, as at January 1, 2024, the Bank has classified its APDS loan portfolio as loans and receivables.

The effects of the reclassification on the statement of financial position and statement of comprehensive income as at January 1, 2024 are as follows

	Old business model	Reclassification due to change in business model	New business model
Statement of financial position			
Loans and receivables	54,978,640	7,532,459,242	7,587,437,882
Financial asset at fair value through other comprehensive income	2,894,348,845	(2,894,348,845)	-
Statement of comprehensive income			
Net unrealized on financial asset at FVOCI	93,680,482	(93,680,482)	-

An analysis of changes in the gross carrying amount and the corresponding allowance for credit losses in relation to consumption loans follow:

2024	Note	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount					
Beginning balance		52,119,928	11,842,947	114,450,379	178,413,254
Reclassification due to change in business model	25.6	2,563,186,966	41,456,065	125,874,684	2,730,517,715
New assets originated or purchased		6,272,340,094	-	-	6,272,340,094
Assets derecognized or repaid (excluding write offs)		(1,333,411,965)	(30,035,600)	(30,271,814)	(1,393,719,379)
Transfers to Stage 1		9,661,844	(7,566,306)	(2,095,538)	-
Transfers to Stage 2		(80,511,496)	91,975,749	(11,464,253)	-
Transfers to Stage 3		(136,895,634)	(7,804,322)	144,699,956	-
Other movements		77,570,625	(3,815,543)	(4,836,210)	68,918,872
Amounts written-off and others		-	-	(95,770,367)	(95,770,367)
Ending balance		7,424,060,362	96,052,990	240,586,837	7,760,700,189

2024	Note	Stage 1	Stage 2	Stage 3	Total
Allowance for credit losses					
Beginning balance		130,186	11,182,787	91,465,030	102,778,003
Reclassification due to change in business model	25.6	10,398,782	(10,866,445)	30,483,221	30,015,558
Provisions for credit losses		41,814,779	-	-	41,814,779
Transfers to Stage 1		19,121	(57,321)	(1,277,637)	(1,315,837)
Transfers to Stage 2		(730,491)	1,092,621	(3,198,418)	(2,836,288)
Transfers to Stage 3		(12,338,383)	(50,991)	36,745,729	24,356,355
Other movements		(898,357)	12,251	14,624,649	13,738,543
Amounts written-off and others		(5,336,358)	(179,543)	(103,607,093)	(109,122,994)
Ending balance		33,059,279	1,133,359	65,235,481	99,428,119

2023	Note	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount					
Beginning balance		2,977,681,238	20,545,019	226,961,766	3,225,188,023
Reclassification due to change in business model	25.6	(2,809,020,958)	(582,777)	(884,820)	(2,810,488,555)
New assets originated or purchased		12,632,497	136,000	-	12,768,497
Assets derecognized or repaid (excluding write offs)		(127,009,943)	(10,444,505)	(15,919,051)	(153,373,499)
Transfers to Stage 1		1,554,839	(551,520)	(1,003,319)	-
Transfers to Stage 2		(1,654,634)	8,889,012	(7,234,378)	-
Transfers to Stage 3		(2,063,111)	(6,148,282)	8,211,393	-
Amounts written-off and others		-	-	(95,681,212)	(95,681,212)
Ending balance		52,119,928	11,842,947	114,450,379	178,413,254

2023	Note	Stage 1	Stage 2	Stage 3	Total
Allowance for credit losses					
Beginning balance		8,198,213	215,341	178,730,225	187,143,779
Reclassification due to change in business model	25.6	(7,670,516)	(1,205)	(684,799)	(8,356,520)
Provisions for credit losses		43,828	-	31,581	75,409
Transfers to Stage 1		398,575	(85,090)	(313,485)	-
Transfers to Stage 2		(32,729)	1,387,901	(1,355,172)	-
Transfers to Stage 3		(417,715)	(1,346,312)	1,764,027	-
Other movements		(389,470)	1,012,152	8,973,865	9,596,547
Amounts written-off and others		-	-	(95,681,212)	(95,681,212)
Ending balance		130,186	1,182,787	91,465,030	92,778,003

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses*

An analysis of changes in the gross carrying amount and the corresponding allowance for credit losses in relation to commercial loans follow:

2024	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Beginning balance	-	-	16,762,584	16,762,584
New assets originated or purchased	-	-	-	-
Assets derecognized or repaid (excluding write offs)	-	-	-	-
Transfers to Stage 1	371,929	-	(371,929)	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3		-		-
Other movements	-	-		-
Amounts written-off and others	-	-	(4,423,750)	(4,423,750)
Ending balance	371,929	-	11,966,905	12,338,834
Allowance for credit losses				
Beginning balance	-	-	16,063,484	16,063,484
Provisions for (recovery of) credit losses*	656,710	-	1,147,063	1,803,773
Transfers to Stage 1	1,316	-	(204,657)	(203,341)
Transfers to Stage 2	(4,219)	4,219	-	-
Transfers to Stage 3	(114,204)	-	114,204	-
Other movements	(855,700)	-	(3,719,216)	(4,574,916)
Amounts written-off and others	-	-	(1,165,046)	(1,165,046)
Ending balance	(316,097)	4,219	12,235,832	11,923,954

2023	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Beginning balance	2,020,345	-	39,306,460	41,326,805
New assets originated or purchased	-	-	-	-
Assets derecognized or repaid (excluding write offs)	(1,393,524)	-	(4,197,388)	(5,590,912)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(626,821)	-	626,821	-
Amounts written-off and others	-	-	(18,973,309)	(18,973,309)
Ending balance	-	-	16,762,584	16,762,584
Allowance for credit losses				
Beginning balance	8,682	-	38,154,345	38,163,027
Provisions for (recovery of) credit losses*	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(204,657)	-	204,657	-
Other movements	-	-	(3,322,209)	(3,322,209)
Amounts written-off and others	195,975	-	(18,973,309)	(18,777,334)
Ending balance	-	-	16,063,484	16,063,484

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in recovery of credit losses*

An analysis of changes in the gross carrying amount and the corresponding allowance for credit losses in relation to real estate loans follow:

2024	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Beginning balance	5,762,286	-	1,089,428	6,851,714
New assets originated or purchased	-	-	-	-
Assets derecognized or repaid (excluding write offs)	(3,025,742)	-	(199,833)	(3,225,575)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written-off and others	(299,642)	-	-	(299,642)
Ending balance	2,436,902	-	889,595	3,326,497
Allowance for credit losses				
Beginning balance	22,645	-	574,984	597,629
Provision for (recovery of) credit losses*	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Other movement	(604)	-	(21,894)	(22,498)
Amounts written-off and others	(12,430)	-	-	(12,430)
Ending balance	9,611	-	553,090	562,701

2023	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Beginning balance	2,980,490	-	4,043,805	7,024,295
New assets originated or purchased	3,057,000	-	-	3,057,000
Assets derecognized or repaid (excluding write offs)	(2,767,962)	-	(461,619)	(3,229,581)
Transfers to Stage 1	2,492,758	-	(2,492,758)	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written-off and others	-	-	-	-
Ending balance	5,762,286	-	1,089,428	6,851,714
Allowance for credit losses				
Beginning balance	10,019	-	901,444	911,463
Provision for (recovery of) credit losses*	-	-	-	-
Newly originated assets which remained in stage 1	12,430	-	-	12,430
Newly originated assets which moved to stage 2 & 3	-	-	-	-
Transfers to Stage 1	10,215	-	(10,215)	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written-off and others	(10,019)	-	(316,245)	(326,264)
Ending balance	22,645	-	574,984	597,629

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in recovery of credit losses*

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to FVOCI follow:

2024	Note	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount					
Beginning balance		2,707,980,742	47,004,540	139,363,563	2,894,348,845
Reclassification due to change in business model	25.6	(2,707,980,742)	(47,004,540)	(139,363,563)	(2,894,348,845)
Ending balance		-	-	-	-
Allowance for credit losses					
Beginning balance		10,411,172	247,854	30,385,798	41,044,824
Provision for (recovery of) credit losses*		(10,411,172)	(247,854)	(30,385,798)	(41,044,824)
Ending balance		-	-	-	-

2023	Note	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount					
Beginning balance		-	-	-	-
Reclassification due to change in business model	25.6	2,762,015,271	571,423	1,537,720	2,764,124,414
New assets originated or purchased					
Newly originated assets which remained in stage 1		5,329,538,424	-	-	5,329,538,424
Newly originated assets which moved to stage 2 & 3		-	22,845,000	77,385,950	100,230,950
Assets derecognized or repaid (excluding write offs		(5,293,060,511)	(1,457,596)	(2,459,939)	(5,296,978,046)
Transfers to Stage 1		-	-	-	-
Transfers to Stage 2		(25,045,713)	25,045,713	-	-
Transfers to Stage 3		(65,466,729)		65,466,729	-
Amounts written off and others		-	-	(2,566,897)	(2,566,897)
Ending balance		2,707,980,742	47,004,540	139,363,563	2,894,348,845
Allowance for credit losses					
Beginning balance		7,670,516	1,205	684,799	8,356,520
Provision for (recovery of) credit losses*		-	-	-	-
Newly originated assets which remained in stage 1		10,283,597	-	-	10,283,597
Newly originated assets which moved to stage 2 & 3		-	116,700	16,948,058	17,064,758
Transfers to Stage 1		-	-	-	-
Transfers to Stage 2		(131,154)	131,154		-
Transfers to Stage 3		(13,437,738)	-	13,437,738	-
Amounts written-off and others		6,025,951	(1,205)	(684,797)	5,339,949
Ending balance		10,411,172	247,854	30,385,798	41,044,824

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in recovery of credit losses*

An analysis of changes in the gross carrying amount and the corresponding allowance for credit losses in relation to other receivables follow:

2024	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Beginning balance	47,928,292	4,034,397	19,542,921	71,505,610
New assets originated or purchased	50,824,612	2,723,951	9,575,945	63,124,508
Assets derecognized or repaid (excluding write offs)	(38,475,404)	(3,466,353)	(6,820,805)	(48,762,562)
Transfers to Stage 1	153,061	(71,628)	(81,433)	-
Transfers to Stage 2	(745,088)	979,555	(234,467)	-
Transfers to Stage 3	(566,488)	(235,108)	801,596	-
Other movement	3,611,054	-	-	3,611,054
Amounts written off and others	(3,627,205)	(198,439)	(6,763,131)	(10,588,775)
Ending balance	59,102,834	3,766,375	16,020,626	78,889,835
Allowance for credit losses				
Beginning balance	5,976,579	636,753	4,756,992	11,370,324
Provisions for (recovery of) credit losses*	-	-	-	-
Newly originated assets which remained in stage 1	41,321	-	-	41,321
Newly originated assets which moved in stage 2 & 3	-	193,234	6,924,463	7,117,697
Transfers to Stage 1	406	(108)	(298)	-
Transfers to Stage 2	(51,037)	54,862	(3,825)	-
Transfers to Stage 3	(157,201)	(92,486)	249,687	-
Amounts written-off and others	(5,752,334)	(543,531)	(391,698)	(6,687,563)
Ending balance	57,734	248,724	11,535,321	11,841,779

2023	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Beginning balance	53,867,980	18,314,480	35,307,696	107,490,156
New assets originated or purchased	41,431,699	3,517,165	2,353,593	47,302,457
Assets derecognized or repaid (excluding write offs)	(31,856,002)	(1,727,972)	(8,464,600)	(42,048,574)
Transfers to Stage 1	62,083	(240)	(61,843)	-
Transfers to Stage 2	(320,675)	320,675		-
Transfers to Stage 3	(1,555,582)	(1,146,185)	2,701,767	-
Amounts written off and others	(13,701,211)	(15,243,526)	(12,293,692)	(41,238,429)
Ending balance	47,928,292	4,034,397	19,542,921	71,505,610
Allowance for credit losses				
Beginning balance	1,812,156	636,753	28,004,518	30,453,427
Provisions for (recovery of) credit losses*	-	-	-	
Newly originated assets which remained in stage 1	4,673	-	-	4,673
Newly originated assets which moved in stage 2 & 3	-	258,637	1,561,901	1,820,538
Transfers to Stage 1	405	-	(405)	-
Transfers to Stage 2	(690)	690	-	-
Transfers to Stage 3	(30,630)	(504,389)	535,019	-
Amounts written-off and others	4,190,665	245,062	(25,344,041)	(20,908,314)
Ending balance	5,976,579	636,753	4,756,992	11,370,324

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for credit losses*

The movement of net unrealized /loss in relation to financial assets at FVOCI as follows:

2024	Note	Fair value movement	Expected credit losses	Total
Beginning balance		52,635,658	41,044,824	93,680,482
Reclassification due to change in business model	25.6	(52,635,658)	(41,044,824)	(93,680,482)
Reclassification of expected credit loss		-	-	-
		-	-	-
Income tax effect (25%)		-	-	-
Ending balance, net of tax		-	-	-

2023	Note	Fair value movement	Expected credit losses	Total
Beginning balance		-	-	-
Reclassification due to change in business model	25.6	(54,720,661)	-	(54,720,661)
Reclassification of expected credit loss		-	8,356,520	8,356,520
Total reclassification as of beginning of year		(54,720,661)	8,356,520	(46,364,141)
Movement during the year				
Fair value movement during the year		124,901,538	-	124,901,538
Movement of expected credit loss		-	32,688,304	32,688,304
		70,180,877	41,044,824	111,225,701
Income tax effect (25%)		17,545,219		17,545,219
Ending balance, net of tax		52,635,658	41,044,824	93,680,482

Sales contract receivable earns interest at annual fixed rates ranging from 10.00% to 14.00% in 2024 and 2023.

Interest income on loans and receivables consists of:

	Note	2024	2023
Financial assets at FVOCI		-	341,955,350
Receivables from customers:			
Consumption		783,851,000	168,297,014
Commercial		58,803	265,323
Real estate		281,120	497,190
Accretion of interest on the modified loans		93,244	428,821
Sales contract receivable		727,910	910,677
		785,012,077	170,399,025
		785,012,077	512,354,375

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act (“Bayanihan 1 Act”) was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2 Act”), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

Based on the Bank’s assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. Total modification losses resulting from Bayanihan 1 Act and Bayanihan 2 Act amounted to P79.84 million. Accretion of interest on the receivables from customers amounted to P0.93 million in 2024 (2023 - P0.43 million). As of December 31, 2024 the remaining unamortized modification losses amounted to P0.09 million (2023 - P0.18 million).

Critical accounting judgment - Evaluation of business model in managing financial instruments

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

In determining the classification of a financial instrument under PFRS 9, the Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The Bank evaluates in which business model a financial instrument, or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank.

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

The Bank's BOD approved its documentation of business models which contains broad categories of business models. The business model includes the Bank's lending activities as well as treasury business activities broken down into liquidity and investment portfolios.

In addition, PFRS 9 provides that the Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. In making the assessment, the Bank considers the significance of the changes in its strategy that is demonstrable to internal and external parties. The Bank also considers the impact of the change in strategy to its overall risk profile to determine whether the objectives in managing its financial assets have changed.

Critical accounting estimates - Impairment of financial assets

The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Elements of the ECL models that are considered accounting judgements and estimates include:

- Internal credit grading model, which assigns PDs to the individual grades
- Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime CL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The ECL models and all ECL-related policies are approved by the Risk Management Committee and the Board of Directors. The Risk Management Unit calculates the ECL for all credit risk exposures. The total ECL that will be booked by the General Accounting Division is approved by both the Chief Operating Officer and the Chief Risk Officer.

The carrying value of and the allowance for credit losses on loans and receivables and financial asset at FVOCI of the Bank as of December 31, 2024 and 2023 are disclosed in Notes 4 and 8, respectively.

5 Bank premises, furniture, fixtures and equipment

The composition of and movements in this account follow:

2024	Land	Building	Furniture, fixtures and equipment	Transportation equipment	Leasehold improvements	Right-of-use assets (Note 17)	Total
Cost							
Balances at beginning of year	20,354,527	19,885,403	138,654,100	19,321,830	85,955,807	102,976,313	387,147,980
Additions	-	-	5,242,040	1,173,724	210,464	9,822,762	16,448,990
Disposals	-	-	(256,514)	(2,817,813)	(1,660,504.00)	-	(4,734,831)
Reclassification/Adjustment/ITB Transfer	-	(6,502)	-	-	-	-	(6,502)
Balances at end of year	20,354,527	19,878,901	143,639,626	17,677,741	84,505,767	112,799,075	398,855,637
Accumulated depreciation and amortization							
Balances at beginning of year	-	14,577,517	131,984,253	16,543,804	66,670,966	65,040,883	294,817,423
Depreciation and amortization	-	1,623,368	3,909,345	824,914	4,873,855	15,767,843	26,999,324
Disposals	-	-	-	(2,657,586)	-	-	(2,657,586)
Reclassifications	-	-	-	-	-	-	-
Balances at end of year	-	16,200,885	135,893,598	14,711,132	71,544,821	80,808,726	319,159,161
Allowance for impairment losses (Note 8)							
Balances at beginning and end of year	11,385,054	1,194,537	-	87,500	-	-	12,667,091
Net book value at end of year	8,969,473	2,483,482	7,746,028	2,879,109	12,960,946	31,990,349	67,029,385

2023	Land	Building	Furniture, fixtures and equipment	Transportation equipment	Leasehold improvements	Right-of-use assets (Note 17)	Total
Cost							
Balances at beginning of year	20,354,527	19,385,323	134,337,083	18,929,081	84,215,660	99,264,299	376,485,973
Additions	-	500,080	5,040,146	392,749	1,740,147	3,712,014	11,385,136
Disposals	-	-	(723,129)	-	-	-	(723,129)
Balances at end of year	20,354,527	19,885,403	138,654,100	19,321,830	85,955,807	102,976,313	387,147,980
Accumulated depreciation and amortization							
Balances at beginning of year	-	11,399,533	125,850,657	14,878,745	61,071,932	49,684,926	262,885,793
Depreciation and amortization	-	3,177,984	6,830,011	1,665,059	5,625,714	15,355,957	32,654,725
Disposals	-	-	(723,095)	-	-	-	(723,095)
Reclassifications	-	-	26,680	-	(26,680)	-	-
Balances at end of year		14,577,517	131,984,253	16,543,804	66,670,966	65,040,883	294,817,423
Allowance for impairment losses (Note 8)							
Balances at beginning and end of year	11,385,054	1,194,537	-	87,500	-	-	12,667,091
Net book value at end of year	8,969,473	4,113,349	6,669,847	2,690,526	19,284,841	37,935,430	79,663,466

Gain on sale of items of property and equipment reported under ‘Profit from assets sold’ amounted to P0.26 million in 2024 (2023 - P0.13 million).

As of December 31, 2024 the cost of fully depreciated items of property and equipment still in use amounted to P166.08 million (2023 - P169.49 million).

The details of depreciation and amortization follow:

	Notes	2024	2023
Property and equipment		26,999,324	32,654,725
Software costs	7	1,211,459	1,383,660
Repossessed chattels	7	-	203,778
Investment properties	6	187,195	201,437
		28,397,978	34,443,600

Critical accounting judgment - Impairment of bank premises, furniture, fixtures and equipment

The Bank assesses impairment on property and equipment, investment properties and repossessed chattels whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- significant decline in market value of comparable assets;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the assets or the strategy for overall business; and
- evidence of obsolescence or physical damage.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach for property and equipment. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

At December 31, 2024 and 2023, the bank premises, furniture, fixtures and equipment have no indicators of impairment.

Critical accounting judgment – Useful lives of bank premises, furniture, fixtures and equipment

The Bank determines the estimated useful lives of its bank premises, furniture, fixtures and equipment based on the period over which the assets are expected to be available for use. The Bank annually reviews the estimated useful lives of bank premises, furniture, fixtures and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The Bank considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the carrying values of bank premises, furniture, fixtures and equipment.

6 Investment properties

The composition of and movements in this account follow:

2024	Land	Building	Total
Cost			
Balances at beginning of year	101,697,813	18,529,276	120,227,089
Disposals	(6,459,339)	-	(6,459,339)
Balances at end of year	95,238,474	18,529,276	113,767,750
Accumulated depreciation			
Balances at beginning of year	-	18,064,481	18,064,481
Depreciation	-	187,195	187,195
Disposals	-	-	-
Adjustment	-	-	-
Balances at end of year	-	18,251,676	18,251,676
Allowance for impairment losses (Note 8)			
Balances at beginning of year	9,000,511	62,407	9,062,918
Provision for the year	(200,537)	1,301	(199,236)
Disposals	-	-	-
Balances at end of year	8,799,974	63,708	8,863,682
Net book value at end of year	86,438,500	213,892	86,652,392

2023	Land	Building	Total
Cost			
Balances at beginning of year	110,978,914	18,529,276	129,508,190
Disposals	(9,281,101)	-	(9,281,101)
Balances at end of year	101,697,813	18,529,276	120,227,089
Accumulated depreciation			
Balances at beginning of year	-	17,864,385	17,864,385
Depreciation (Note 5)	-	201,437	201,437
Disposals	-	-	-
Adjustment	-	(1,341)	(1,341)
Balances at end of year	-	18,064,481	18,064,481
Allowance for impairment losses (Note 8)			
Balances at beginning of year	13,563,024	62,407	13,625,431
Provision for the year	-	-	-
Disposals	(4,562,513)	-	(4,562,513)
Balances at end of year	9,000,511	62,407	9,062,918
Net book value at end of year	92,697,302	402,388	93,099,690

No rental income on investment properties was included in other income under ‘Miscellaneous income’ in 2024 and 2023.

Direct operating expenses on investment properties under ‘Miscellaneous expense’ amounted to P1.06 million in 2024 (2023 - P1.00 million) (Note 14).

Net gain from sale of investment properties reported under ‘Profit from assets sold’ amounted to P7.73 million in 2024 (2023 - P4.03 million).

No gain/loss on foreclosure of investment properties was reported under ‘gain on foreclosure - net’ in 2024 and 2023.

Critical accounting estimate - Impairment of land classified as investment properties

At the December 31, 2024 and 2023, the Bank is exposed to possible impairment of its land classified as investment properties. The Bank assesses impairment on investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This requires management to make significant judgments and estimates, particularly in determining fair value of the properties.

On a regular basis, management determines the fair value of investment properties. The fair values are determined by appraisers, including independent external appraisers, in the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made. The Bank has determined that the highest and best use of the property used for the land and building is its current use.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using fair value less costs to sell for investment properties. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

Detailed information regarding the fair value of investment properties, including assumptions and is disclosed in Note 22.

7 Other assets

This account consists of:

	Note	2024	2023
Branch licenses		16,865,000	16,810,000
Stationery and supplies unused		7,202,087	6,051,006
Prepaid expenses		3,559,931	2,971,891
Refundable deposits		3,077,100	2,367,778
Documentary stamps		1,543,319	1,868,549
Software costs, net		1,107,310	908,778
Repossessed chattels		1,741,189	164,255
Others		7,934,095	1,985,612
		43,030,031	33,127,869
Allowance for impairment losses	8	(15,976,499)	(15,977,800)
		27,053,532	17,150,069

‘Others’ mainly represent miscellaneous assets in process of reconciliation which have been fully provided for as of December 31, 2024 and 2023.

‘Allowance for impairment losses’ amount pertain to allowance for impairment losses of branch licenses and other assets combined. There were no provisions recorded and write-off on allowance for impairment losses for 2024 and 2023.

In 2024, no net gain from sale of repossessed chattel was reported under ‘Profit from assets sold’ (2023 - P0.05 million), while loss on foreclosure of repossessed chattels was reported in the amount of P0.1 million (2023 - nil).

Movements in ‘Software costs’ follow:

	Note	2024	2023
Cost			
Balances at beginning of year		25,006,835	24,007,282
Additions		1,409,991	999,553
Balances at end of year		26,416,826	25,006,835
Accumulated amortization			
Balances at beginning of year		24,098,057	22,714,397
Amortization	5	1,211,459	1,383,660
Balances at end of year		25,309,516	24,098,057
Net book value at end of year		1,107,310	908,778

8 Allowance for credit and impairment losses

Changes in the allowance for credit and impairment losses follow:

	Notes	2024	2023
Balances at beginning of year			
Investment at amortized cost		-	1,900
Loans and receivables	4	120,926,427	256,671,645
Financial asset at FVOCI		41,044,824	-
Property and equipment	5	12,667,091	12,667,091
Investment properties	6	9,062,918	13,625,431
Branch licenses	7	15,900,000	15,900,000
Repossessed chattels	7	1,301	1,301
Other assets	7	76,499	76,499
		199,679,060	298,943,867
Provisions for the year	4,5	65,588,475	37,889,869
Derecognition of allowance on loans and receivables			(58,988,100)
Reversal of allowance on assets sold	6,7	(200,537)	(4,556,879)
Accounts written-off		(103,803,176)	(114,654,521)
		(38,415,238)	(140,309,631)
Balances at end of year			
Loans and receivables	4	123,756,550	120,926,427
Financial asset at FVOCI		-	41,044,824
Property and equipment	5	12,667,091	12,667,091
Investment properties	6	8,862,381	9,062,918
Branch licenses	7	15,900,000	15,900,000
Repossessed chattels	7	1,301	1,301
Other assets	7	76,499	76,499
		161,263,822	158,634,236

9 Deposit liabilities

Of the total deposit liabilities of the Bank as of December 31, 2024, 85.02% (2023 - 70.39%) are subject to periodic interest repricing. These bear interest rates ranging from 0.25% to 6.75% in 2024 (2023 – 0.25% to 6.25%). Remaining deposit liabilities bear annual fixed interest rates of 4.00% in 2024 (2023 - 4.50%)

Interest expense on deposit liabilities consists of:

	2024	2023
Savings	328,239,864	132,847,500
Time	6,623,096	14,301,927
	334,862,960	147,149,427

The Bank has no secured liabilities and assets pledged as a security.

BSP reserve requirement

The required reserves shall be kept in the form of deposits maintained in the demand deposit accounts (DDA) with the BSP. As of December 31, 2024 the Bank's liquidity and statutory reserves as reported to the BSP amounting to P88.72 million (2023 - P77.11 million), are included under 'Due from BSP'. As of December 31, 2024 and 2023, the Bank was in compliance with the reserve requirements.

10 Accrued expenses and other liabilities

Accrued expenses account consists of:

	2024	2023
Accrued expenses	45,545,324	40,561,386
Accrued interest payable	157,540,790	21,738,038
	203,086,114	62,299,424

Accrued expenses consist of accruals for professional fees and other administrative expenses.

Accrued interest payable pertains to accruals of interest expense on deposit liabilities (Note 9).

Other liabilities account consists of:

	Note	2024	2023
Accounts payable		79,857,929	66,446,349
Retirement liability	16	-	6,091,153
Withholding taxes and other taxes payable		1,795,438	1,956,565
Income tax payable		2,802,395	1,960,164
Others		7,136,014	2,991,094
		91,591,776	79,445,325

Accounts payable consist of payables to service providers and advance payments from customers.

The Bank has no secured liabilities and assets pledged as a security.

Others consist mainly of payables to agencies servicing employee welfare such as Social Security System, Home Development Mutual Fund and Medicare.

11 Redeemable preferred shares

The details of the Bank’s redeemable preferred shares follow:

	Shares	Amount
Preferred stock - P1,000 par value		
Authorized	50,000	50,000,000
Issued and outstanding		
Balances at beginning and end of year	30,700	30,700,000

The preferred stock has the following features:

a. The minimum subscription is 100 shares and payable in cash;
b. The shares shall earn a monthly interest at a rate to be fixed by the BOD, but such interest shall not be less than the prevailing market interest rates and said shares shall not be treated as time deposit, deposit substitute or as other form of borrowings;
c. The interest shall be paid in the form of dividends cumulatively, which may be declared annually or as often as the BOD may determine;
d. The shares shall have preference in the distribution of dividends and in the distribution of assets in case of liquidation or dissolution, provided, however that no dividend shall be declared or paid on redeemable shares in the absence of sufficient undivided profits, free surplus and approval of the BSP;
e. The shares are non-voting on matters provided for in the last paragraph of Section 6 of the Corporation Code;
f. Pre-emptive rights are not available on preferred shares nor shall they be subject to one and the shares shall be held for five (5) years with a right of alienation or encumbrance of the same to any third person within the period of five (5) years from the original date of subscription, provided, however, that on the 5th year the holder shall be obliged to surrender the same to the corporation and upon prior approval of the BSP and in compliance with the provisions of the Manual of Regulations for Banks (MORB) and the BSP's circulars regarding this matter, the corporation shall be obliged to take up the subscription at the price when the preferred shares of stock were originally subscribed. Provided that shares redeemed are replaced with at least an equivalent amount of newly paid-in shares so that the total paid-in capital stock is maintained at the same level immediately prior to redemption and provided further, that the corporation is not insolvent or if such redemption will not cause insolvency, impairment of capital or inability of the corporation to meet its debts as they mature; and
g. As at December 31, 2024 and 2023, the Bank has not yet created a sinking fund pending request from the BSP to redeem and retire the preferred shares..

The shares may a be disposed of by the Bank for a price fixed by the BOD. Based on the BOD resolution on March 6, 2013, the entire redeemable preferred shares of the Bank will be retired after its redemption subject to BSP’s approval. As of December 31, 2024 and 2023 the entire redeemable preferred shares are still subject to BSP’s approval.

As at December 31, 2023, Robinsons Bank owns 30,200 shares or P30.20 million of the outstanding redeemable preferred shares of the Bank. Following the merger, ownership of the shares have been transferred to the Parent Bank

12 Maturity analysis of assets and liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from statements of financial position date (amounts in millions):

	2024			2023		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial assets						
Cash and other cash items	101	-	101	84		84
Due from BSP	2,434	-	2,434	1,310	-	1,310
Due from other banks	150	-	150	105	-	105
Securities purchased under resale agreement	-	-	-	250	-	250
Investment securities at amortized cost	-	-	-	-	-	-
Loans and receivables	55	7,656	7,711	200	139	339
Financial asset measured at Fair value through other comprehensive income	-	-	-	11	2,883	2,894
Other assets	-	3	3	-	2	2
	2,740	7,659	10,399	1,960	3,024	4,984
Financial liabilities						
Deposit liabilities	8,655	18	8,673	3,738	239	3,978
Redeemable preferred shares	31	-	31	31	-	31
Lease liabilities	1	40	41	1	47	48
Accrued expenses	203	-	203	62	-	62
Other liabilities	85	-	85	70	-	70
	8,975	58	9,033	3,902	286	4,189

13 Equity

Capital stock

Details of the Bank’s capital stock as of December 31, 2024 and 2023 follow:

	Shares	Amount
Common stock - P100.00 par value		
Authorized	20,000,000	2,000,000,000
Issued and outstanding		
Balances at beginning of year	12,459,600	1,245,960,000
Capital Infusion	2,500,000	750,000,000
Balance at end of year	14,959,600	1,995,960,000

Surplus reserve

The Bank’s accumulated reserves amounting to P6.45 million was appropriated under the old management and BOD in previous years, prior to the previous acquisition by the Robinsons Bank and prior to its merger with the Parent Bank.

As provided in the Articles of Incorporation, the Bank shall accumulate and maintain a surplus reserve of not less than 5.00% of its total assets and shall be available for meeting losses incurred by the Bank. Upon the required amount thereof being reached, a sinking fund pursuant to the BSP rules and regulations shall be set aside in the amount necessary for the redemption of redeemable preferred shares. The BOD may, at its discretion, provide for such other reserves as it may seem necessary. The appointment of net earnings for such reserves shall be made before effecting the distribution of net earnings.

The Bank is presently reviewing the propriety of this provision. Any required revision will be recommended for approval to the Bank's BOD and stockholders. No additional appropriation has been made as of December 31, 2024 and 2023.

General loan loss provision

Under BSP Circular No. 1011, the Bank shall treat Stage 1 provisions for loan accounts as General Provisions (GP) while Stage 2 and 3 provisions shall be treated as Specific Provisions (SP). The Bank shall set up GLLP equivalent to 1.00% of all outstanding on-balance sheet loan accounts, except for accounts considered as credit risk-free under existing regulations. In cases when the computed allowance for credit losses on Stage 1 accounts is less than the 1.00% required GP, the deficiency shall be recognized by appropriating the 'Surplus Reserve' account. GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in surplus shall be considered as Tier 2 capital subject to the limit provided under the CAR framework.

In 2023 and 2024, the Bank 's allowance for credit losses is less than the required GP of 1.00% for Stage 1 accounts. There were no retained earnings appropriations in 2024 and 2023 since the Bank is in a deficit position.

Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements, as mandated by the BSP, and that the Bank maintains healthy capital ratios in order to support its business and to maximize shareholder's value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory qualifying capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS Accounting Standards in some respects.

In addition, the risk-based capital ratio of a bank or Capital Adequacy Ratio (CAR), expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis and consolidated basis. Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP.

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

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

The table below shows the Bank’s CAR as of December 31 as reported to the BSP (amounts in millions).

	2024	2023
Tier 1 capital	1,422	595
Tier 2 capital	32	8
Gross qualifying capital	1,454	603
Less required deductions		
Total qualifying capital	1,454	603
Risk weighted assets	8,693	3,868
Common equity tier 1 ratio	16.35%	15.38%
Tier 1 capital ratio	16.35%	15.38%
Tier 2 capital ratio	0.38%	0.20%
Risk-based capital adequacy ratio	16.73%	15.58%

The computed CAR of 16.73% as of December 31, 2024 (2023 - 15.58%) as reported to the BSP, were based on the commercial bank’s CAR template as required by the BSP since the Parent Bank is a commercial bank.

Regulatory capital consists of Tier 1 capital, which comprises paid-up common stock, surplus, surplus reserves including current year profit, less required deductions total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI.

The other component of regulatory capital is Tier 2 capital, which represents the general loan loss provisions capped at a maximum of 1.00% of gross risk weighted assets. The general loan loss provisions are based on regulatory accounting principle.

On May 22, 2014, the MB of the BSP approved the adoption of a prudential Real Estate Stress Testing (REST) limit for universal/commercial banks and thrift banks on a solo and consolidated basis on their aggregate real estate exposures, as provided under BSP Circular No. 839, Real Estate Stress Test Limit for Real Estate Exposures, dated June 27, 2014. The REST limit combines a macro prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response. The Circular sets out a minimum REST limit of 6.00% CET1 capital ratio and 10.00% risk-based capital adequacy ratio, on a solo and consolidated basis, under a prescribed write-off rate of 25.00% on the Bank’s real estate exposure. These limits shall be complied with at all times.

On October 29, 2014, the BSP issued amendments to Circular No. 854 which requires a new minimum capitalization for Banks. The Bank, as a thrift bank with 11 to 100 branches, was required to increase its capitalization to P400.00 million. The Bank has complied with this requirement.

On June 9, 2015, the BSP issued Circular No. 881, Implementing Guidelines on the Basel III Leverage Ratio Framework, which provides implementing guidelines for universal, commercial, and their subsidiary banks/quasi banks. The circular sets out a minimum leverage ratio of 5.00%. The Bank has complied with this requirement.

Leverage ratio

On June 9, 2015, BSP issued circular No. 881, which approved the guidelines for the implementation of the Basel III Leverage Ratio in the Philippines. The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The leverage ratio intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based “backstop” measure. The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator). The monitoring of the leverage ratio was implemented as a Pillar 1 minimum requirement effective on 1 July 2018. The Bank shall maintain at least 5% leverage ratio at every reporting period.

The BLR of the Bank as of December 31 as reported to the BSP are shown in the table below (amounts in millions).

	2024	2023
Tier 1 capital	1,422	594
Exposure measure	10,457	5,040
Leverage ratio	13.60%	11.79%

14 Income and expenses

Service fees and commission income consists of:

	2024	2023
Service fees and commission income		
Deposit-related	1,720,843	1,552,917
Commissions	6,430,219	5,745,940
	8,151,062	7,298,857
Service fees and commission expense		
Banking fees	(22,130,947)	(13,891,603)
	(13,979,885)	(6,592,746)

Miscellaneous income consists of:

	Note	2024	2023
ATM transaction fees		8,003,363	7,680,034
Penalties		5,786,951	3,739,701
Recovery on charged-off assets		3,569,088	1,631,574
Income on sale of checkbook		180,147	263,958
Others	6	873,021	655,658
		18,412,570	13,970,925

Others include rental income from investment properties, other loan fees and surcharges.

Miscellaneous expenses consist of:

	Note	2024	2023
Documentary stamp used		43,989,681	1,719,660
Advertising		13,256,199	541,387
Stationery and supplies		3,083,332	4,299,894
Fines, penalties and other charges		2,488,767	13,240,703
Litigation and other expense on assets acquired	6	1,349,028	1,168,568
Membership fees and dues		346,797	254,820
Others		7,710,204	1,327,537
		72,224,008	22,552,569

Other expenses include sponsorship expenses, appraisal fees, donations, periodicals and magazines.

15 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control of common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities.

The Bank has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time of comparable transactions with other parties. These transactions are usually settled in cash and also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Details on significant related party transactions of the Bank follow:

Related party balances and transactions below pertain to related parties of the Bank after the merger of Robinsons Bank and BPI:

			2024	
Related party	Nature of transaction	Terms and condition	Amount/ volume	Outstanding balance
Parent Bank	Accounts receivable	Unsecured, noninterest-bearing, payable on demand	245,100	2,781,599
	Accounts payable	Unsecured, noninterest-bearing, payable on demand	(1,470,821)	3,229,191
	Due from other banks	Regular checking account, non- interest bearing	(4,932,983)	64,900
Key employees	Receivables from customers	Personal loans to directors, officers and stockholders with interest rates ranging 6.25% - 9.00%; Secured and unimpaired	(355,187)	3,956,928
Key directors and employees	Deposit liabilities	Deposits of directors, officers and stockholders with interest rates ranging 0.5% - 5.5%	(736,254,903)	3,999,524
	Interest income	Interest earned from loans of directors, officers and stockholders	208,401	208,401
	Interest expense	Interest expense on deposit liabilities	10,364	-
	Compensation and fringe benefits	Remuneration and benefits to directors and key management personnel	17,962,465	-
	Post-employment benefits	Post-employment benefits	737,867	-

Related party balances and transactions below pertain to related parties of the Bank prior to the merger of Robinsons Bank and BPI:

			2023	
Related party	Nature of transaction	Terms and condition	Amount/ volume	Outstanding balance
Robinsons Bank	Accounts receivable	Unsecured, noninterest-bearing, payable on demand	42,803	2,536,499
	Accounts payable	Unsecured, noninterest-bearing, payable on demand	1,157,855	4,700,012
	Due from other banks	Regular checking account, non- interest bearing	1,160,347	4,997,883
Key employees	Receivables from customers	Personal loans to directors, officers and stockholders with interest rates ranging 6.25% - 9.00%; Secured and unimpaired	(8,637,730)	4,312,115
Key directors and employees	Deposit liabilities	Deposits of directors, officers and stockholders with interest rates ranging 0.5% - 5.5%	(621,657,332)	740,254,427
	Interest income	Interest earned from loans of directors, officers and stockholders	304,163	304,163
	Interest expense	Interest expense on deposit liabilities	63,158,270	-
	Compensation and fringe benefits	Remuneration and benefits to directors and key management personnel	10,786,594	-
	Post-employment benefits	Post-employment benefits	828,893	-

16 Retirement liability

The Bank has noncontributory defined benefit plan covering all its regular and permanent employees. Under the retirement plan, all employees are entitled to cash benefits after satisfying certain age and service requirements.

The existing regulatory framework, Republic Act (RA) 7641, An Act Amending Article 287 of Presidential Decree No. 442, as Amended, otherwise known as the Labor Code of the Philippines, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law.

The law does not require minimum funding of the plan.

The status and amounts recognized in the statement of financial position for retirement liability are as follows:

2024	Present value of pension obligation	Fair value of plan assets	Net pension obligation
Balance at beginning of year	22,403,472	16,312,319	6,091,153
Expense recognized in statements of income*			
Current service cost	2,802,798	-	2,802,798
Net interest cost	1,368,852	983,555	385,297
Settlement loss	-	-	-
	4,171,650	983,555	3,188,095
Benefits paid	(429,700)	(429,700)	-
Contributions	-	-	-
Remeasurements in OCI	-	-	-
Actuarial changes arising from:	-	-	-
Loss on plan assets	-	18,721,174	(18,721,174)
Financial assumptions	25,083	-	25,083
Experience adjustments	279,069	-	279,069
Demographic assumptions	762,075	-	762,075
	636,527	18,291,474	(17,654,947)
Balance at end of year	27,211,649	35,587,348	(8,375,699)
Effect of Asset Ceiling	-	-	771,887
Balance at end of year	27,211,649	35,587,348	(7,603,812)

2023	Present value of pension obligation	Fair value of plan assets	Net pension obligation
Balance at beginning of year	15,916,106	98,663	15,817,443
Expense recognized in statements of income*			
Current service cost	2,129,643	-	2,129,643
Net interest cost	1,152,326	579,735	572,591
Settlement loss	172,161	-	172,161
	3,454,130	579,735	2,874,395
Benefits paid	(201,430)	-	(201,430)
Contributions	-	15,817,444	(15,817,444)
Remeasurements in OCI	-	-	-
Actuarial changes arising from:	-	-	-
Loss on plan assets	-	(183,523)	183,523
Financial assumptions	2,367,508	-	2,367,508
Experience adjustments	742,857	-	742,857
Demographic assumptions	124,301	-	124,301
	3,033,236	15,633,921	(12,600,685)
Balance at end of year	22,403,472	16,312,319	6,091,153

** The net benefit cost is recorded under 'Compensation and fringe benefits' in the statements of income.*

The fair value of plan assets by each class are as follows:

	2024	2023
Unit investment trust funds	35,579,125	15,920,823
Other assets	18,480	391,496
	35,597,604	16,312,319

Movements in 'Remeasurement (losses) s on retirement liability' in OCI follows:

	2024	2023
Balance at beginning of year	663,492	3,227,134
Remeasurement (loss) on retirement liability		
Due to changes in financial assumptions	(25,083)	(2,367,508)
Due to changes in experience adjustments	(762,075)	(742,857)
Due to changes in demographic assumptions	(279,069)	(124,301)
Actual return on plan assets	18,721,174	(183,523)
Remeasurement (loss) on changes in the effect of the asset ceiling	(771,887)	-
Remeasurement (loss) during the year	16,883,060	(3,418,189)
Tax effect	4,220,765	854,547
Remeasurement (loss) on retirement liability during the year, net of tax	12,662,295	(2,563,642)
Balance at end of year, net of tax	13,325,787	663,492

The principal actuarial assumptions used in determining retirement liability of the Bank as of January 1, 2024 and 2023 are shown below:

	2024	2023
Average remaining working life in years	26.7	26.9
Discount rate	6.10%	6.11%
Salary rate increase	5.70%	5.70%

The principal actuarial assumptions used in determining the retirement liability of the Bank as of December 31 are shown below:

	2024	2023
Average remaining working life in years	26.7	26.3
Discount rate	6.10%	6.11%
Salary rate increase	5.70%	5.70%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		Impact to DBO	
	Increase (decrease)	2024	2023
Discount rate	1.00%	(2,332,578)	(2,115,026)
	(1.00%)	2,704,675	2,465,937
Salary increase rate	1.00%	2,688,278	2,451,228
	(1.00%)	(2,361,544)	(2,141,397)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2024	2023
Less than 1 year	1,719,322	1,237,186
More than 1 year to 5 years	13,571,101	5,875,787
More than 5 years to 10 years	21,816,549	19,346,710
More than 10 years to 15 years	28,408,588	26,112,783
More than 15 years to 20 years	31,812,367	32,712,679

The Bank's weighted average duration of the defined benefit obligation is equivalent to 9.3 years in 2024 (2023 - 10.2 years).

Critical accounting estimates - Present value of retirement liability

The cost of pension and other employee benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each statement of financial position date.

The details of the present values of retirement obligation of the Bank are discussed in Note 16.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

17 Leases

Bank as a Lessee

The Bank leases its head office and branch premises for periods ranging from five (5) to fifteen (15) years, renewable upon mutual agreement of both parties. Various lease contracts include escalation clauses, most of which bear annual rent increase ranging from 5.00% to 10.00%.

The Bank also has certain leases of building and branch premises with lease terms of 12 months or less and leases with low value assets. The Bank applies the recognition exemptions for these types of leases. Rent expense charged against current operations (included in 'Occupancy and equipment-related' expenses in the statements of income) amounted to P1.39 million in 2023 (2022 - P3.89 million). Rent expense in 2023 pertains to expenses from short-term leases and leases of low-value assets.

Right-of-use assets

Details of the carrying amounts of right-of-use assets recognized and the movements during the year ended December 31, 2024 and 2023 are disclosed in Note 24.

Lease liabilities

As of December 31 the carrying amount of lease liabilities follow:

	Notes	2024	2023
Balance at beginning of year		47,564,399	59,085,655
Additions		9,349,855	3,712,013
Interest expense	10	(3,407,356)	3,858,934
Payments		(12,629,787)	(19,092,203)
Effect of liabilities in disposal in group		-	-
		40,877,111	47,564,399

18 Income and other taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statement of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Current tax regulations provide that the RCIT rate shall be 25.00% and interest allowed as a deductible expense shall be reduced by an amount of 20.00% of interest income subjected to final tax.

On June 20, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax (MCIT) rate to 2.00% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act. MCIT rate was previously reduced from 2.00% to 1.00% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

Consequently, the Company recognized MCIT using the effective rate of 1.50% in 2023 in accordance with RMC 69-2023.

Provision for income tax consists of:

	2024	2023
Current:		
RCIT	-	-
MCIT	10,091,210	5,216,731
Final	28,623,341	12,865,117
	38,714,551	18,081,848
Deferred:		
Deferred income tax	5,698,274	7,629,345
	5,698,274	7,629,345
	44,412,825	25,711,193

The components of the Bank's net deferred tax asset follow:

	2024	2023
Deferred tax assets (liability) on:		
Allowance for credit and impairment losses	40,316,281	49,919,765
NOLCO	13,317,283	10,917,059
Retirement liability	(2,399,759)	4,602,542
Unrealized gain on financial asset at FVOCI	-	(17,545,220)
Accumulated depreciation on investment properties and repossessed chattels	4,516,120	4,584,679
Excess of MCIT over RCIT	13,999,920	5,216,731
Unamortized modification loss	23,311	45,100
Lease liability	2,221,690	2,407,243
	71,994,846	60,147,899

Movements in deferred tax assets comprise of:

	Notes	2024	2023
At beginning of the year		60,147,899	84,467,917
Amounts credited to statement of income		15,789,484	(7,629,345)
Amounts charged against statements of comprehensive income	4,15	(3,942,537)	(16,690,673)
At end of the year		71,994,846	60,147,899

As of December 31, 2023, the Bank has incurred NOLCO in taxable year 2023 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Inception year	Amount	Used	Expired	Balance	Expiry year
2024	9,600,899	-	-	9,600,899	2027
2023	43,668,234	-	-	43,668,234	2026

Details of the Bank's excess MCIT over RCIT follow:

Inception year	Amount	Used	Expired	Balance	Expiry year
2023	5,216,731	-	-	5,216,731	2026
2021	2,092,556	2,092,556	-	-	2024
2020	2,678,183	2,678,183	-	-	2023

A reconciliation of statutory income tax to the effective income tax is as follows:

	2024	2023
Statutory income tax	27,649,567	22,228,840
Tax effect of:		
Movements in deferred tax assets	27,439,147	-
Nondeductible expenses	1,019,154	6,885,652
Tax-paid and nontaxable income	(11,695,043)	(3,403,299)
Effective income tax	44,412,825	25,711,193

Critical accounting judgment - Recognition of deferred tax assets

Deferred tax assets are recognized for temporary differences, unused tax losses and excess of MCIT over RCIT to the extent that it is probable that future taxable profit will be available at which the temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits available which is primarily derived from interest income on loans and receivables and affected by expected future market or economic conditions and the expected performance of the Bank together with future tax planning strategies.

The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The primary source of the income of the Bank is coming from interest income from APDS loans. Management uses historical information and forecast of future economic conditions and overall strategies of the Bank as basis of growth in projecting future taxable income.

19 Contingencies

The Bank is also involved in a number of legal proceedings. The estimate of the probable costs for the resolutions of these claims has been developed in consultation with outside counsel handling the Bank's defense and is based on an analysis of potential results. The Bank does not believe that these proceedings will have a material adverse effect on the financial statements.

Following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2024	2023
Late deposit/payment received	172,030	363,139
Items held for safekeeping	2,270	56,580
Other contingent account	17,203	3,054
	191,503	422,773

Other contingent account includes post-dated checks and items held as collateral valued at P1 per item.

The Bank is currently involved in various legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the outside legal counsel handling the Bank's defense in this matter and is based upon an analysis of potential results. Management does not believe that the outcome of this matter will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

20 Significant accounting estimates and judgments

The preparation of the Bank's financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

a) Critical accounting judgment - Evaluation of business model in managing financial instruments
b) Critical accounting estimates - Impairment of financial assets
c) Critical accounting judgment - Impairment of bank premises, furniture, fixtures and equipment
d) Critical accounting judgment - Useful lives of bank premises, furniture, fixtures and equipment
e) Critical accounting estimate - Impairment of land classified as investment properties
f) Critical accounting estimates - Present value of retirement liability
g) Critical accounting judgment - Recognition of deferred tax assets

21 Financial risk management objectives and policies

The main risks arising from the Bank's financial instruments are credit, market and liquidity risks. In general, the Bank's risk management objective is to ensure that risks taken are within the Bank's risk appetite, which is assessed based on the Bank's capital adequacy framework. The risk management process involves risk identification, measurement, monitoring and control.

The Bank recognizes that risk management is the responsibility of the entire organization. Accordingly, all employees are expected to manage risks relating to their own responsibilities. Still, there are specialized entities within the Bank that perform certain risk management functions.

The Board of Directors (BOD) ultimately oversees and approves significant matters related to risk management throughout the Bank. The BOD directly carries out its primary responsibilities as required by law and through committees and subcommittees for specific areas of focus. The Management Committee approves all major risk-taking activities of the Bank, and functions as the BOD's operating committee for approval of all major credit risks.

Among the Bank's committees are:

- the Risk Management Committee (RMC), which formulates policies and strategies to identify, measure, manage and limit the Bank's risks;
- the Audit Committee (AC), which examines the Bank's framework of risk management, control and governance process to ensure that these are adequate and functional; and
- the Corporate Governance Committee (CGC), which ensures the BOD's effectiveness and due observance of the corporate governance principles and guidelines.

The following units within the Bank jointly perform risk management functions on a daily basis:

- Compliance for regulatory risk;
- Treasury for funding and liquidity risk;
- Credit Cycle and Operations for credit risk;
- Risk Management for various risks, including market, credit and operational risks; and
- Internal Audit for the evaluation of the adequacy of internal control systems, covering operational risk.

These units submit various risk reports to the Management Committee, the RMC, the AC, the CGC and the BOD, among others.

Further specific risk management disclosures, including mitigation, measurement and control, are in the succeeding sections.

21.1 Credit risk

Credit risk may be defined as the possibility of loss due to the failure of a customer/borrower or counterparty to perform its obligation to the Bank.

The Bank has several credit risk mitigation practices:

- The Bank offers a variety of loan products with substantial collateral values. The latter part of this credit risk section discusses collateral and other credit enhancements.
- Limits are set on the amount of credit risk that the Bank is willing to take for customers and counterparties, and exposures are monitored against such credit limits.

- The Bank also observes related regulatory limits such as the single borrower's limit (SBL) and directors, officers, stockholders and related interests (DOSRI) ceiling.
- The Bank assesses the probability of default by its borrowers using an internal loan classification system.
- Past due and non-performing loan (NPL) ratios are also used to measure and monitor the quality of the loan portfolio.

Maximum exposure to credit risk after collateral held or other credit enhancements

The table below shows the Bank's net credit risk exposure for some items in loans and receivables after considering the financial effect of collateral and other credit enhancements:

	Carrying amount	Fair value of collateral	Financial effect of collateral	Maximum exposure to credit risk
2024				
SPURA	-	-	-	-
Financial assets at FVOCI	-	-	-	-
Loans and receivables				
Receivables from customers				
Consumption	7,760,700,189			7,760,700,189
Real estate	3,326,497	22,282,411	2,702,217	624,280
Commercial	12,338,834	41,222,699	370,613	11,968,221
Other receivables				-
Accounts receivable	55,474,966	-	-	55,474,966
Accrued interest receivable	19,106,323	-	-	19,106,323
Sales contract receivable	4,308,546	12,907,500	4,286,511	22,035
Total	7,855,255,355	76,412,610	7,359,341	7,847,896,014

	Carrying amount	Fair value of collateral	Financial effect of collateral	Maximum exposure to credit risk
2023				
SPURA	249,629,845	249,629,845	249,629,845	-
Financial assets at FVOCI	2,894,348,845	-	-	2,894,348,845
Loans and receivables				
Receivables from customers				
Consumption	82,567,256	52,499,378	4,315,585	78,251,671
Real estate	6,173,068	27,771,679	6,111,318	61,750
Commercial	636,775	46,887,699	636,775	-
Other receivables				
Accounts receivable	40,538,011	-	-	40,538,011
Accrued interest receivable	13,338,435	-	-	13,338,435
Sales contract receivable	6,259,650	20,786,233	6,254,977	4,673
Total	3,293,491,885	397,574,834	266,948,500	3,026,543,385

Collateral and other credit enhancement

The amount and type of collateral required depends on an assessment of credit risk. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- Real Estate Mortgages (REM) over real estate for housing loan, consumption, and SME loans; and
- Chattels Mortgages (CM) over vehicle and inventory for auto loans, consumption loan, SME loans, and small business loans.
- Securities for securities lending and reverse repurchase transactions

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. In general, the proceeds are used to reduce or repay the outstanding claim, and are not occupied for business use.

Concentration of credit

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry.

The tables below show the distribution of maximum credit exposure to credit risk by industry sector of the Bank before taking into account collateral held and other credit enhancements:

2024	Loans and receivables	Advances to banks*	Financial assets at FVOCI	Refundable deposits	Total
Other services activities	71,279,963	-	-	-	71,279,963
Activities of households as employers and	-	-	-	-	-
Undifferentiated goods-and-services-	-	-	-	-	-
Producing activities of households for own use	7,481,580,889	-	-	-	7,481,580,889
Wholesale and retail trade, repair of motor vehicles, motorcycles	1,251,895	-	-	-	1,251,895
Real estate activities	8,132,148	-	-	3,077,100	11,209,247
Education	1,535,528	-		-	1,535,528
Accommodation and food service activities	2,002,704	-	-	-	2,002,704
Agriculture, forestry and fishing	140,860,216	-	-	-	140,860,216
Construction	107	-	-	-	107
Manufacturing	198	-	-	-	198
Financial and insurance activities	3,554,572	2,584,180,076	-	-	2,587,734,648
Transportation and storage	24	-	-	-	24
Water supply, sewerage, waste management and remediation activities	8	-	-	-	8
Mining and quarrying	13	-	-	-	13
Arts, entertainment and recreation	153,751	-	-	-	153,751
Information and communication	12	-	-	-	12
Human health and social work activities	4	-	-	-	4
Administrative and support service activities	644,196	-	-	-	644,196
Professional, scientific and technical activities	5	-	-	-	5
Electricity, gas and water, steam and air, conditioning supply	21	-	-	-	21
Activities of extra-territorial organization and bodies	198,178	-	-	-	198,178
Less allowance for credit losses	123,756,550	-	-	-	(123,756,550)
	7,587,437,882	2,584,180,076	-	3,077,100	10,174,695,056

**Comprised of Due from BSP, Due from other banks and SPURA*

2023	Loans and Receivables	Advances to Banks*	Financial assets at FVOCI	Refundable deposits	Total
Other services activities	88,085,157	-	2,840,833,810	-	2,928,918,967
Activities of households as employers and	-	-	-	-	-
Undifferentiated goods-and-services-	-	-	-	-	-
Producing activities of households for own	-	-	-	-	-
Use	81,080,665	-	5,620	-	81,086,285
Wholesale & retail trade, repair of motor vehicles, motorcycles	72,325,168	-	-	-	72,325,168
Real estate activities	13,910,454	-	-	2,367,778	16,278,232
Education	4,937,870	-	-	-	4,937,870
Accommodation and food service activities	3,383,698	-	-	-	3,383,698
Agriculture, forestry and fishing	3,068,023	-	50,556,450	-	53,624,473
Construction	967,781	-	-	-	967,781
Manufacturing	892,066	-	-	-	892,066
Financial and insurance activities	766,772	1,664,878,785	-	-	1,665,645,557
Transportation and storage	471,636	-	-	-	471,636
Water supply, sewerage, waste management and remediation activities	131,887	-	-	-	131,887
Mining and quarrying	102,567		-	-	102,567
Arts, entertainment and recreation	89,571	-	188,866	-	278,437
Information and communication	79,042	-	-	-	79,042
Human health and social work activities	45,290	-	-	-	45,290
Administrative and support service activities	39,721	-	1,781,999	-	1,821,720
Professional, scientific and technical activities	32,502	-	-	-	32,501
Electricity, gas and water, steam and air, conditioning supply	29,118	-	-	-	29,118
Activities of extra-territorial organization and bodies	635	-	982,100	-	982,735
Less allowance for credit losses	120,926,427	-	-	-	120,926,427
	149,513,196	1,664,878,785	2,894,348,845	2,367,778	4,711,108,603

**Comprised of Due from BSP, Due from other banks and SPURA*

These contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

Credit quality

In ensuring a quality investment portfolio, the Bank monitors credit risk from investment securities using credit ratings based on Standard and Poor (S&P).

Credit quality of due from BSP and other banks and interbank loans receivable are based on available accredited international and local credit raters using Fitch as standard of rating.

The Bank assigns the following credit quality groupings based on ratings:

Credit quality	Fitch	Moody’s	S&P	Stage
High grade	AAA to A-	Aaa to A3	AAA to A-	1
Standard grade	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	1
Substandard grade	B+ to C-	B1 to Ca	B+ to C	2
Past due and impaired	D	C	D	3

For consumer loans (i.e., auto and housing) that are covered by application scorecards which provide either a pass/fail score, the basis for credit quality rating is the BSP classification and/or the status of the account.

Neither past due nor individually impaired

The Bank classifies those accounts under current status having the following loan grades:

- *High grade*

  This pertains to accounts with a very low probability of default as demonstrated by the borrower's long history of stability, profitability and diversity. The borrower has the ability to raise substantial amounts of funds through the public markets. The borrower has a strong debt service record and a moderate use of leverage.

- *Standard grade*

  The borrower has no history of default. The borrower has sufficient liquidity to fully service its debt over the medium term. The borrower has adequate capital to readily absorb any potential losses from its operations and any reasonably foreseeable contingencies. The borrower reported profitable operations for at least the past three (3) years.

- *Substandard grade*

  The borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. • Unrated grade Other credit assets which cannot be classified as High, Standard or Sub-standard are tagged as Unrated.

Impaired

Accounts which show evidence of impairment as of statement of financial position date.

Below are the staging parameters adopted by the Bank in relation to its PFRS 9 adoption.

Staging parameter stage	Stage	Description
Staging by days past due		*Applicable to all loan products*
	1	Accounts with 0 - 30 days past due (applicable for all loan products except for microfinance loans wherein days past due for Stage 1 accounts is 0 - 6 days).
	2	Accounts with 31- 90 days past due (applicable for all loan products except for microfinance loans wherein days past due for Stage 2 accounts is 7 - 10 days)
	3	Accounts with days past due of 91 days and above (applicable for all loan products except for microfinance loans wherein days past due for Stage 3 accounts more than 10 days).
Staging by status		*Applicable to all loan products except for Microfinance.*
	1	Accounts tagged as Current in its Status are classified under Stage 1
	3	Accounts tagged as ITL in its Status are classified under Stage 3
Staging by maturity date vs cut-off date		*Applicable to all loan products*
	1	If Maturity Date of the account is after the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is less than 30 days, the account is tagged under Stage 1 (For Microfinance loans, if Maturity Date of the account is after the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is less than 10 days, the account is tagged under Stage 1).
	3	If Maturity Date of the account is prior to the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is more than 30 days, the account is tagged under Stage 3 (For Microfinance loans, if Maturity Date of the account is prior the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is more than 10 days, the account is tagged under Stage 3).

The following tables show the credit quality per class of investments and other financial assets of the Bank:

2024	Stage 1	Stage 2	Stage 3	Total
Due from BSP				
Standard	2,434,341,237	-	-	2,434,341,237
Due from other banks				
Standard	149,838,839	-	-	149,838,839
Securities purchased under resale agreement				
Standard	-	-	-	-
Refundable deposits				
Unrated	2,367,778	-	-	2,367,778
	2,586,547,854	-	-	2,586,547,854

2023	Stage 1	Stage 2	Stage 3	Total
Due from BSP				
Standard	1,310,213,117	-	-	1,310,213,117
Due from other banks				
Standard	105,035,823	-	-	105,035,823
Securities purchased under resale agreement				
Standard	249,629,845	-	-	249,629,845
Refundable deposits		-	-	
Unrated	2,367,778	-	-	2,367,778
	1,667,246,563	-	-	1,667,246,563

The following tables show the credit quality per class of fair value and other comprehensive income and loans and receivables, gross of allowance for credit losses and unearned interest and discount of the Bank:

2024	Stage 1	Stage 2	Stage 3	Total
FVOCI				
Neither past due nor individually impaired	-	-	-	-
High grade	-	-	-	-
Standard/medium grade	-	-	-	-
Substandard/low grade	-	-	-	-
Past due but not impaired	-	-	-	-
Individually Impaired	-	-	-	-
	-	-	-	-
Commercial				
Neither past due nor individually impaired				
High grade				
Standard/medium grade	371,929	-	-	371,929
Substandard/low grade	-	-	-	-
Past due but not impaired				
Individually Impaired	-	-	11,966,905	11,966,905
	371,929	-	11,966,905	12,338,834
Consumption				
Neither past due nor individually impaired				
High grade	-	-	-	-
Standard/medium grade	7,232,770,043	-	-	7,232,770,043
Substandard/low grade	189,087,145	-	-	189,087,145
Past due but not impaired	-	96,814,043	-	96,814,043
Individually Impaired	-	-	242,028,957	242,028,957
	7,421,857,188	96,814,043	242,028,957	7,760,700,188
Real estate				
Neither past due nor individually impaired				
High grade				
Standard/medium grade	2,436,902	-	-	2,436,902
Substandard/low grade	-	-	-	-
Past due but not impaired	-	-	-	-
Individually Impaired	-	-	889,595	889,595
	2,436,902	-	889,595	3,326,497
Other receivables				
Neither past due nor individually impaired				
High grade	-	-	-	-
Standard/medium grade	43,107,744	610,143	700,553	44,418,441
Substandard/low grade	12,384,035	-	-	12,384,035
Past due but not impaired	-	3,156,233	-	3,156,233
Individually impaired	-		15,320,071	15,320,071
	55,491,779	3,766,376	16,020,624	75,278,780
	7,480,157,798	100,580,420	270,906,081	7,851,644,299

2023	Stage 1	Stage 2	Stage 3	Total
FVOCI				
Neither past due nor				
individually impaired	-	-	-	-
High grade	-	-	-	-
Standard/medium grade	2,666,740,566	-	-	2,666,740,566
Substandard/low grade	50,740,417	-	-	50,740,417
Past due but not impaired	-	43,794,201	-	43,794,201
Individually Impaired	-	-	133,073,661	133,073,661
	2,717,480,983	43,794,201	133,073,661	2,894,348,845
Commercial				
Neither past due nor				
individually impaired	-	-	-	-
High grade	-	-	-	-
Standard/medium grade	-	-	-	-
Substandard/low grade	-	-	-	-
Past due but not impaired	-	-	-	-
Individually Impaired	-	-	16,762,584	16,762,584
	-	-	16,762,584	16,762,584
Consumption				
Neither past due nor				
individually impaired	-	-	-	-
High grade	-	-	-	-
Standard/medium grade	48,456,822	-	-	48,456,822
Substandard/low grade	3,663,106	-	-	3,663,106
Past due but not impaired	-	11,842,947	-	11,842,947
Individually Impaired	-	-	114,450,379	114,450,379
	52,119,928	11,842,947	114,450,379	178,413,254
Real estate				
Neither past due nor				
individually impaired	-	-	-	-
High grade	-	-	-	-
Standard/medium grade	5,762,285	-	-	5,762,285
Substandard/low grade	-	-	-	-
Past due but not impaired	-	-	-	-
Individually Impaired			1,089,428	1,089,428
	5,762,285	-	1,089,428	6,851,713
Other receivables				
Neither past due nor				
individually impaired	-	-	-	-
High grade	-	-	-	-
Standard/medium grade	39,082,003	-	-	39,082,003
Substandard/low grade	6,965,640	-	-	6,965,640
Past due but not impaired	-	4,034,397	-	4,034,397
Individually impaired	-	-	19,542,922	19,542,922
	46,047,643	4,034,397	19,542,922	69,624,962
	2,821,410,839	59,671,545	284,918,973	3,166,001,358

21.2 Liquidity risk

Liquidity risk may be defined as the possibility of loss due to the Bank's inability to meet its financial obligations when they become due. Liquidity risk is considered in the Bank's assets and liabilities management. The Bank seeks to lengthen liability maturities, diversify existing fund sources, and continuously develop new instruments that cater to different segments of the market.

The Bank also keeps credit lines with financial institutions, as well as a pool of liquid or highly marketable securities. Reserves management is another specialized function within the Bank, complying with BSP reserve requirements, which may be a buffer a st unforeseen liquidity drains.

The liquidity or maturity gap report is another tool for measuring liquidity risk. Although available contractual maturity dates are generally used for putting instruments into time bands, expected liquidation periods, often based on historical data, are used if contractual maturity dates are unavailable. The liquidity gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive liquidity gap is an estimate of the Bank's net excess funds for the time band. A negative liquidity gap is an estimate of a future funding requirement of the Bank. Although such gaps are a normal part of the business, a significant negative amount may bring significant liquidity risk. To help control liquidity risk arising from negative liquidity gaps, maximum cumulative outflow (MCO) targets are set for time bands up to one (1) year.

Analysis of financial instruments by remaining maturities

The table below summarized the maturity profile of the Bank's financial instruments used for liquidity management based on contractual maturity except for deposit liabilities which are based on behavioral cashflow of current and savings accounts, as of December 31, 2024 and 2023:

2024	On demand	Up to 3 months	Over 3 up to 12 months	Over 1 to 5 Years	Over 5 years	Total
Financial assets						
Cash and other cash items	101,234,361	-	-	-	-	101,234,361
Due from BSP*	94,341,237	2,343,963,083	-	-	-	2,438,304,320
Due from other banks	149,838,839	-	-	-	-	149,838,839
Securities purchased under resale agreement*	-	-	-	-	-	-
Financial assets at FVOCI*						
Loans and receivables*	83,711,491	10,646,477	26,696,873	10,232,399,439	1,047,466,079	11,400,920,359
Refundable deposits*	-	-	-	694,800	2,594,000	3,288,800
	429,125,928	2,354,609,560	26,696,873	10,233,094,239	1,050,060,079	14,093,586,679
Financial liabilities						
Deposit liabilities*	1,303,713,661	205,855	6,990,258	7,895,410,233	70,102,089	9,276,422,096
Redeemable preferred shares	30,700,000	-	-	-	-	30,700,000
Accrued expenses and other liabilities	-	-	-	-	-	-
Accrued expenses	-	203,086,114	-	-	-	203,086,114
Other liabilities **	1,504,136	44,993,923	-	33,359,870	-	79,857,929
	1,335,917,797	248,285,892	6,990,258	7,928,770,103	70,102,089	9,590,066,139

2023	On demand	Up to 3 months	Over 3 up to 12 months	Over 1 to 5 Years	Over 5 years	Total
Financial assets						
Cash and other cash items	84,375,199	-	-	-	-	84,375,199
Due from BSP*	140,213,117	1,171,901,503	-	-	-	1,312,114,620
Due from other banks	105,035,823	-	-	-	-	105,035,823
Securities purchased under resale agreement*	-	249,771,590	-	-	-	249,771,590
Financial assets at FVOCI*	234,796	292,382	13,472,861	3,488,276,451	677,756,260	4,180,032,750
Loans and receivables*	150,390,896	8,896,434	36,140,446	88,762,610	18,491,058	302,681,444
Refundable deposits*	-	-	-	694,800	2,594,000	3,288,800
	480,249,831	1,430,861,909	49,613,307	3,577,733,861	698,841,318	6,237,300,226
Financial liabilities						
Deposit liabilities*	1,182,905,862	2,309,785,098	255,275,663	265,240,298	2,254,271	4,015,461,192
Redeemable preferred shares	30,700,000	-	-	-	-	30,700,000
Accrued expenses and other liabilities	-	-	-	-	-	-
Accrued expenses	-	62,299,424	-	-	-	62,299
Other liabilities **	7,174,913	68,402,914	-	48,858,123	-	124,435,950
	1,220,780,775	2,441,781,160	255,275,663	312,804,697	2,254,271	4,232,896,566

**Include future interests*
***Exclude non-financial liabilities*

Liquidity coverage ratio (LCR)

BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%.

As of December 31, 2024 the LCR as reported to the BSP is186.87% (2023 - 240.91%).

Net stable funding ratio (NSFR)

On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards NSFR. The NSFR is aimed to promote long term resilience a st liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. An observation period was set from July 1 to December 31, 2018. Effective, January 1, 2019, banks shall comply with the prescribed minimum ratio of 100%.

As of December 31, 2024, the NSFR as reported to the BSP is 136.88% (2023 - 126.90%).

21.3 Market risk

Market risk may be defined as the possibility of loss due to adverse movements in market factors such as rates and prices. Market risk is present in both trading and non-trading activities.

These are the risk to earnings or capital arising from changes in the value of traded portfolios of financial instruments. The risk arises from market-making, dealing and position-taking in quoted debt securities and foreign exchange.

The Bank observes market risk limits, which are approved by the BOD and reviewed at least annually. Limits are set in such a way as to ensure that risks taken are based on the Bank's existing capital adequacy framework, and corresponding monitoring reports are prepared regularly by an independent risk management unit.

When limits are breached, approval is sought from successive levels of authority depending on the amount of the excess. Limit breaches are periodically presented to the BOD.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Bank's ALCO surveys the interest rate environment, adjusts the interest rates for the Bank's loans and deposits, assesses investment opportunities and reviews the structure of assets and liabilities. The Bank uses Earnings-at-Risk (EaR) as a tool for measuring and managing interest rate risk in the banking book.

Earnings-at-Risk objectives and methodology

EAR is a statistical measure of the likely impact of changes in interest rates to the Bank's net interest income (NII). To do this, repricing gaps (difference between interest rate-sensitive assets and liabilities) are classified according to time to repricing and multiplied with applicable historical interest rate volatility, although available contractual repricing dates are generally used for putting instruments into time bands, contractual maturity dates (e.g., for fixed rate instruments) or expected liquidation periods often based on historical data are used alternatively. The repricing gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive repricing gap implies that the Bank's NII could decline if interest rates decrease upon repricing. A negative repricing gap implies that the Bank's NII could decline if interest rates increase upon repricing. Although such gaps are a normal part of the business, a significant change may bring significant interest rate risk. To help control interest rate risk arising from repricing gaps, maximum repricing gap and EaR/NII targets are set for time bands up to one year. EaR is prepared and reported to the RMC monthly, starting December 2015.

The change in interest rate is calculated using historical simulation. It is computed as the 99th percentile rank change in rates if the gap is negative (liability-sensitive) or the 1st percentile rank change in rates if the gap is positive (asset-sensitive).

The Bank's EaR figures as of December 31, 2024 and 2023 are as follows (in PHP millions):

2024	Average	Highest	Lowest	December 31
Instruments sensitive to local interest rates	(10.21)	65.79	(75.44)	(21.01)
2023				
Instruments sensitive to local interest rates	(3.77)	0.02	(25.46)	(12.11)

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank's policy is to maintain foreign currency exposure within acceptable limits.

Changes in foreign exchange rates have no significant impact on the Banks's foreign exchange or loss on 'Due from other banks' as of December 31, 2024 and 2023.

22 Fair value measurement

As of December 31, 2024 and 2023, the carrying amounts of the Bank's financial instruments are reasonable approximations of fair values except for investment securities at amortized cost, loans and receivables, refundable deposits and deposit liabilities with terms of more than one (1) year.

The methods and assumptions used by the Bank in estimating the fair value of the financial instruments are as follows:

Investment securities at amortized cost - debt securities

Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Financial assets measured at FVOCI, receivables from customers, sales contract receivable, finance lease receivable and refundable deposits

Fair values are estimated using the discounted cash flow methodology, using the average market price of savings banks for similar types of receivables with maturities consistent to the receivable being valued. Where the instruments reprice on a short-term basis or have a relatively short maturity, the carrying amounts approximate fair values.

Time and special savings deposits

Fair values are estimated using the discounted cash flow methodology using the Bank's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

Investment properties

Fair value of investment properties is based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Bank's investment properties have been determined by appraisers, including independent external appraisers, in the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made. The Bank has determined that the highest and best use of the property used for the land and building is its current use.

Financial liabilities at amortized cost except time and special savings deposits. Carrying amounts approximate fair values due to either the demand nature or the relatively short-term maturities of these liabilities.

The following table summarizes the carrying amounts and fair values of loans and receivables and deposit liabilities for which carrying amounts do not approximate fair values:

2024	Carrying Value	Level 1	Level 2	Level 3	Fair value
Financial assets					
Financial asset at FVOCI	-	-	-	-	-
Loans and receivables:					
Receivables from customers					
Consumption	7,760,700,189	-	-	7,764,010,134	7,764,010,134
Commercial	12,338,834	-	-	12,338,834	12,338,834
Real estate	3,326,497	-	-	3,326,497	3,326,497
Other receivables					
Sales contract receivable	4,308,546	-	-	4,308,546	4,308,546
Refundable deposits	3,077,100	-	-	3,077,100	3,077,100
Non-financial assets					
Investment properties	86,652,392	-	-	185,616,140	185,616,140
Financial liabilities					
Deposit liabilities					
Demand	356,043,253	-	-	356,043,253	356,043,253
Time	18,384,736	-	-	18,384,736	18,384,736
Savings	8,298,686,682	-	-	8,298,686,682	8,298,686,682

2023	Carrying Value	Level 1	Level 2	Level 3	Fair value
Financial assets					
Financial asset at FVOCI	2,894,348,845	-	-	2,894,348,845	2,894,348,845
Loans and receivables:					
Receivables from customers					
Consumption	82,567,256	-	-	82,602,471	82,602,471
Commercial	636,775	-	-	636,775	636,775
Real estate	6,173,068	-	-	6,173,068	6,173,068
Other receivables					
Sales contract receivable	6,259,650	-	-	6,259,650	6,259,650
Refundable deposits	2,367,778	-	-	2,367,778	2,367,778
Non-financial assets					
Investment properties	93,099,690	-	-	186,482,134	186,482,134
Financial liabilities					
Deposit liabilities					
Demand	281,480,044	-	-	281,480,044	281,480,044
Time	253,874,470	-	-	254,823,295	254,823,295
Savings	3,442,232,083	-	-	3,442,232,083	3,442,232,083

For assets and liabilities that are recognized at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole at the end of each statement of financial position).

There were no transfers between Level 1 and Level 2 fair value measurements and there were no transfers into and out of the Level 3 category in 2024 and 2023.

Description of significant unobservable inputs to valuation:

Accounts	Valuation technique	Significant unobservable inputs
Loans and receivables	Discounted cash flow method	8.13%- 12.25% risk premium rate
Investment properties		
Land	Market data approach	Price per square meter, size, shape, location, time element and discount
Building	Cost approach	Cost per square meter, size, shape, location, and time element
Deposit liabilities	Discounted cash flow method	0.25%- 4.5% risk premium rate
Refundable deposits	Discounted cash flow method	0.71%- 1.33% risk premium rat

Significant increases (decreases) in price per square meter and size of investment properties would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount would result in a significantly lower (higher) fair value of the properties.

Significant unobservable inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms the average cut of the lots in the area and estimate the impact of the lot size difference on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time element	An adjustment for market conditions is made if general property values have appreciate or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superi to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transactior will be in cash or equivalent.

23 Summary of material accounting policies

23.1 Basis of preparation

The accompanying financial statements of the Bank have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso (PHP), the Bank's functional and presentation currency and all amounts are rounded to the nearest peso (P), unless otherwise indicated.

Statement of compliance

The Bank's financial statements have been prepared in compliance with PFRS Accounting Standards.

Presentation of Financial Statements

The Bank presents its statements of financial position broadly in the order of liquidity. An analysis regarding the recovery or settlement within twelve (12) months after the statement of financial position date (current) and more than twelve (12) months after the statement of financial position date (non-current) is presented in Note 16.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Bank assessed that it has a currently enforceable legal right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, and in the event of solvency or bankruptcy of the Bank and all of the counterparties. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

23.2 Changes in accounting policies

(a) New standard and amendments to existing standards adopted by Legazpi Savings Bank Inc.

There are no new standards or amendments to existing standards effective January 1, 2024 that have a material impact to the Bank.

(b) New standards and amendments to existing standard not yet adopted by the Bank

The following new accounting standard are not mandatory for December 31, 2024 reporting period and has not been early adopted by the Bank:

- *PFRS 18, 'Presentation and Disclosure in Financial Statements'*

  This is the new standard on presentation and disclosure in financial statements, which replaces PAS 1, with a focus on updates to the statement of profit or loss.

  The key new concepts introduced in PFRS 18 relate to:

  a. The structure of the statement of profit or loss with defined subtotals;

  b. Requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss

  c. Required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and

  d. Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general

- *Amendments to the Classification and Measurement of Financial Instruments – Amendments to PFRS 9 and PFRS 7*

  On May 30, 2024, the IASB issued targeted amendments to PFRS 9 Financial Instruments and PFRS 7 Financial Instruments: Disclosures to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

  a. Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

  b. Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion;

  c. Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and

  d. Update the disclosures for equity instruments design

The adoption of PFRS 18, PRFS 19 and amendments to PFRS 9 and PFRS 7 are not expected to have a material financial effect to the financial statements of the Bank

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2025 that are considered relevant or expected to have a material effect on the financial statements of the Bank.

23.3 Fair value measurement

For measurement and disclosure purposes, the Bank determines the fair value of an asset or a liability at initial measurement date or at each statement of financial position date. Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If the asset or liability measure at fair value has a bid and ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value, regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3: Valuation techniques for which the lowest level input that is significant to the measurement is unobservable.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

23.4 Cash and cash equivalents

Cash and cash equivalents include 'Cash and other cash items (COCI)', 'Due from Bangko Sentral ng Pilipinas (BSP)', 'Due from other banks' and 'Securities Purchased Under Resale Agreement (SPURA)' with original maturities of three (3) months or less from dates of placements and that are subject to insignificant risk of changes in value. Due from BSP includes statutory reserves required by the BSP which the Bank considers as cash equivalents wherein withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

23.5 Financial Instruments - initial recognition and subsequent measurement

Date of recognition

Purchases or sales of financial instruments that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date accounting refers to (a) recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any or loss on disposal on the day that it is delivered by the Bank. Deposits, amounts due from banks and customers and loans are recognized when cash is received by the Bank or advanced to the borrowers.
Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value plus any directly attributable cost of acquisition or issue, except in the case of financial assets and financial liabilities at financial assets at fair value through profit or loss.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or computed based on a valuation technique whose variables include only data from observable markets, the Bank recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statement of income, unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which are not observable from the market, the difference between the transaction price and the model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the amount of 'Day 1' difference

23.6 Classification and measurement of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Bank's business model for managing financial assets. The Bank classifies its financial assets into the following categories: financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) with recycling of cumulative s and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative s and losses upon derecognition (equity instruments) and financial assets measured at amortized cost (AC). For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under PAS 32, Financial Instruments: Presentation), except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

As of December 31, 2023 and 2022, the Bank do not have financial assets at FVTPL.

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Bank assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount). Instruments that do not pass this test are automatically classified at FVTPL.

In making this assessment, the Bank determines whether the contractual cash flows are consistent 7with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Business model

The Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its financial assets in order to generate cash flows.

The Bank's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Bank in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets at FVOCI

The Group applies the new category under PFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with s and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange s and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. The ECL calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section.

On derecognition, cumulative s or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Financial assets at amortized cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset.

The Bank classified 'Cash and other cash items', 'Due from BSP', 'Due from other banks', 'Securities purchased under resale agreements', 'Investment securities at amortized cost', 'Loans and receivables' and refundable security deposits (included under 'Other assets') as financial assets at amortized cost.

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

As of December 31, 2024 and 2023, the Bank has not made such designation.

Reclassifications of financial instruments

The Bank reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Bank and any previously recognized gains, losses or interest shall not be restated. The Bank does not reclassify its financial liabilities.

The Bank is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met;
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.; and
- from FVOCI to amortized cost if the objective of the business model changes so that the fair value criteria are no longer met but the amortized cost criteria is still met and the instrument's contractual cash flows meet the amortized cost criteria.

23.7 Impairment of financial assets

The Bank records expected credit loss (ECL) for all loans and other debt financial assets not classified as FVTPL, together with loan commitments and financial guarantee contracts.

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. In determining whether an account should be assessed under Stage 1, the Bank considers the number of days past due as its criteria. Loans past due up to 30 days except for microfinance loans wherein days past due for Stage 1 accounts is 0 - 6 days are considered Stage 1. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced a SICR since initial recognition. A SICR is generally deemed present in accounts with more than 30 days up to 90 days past due, except for microfinance loans. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Bank recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of “default”

The Bank classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days except for microfinance loans wherein days past due is more than 10 days. As part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Credit risk at initial recognition

The Bank uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Significant increase in credit risk

The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than 30 days (except for microfinance loans wherein the threshold for SICR is 7 - 10 days), the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery.

Restructured loans

Where possible, the Bank seeks to restructure past due loans rather than take possession of the related collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized as part of interest income in the statement of income.

23.8 Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL and other financial liabilities. The classification of financial liabilities at initial recognition depends on the purpose for which the financial liabilities are incurred and their characteristics.

As of December 31, 2024 and 2023, the Bank has no financial liabilities at FVTPL.

Other financial liabilities

This pertains to financial liabilities that are not held for trading or not designated as at FVTPL at the inception of the liability. Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes 'Deposit liabilities', 'Redeemable preferred shares', and certain items under 'Accrued expenses' and 'Other liabilities'.

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Bank retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Bank's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

23.9 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Bank assess that they have currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Bank and all of the counterparties.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

23.10 Derecognition of financial assets and liabilities

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

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

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control over the asset, the Bank continues to recognize the transferred asset to the extent of the Bank’s continuing involvement. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

The Bank derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Bank considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered “solely payment for principal and interest”

The Bank also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Bank considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10.00% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new ' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Financial liability

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

23.11 Property and equipment

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

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are calculated using the straight-line method over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the shorter of the terms of the covering leases and the estimated useful lives of the improvements.

The estimated useful lives of property and equipment follow:

Building	25 years
Furniture and fixtures	1 to 3 years
Information technology (IT) and other office equipment	1 to 3 years
Transportation equipment	1 to 5 years
Leasehold improvements	10 years

The useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment and adjusted prospectively, if appropriate.

The carrying values of the property and equipment and any significant part initially recognized are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the statement of income.

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

The Bank classifies right-of-use assets as part of property and equipment. The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

23.12 Investment property

Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Bank. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified as investment properties upon: a) entry of judgment in case of judicial foreclosure; b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or c) notarization of the Deed of Dacion in case of dation in payment (dacion en pago). The difference between the fair value of the asset acquired and the carrying amount of the asset given up is recognized as 'Gain on foreclosure - net' in the statement of income.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and impairment in value, if any.

Investment properties are derecognized when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal. Any s or losses on the retirement or disposal of an investment property are recognized in the statement of income under 'Profit from assets sold' in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against income in the year in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed ten (10) years for buildings.

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

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Bank as an owner-occupied property becomes an investment property, the Bank accounts for such property in compliance with the policy stated under property and equipment up to the date of change in use.

23.13 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each statement of financial position date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as change in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit (CGU) level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

23.14 Impairment of non-financial assets

At each statement of financial position date, the Bank assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset’s (or CGU’s) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).

An impairment loss is charged to operations in the year in which it arises. An assessment is made at each statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset (or CGU) is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset (or CGU) is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining life.

23.15 Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Bank follows a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

a. Identify the contract(s) with a customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligation in the contract
e. Recognize revenue when (or as) the entity satisfies a performance obligation

The Bank exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Bank has concluded that it is acting as a principal in all of its revenue arrangements.

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

Revenues within the scope of PFRS 15

Service fees and commission income

These fees include service fees on deposit-related accounts and management fees. Fees on deposit-related accounts are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collection.

Income from sale of property and equipment, investment property and repossessed chattels

Income from sale of property and equipment, investment property and repossessed chattels are recognized upon completion of the earning process and the collectability of the sales price is reasonably assured.

Other income

Other income is recognized when earned at a point in time and is recorded under 'Miscellaneous' in the statement of income.

Revenues outside the scope of PFRS 15

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimation of payment or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Interest income - finance lease

The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased investment property constitutes the unearned lease income. Residual values represent estimated proceeds from the disposal of investment property at the time lease is estimated. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed using the EIR method.

Unearned lease income ceases to be amortized when the lease contract receivables become past due for more than three months.

Rental income

Rental income arising from operating leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Miscellaneous income'.

23.16 Expense recognition

Expenses are recognized when it is probable that decrease in future economic benefits related to the decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary regular activities of the Bank include, among others, the operating expenses on the Bank's operation. Expenses are recognized as incurred.

23.17 Borrowing cost

Borrowing costs are capitalized if they are directly attributable to the acquisition of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the qualifying assets are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the qualifying assets are substantially ready for their intended use. All other borrowing costs are expensed as incurred.

23.18 Leases

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

Bank as a lessor

Finance leases, where the Bank transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables' account. A lease receivable is recognized at an amount equal to the net investment in the lease. All income resulting from the receivables is included in 'Interest income on loans and receivables' in the statement of income.

Leases where the Bank does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Lease liabilities are presented under ‘Other liabilities’ in the statement of financial position.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and low-value assets recognition exemption to its leases of kiosk spaces on offsite locations and other equipment that are considered of low value (i.e., below P250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense under ‘Occupancy and equipment-related’ on a straight-line basis over the lease term.

23.19 Retirement cost

The Bank has noncontributory defined benefit plan covering substantially all its officers and regular employees. Under this retirement plan, all covered officers and regular employees are entitled to cash benefits after satisfying certain age and service requirements.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Remeasurements comprising actuarial s and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in statement of other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

The Bank’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either an entity’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

23.20 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the OCI, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an 'Interest expense' in the statement of income.

23.21 Contingent liabilities and contingent assets

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

23.22 Income taxes

Current tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided, using the statement of financial position method, on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investment in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settles, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and same taxation authority. Tax benefits acquired as part of a business combination, but not satisfying criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

23.23 Events after the reporting period

Post year-end events that provide additional information about the Bank's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

24 Note to the statement of cash flows

Non-cash operating activities that relate to the analysis of the statement of cash flows of the Bank are as follows:

	Note	2024
Increase in financial assets at FVOCI due to effect in PFRS 9 reclassification	23.6	2,764,124,415
Decrease in loans and receivables due to effect in PFRS 9 reclassification	23.6	(2,818,845,075)

25 Supplementary information required under manual of regulations

Section 174 of the MORB provides for disclosure requirements to the audited financial statements., which are to be presented either (i) on specific notes to the financial statements, or (ii) in a separate note containing supplementary information as required by the BSP. This supplementary information is not a required disclosure under PFRS Accounting Standards.

In compliance with the requirements of Section 174 of the MORB, hereunder are the supplementary information:

In compliance with the requirements set forth by Circular No. 1074, hereunder are the supplementary information:

Financial performance indicators

The following basic ratios measure the financial performance of the Bank:

	2024	2023
Return on average equity	6.11%	9.38%
Return on average assets	0.90%	1.32%
Net interest margin on average earnings assets	7.71%	9.63%

The following formulas were used to compute the indicators:

Performance indicator	BSP prescribed formula
Return on average equity	Net Income (or loss) after income tax x 100 / Average total capital accounts*
Return on average assets	Net Income (or loss) after income tax x 100 / Average total assets*
Net interest margin	Net Interest Income x 100 / Average Interest Earning Assets*

**Average amount is calculated based on current year-end and previous year-end balances*

Capital instruments

As of December 31, 2024 and 2023, the Bank has outstanding capital stock as shown below:

	Shares	Amount
Common stock - P100.00 par value		
Authorized	20,000,000	2,000,000,000
Issued and outstanding		
Balances at beginning and end of year	14,959,600	1,495,960,000

Breakdown of total loans as to security and status

The following table shows the breakdown of receivable from customers as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31:

	2024		2023	
	Amount	%	Amount*	%
Secured by:				
Real estate	11,086,259	0.14	17,507,554	0.57
Chattel	7,127,605	0.09	16,019,043	0.51
Deposit hold-outs	320,039	0.00	4,420,002	0.14
Others	1,002,936	0.01	579,277	0.02
	19,536,839	0.24	38,525,876	1.24
Unsecured	7,612,767,758	99.75	3,057,850,521	98.76
	7,632,304,597	100.00	3,096,376,397	100.00

**Includes APDS Loans measured at financial asset at FVOCI amounting to nil as of December 31, 2024 (2023 - P2,894,348,845)*

As of December 31 details of status of loans follow:

	Performing		Non-performing	
	2024	2023	2024	2023
Financial assets at FVOCI	-	2,754,985,282	-	139,363,563
Loans receivables:				
Consumption	7,350,336,617	63,962,875	266,388,793	114,450,379
Commercial	371,929		11,922,640	16,762,584
Real estate	2,395,023	5,762,286	889,595	1,089,428
	7,353,103,569	2,824,710,443	279,201,028	271,665,954

Under banking regulations, financial institutions shall adopt the ECL model in measuring credit impairment, in accordance with the provisions of PFRS 9. With the issuance of BSP Circular 941, Amendments to the Regulations on Past Due and Non-Performing loans, loans and lease receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and/or interest is unlikely without foreclosure of collateral, if any.

All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are:

1. Unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.
2. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due for more than 7-10 days.
3. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. Restructured receivables as of December 31, 2024 amounted to P2.95 million (2023 - P36.26 million).

As of December 31, details of gross NPLs follow:

	2024	2023
Secured	13,505,790	17,852,012
Unsecured	259,505,557	253,813,942
	273,011,347	271,665,954

The NPLs of the Bank not fully covered by allowance for credit losses as reported to BSP follow:

	2024	2023
Total NPLs	279,490,852	271,665,954
Allowance for credit losses*	123,756,550	120,926,427
	155,734,302	150,739,527

**Allowance for credit losses per BSP*

Significant credit exposures as to industry/economic sector

As of December 31, information on the concentration of credit as to industry, net of unearned interest and discount, follows:

	2024		2023	
	Amount	%	Amount*	%
Other services activities	8,434,130	1.13%	2,923,763,343	97.07%
Wholesale and retail trade, repair of motor vehicles and motorcycles	1,174,288	0.02%	67,002,528	2.28%
Real estate activities	3,656,549	0.05%	30,203,340	0.25%
Education	579,825	0.01%	7,521,099	0.16%
Accommodation and food services activities	1,930,098	0.03%	4,955,788	0.11%
Agriculture, forestry and fishing	134,464,170	1.74%	3,201,461	0.06%
Manufacturing	168	0.00%	53,455,015	0.03%
Transportation and storage	14	0.00%	955,188	0.03%
Construction	37	0.00%	765,519	0.01%
Water supply, sewerage, waste management and remediation activities	5	0.00%	710,141	0.00%
Mining and quarrying	8	0.00%	459,715	0.00%
Information and communication	5	0.00%	124,001	0.00%
Human health and social work activities	2	0.00%	101,301	0.00%
Professional, scientific and technical activities	3	0.00%	65,451	0.00%
Electricity, gas, steam and air, conditioning supply	18	0.00% 0.00%	1,818,216	0.00%
Arts, entertainment and recreation	1	0.00%	32,580	0.00%
Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use	7,482,065,276	97.02%	32,251	0.00%
	7,711,194,418	100.00%	3,096,376,397	100.00%

The BSP considers that concentration risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.00% of the total loan portfolio.

Information on related party loans

In the ordinary course of business, the Bank has loan transactions with affiliates and with certain DOSRI. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the Bank's total regulatory capital or 15.00% of total loan portfolio, whichever is lower.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of a bank's subsidiaries and affiliates shall not exceed 10.00% of bank's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth.

Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank. BSP Circular No. 560 is effective on February 15, 2007.

The following table shows information relating to DOSRI accounts of the Bank:

	2024	2023
Total outstanding DOSRI accounts	4,626,575	4,419,890
Total outstanding DOSRI accounts prior to effectivity of BSP Circular No. 423	4,626,575	4,419,890
Percent of DOSRI accounts to total loans	0.06%	0.14%
Percent of unsecured DOSRI accounts to total DOSRI accounts	75.95%	79.65%
Percent of nonperforming DOSRI accounts to total DOSRI accounts	0.00%	0.82%
Percent of past due DOSRI accounts to total DOSRI accounts	0.00%	0.82%

As of December 31, 2024 DOSRI loans include real estate loans to bank officers which were granted under the Bank's Financial Assistance Program, as approved by the BSP, amounting to P0.09 million (2023 - P0.32 million).

Commitments and contingent liabilities

Following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2024	2023
Late deposit/payment received	172,030	363,139
Items held for safekeeping	2,270	56,580
Other contingent account	17,203	3,054
	191,503	422,773

*** Other contingent account includes post-dated checks and items held as collateral valued at P 1.00 per item*

26 Supplementary tax information under Revenue Regulations (RR) 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and licenses paid or accrued during the year.

The Bank reported and/or paid the following types of taxes for the year:

a) Taxes and licenses

In 2024, taxes and licenses of the Bank consist of:

Gross receipts tax	52,709,498
License, permits and others	2,807,198
	55,516,696

b) Documentary stamp taxes

In 2024, the Bank has paid documentary stamps tax amounting to P57 million.

c) Withholding taxes

The following table shows the breakdown of taxes withheld and remitted in 2024:

	Amount	Total remittances	Balance
Withholding taxes on compensation and benefits	3,571,403	2,856,649	714,754
Withholding tax on deposits	36,353,589	36,075,454	278,135
Expanded withholding taxes	3,315,894	2,971,441	344,453
	43,240,886	41,903,544	1,337,342

As of December 31, 2024, there are outstanding tax cases under investigation, litigation or prosecution in courts or bodies outside BIR.