

Yuanta Savings Bank Philippines, Inc.

(A wholly-owned subsidiary of
Yuanta Commercial Bank Co., Ltd.)

Financial Statements

As at and for the years ended December 31, 2024 and 2023



pwc



Independent Auditor's Report

To the Board of Directors and Shareholders of
Yuanta Savings Bank Philippines, Inc.
(A wholly-owned subsidiary of Yuanta Commercial Bank Co., Ltd.)
G-1A/B, Chatham House Condominium
116 Valero cor. V.A. Rufino Streets
Salcedo Village, Makati City 1227
Philippines

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 Yuanta Savings Bank Philippines, 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 financial position as of December 31, 2024 and 2023;
- the statements of comprehensive income for the years ended December 31, 2024 and 2023;
- the statements of changes in equity 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 policies 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 Code of Ethics.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, www.pwc.com/ph

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Yuanta Savings Bank Philippines, Inc.
(A wholly-owned subsidiary of Yuanta Commercial Bank Co., Ltd.)
Page 2

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.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Yuanta Savings Bank Philippines, Inc.
(A wholly-owned subsidiary of Yuanta Commercial Bank Co., Ltd.)
Page 3

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.

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
Yuanta Savings Bank Philippines, Inc.
(A wholly-owned subsidiary of Yuanta Commercial Bank Co., Ltd.)
Page 4

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 by the Banko Sentral ng Pilipinas (BSP) under Circular No. 1074 and by the Bureau of Internal Revenue under Revenue Regulations No. 15-2010 as disclosed in Note 22 and 23, respectively, to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements in accordance with PFRS Accounting Standards. Such supplementary information is the responsibility of the management of the Bank. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read "Zaldy D. Aguirre".

Zaldy D. Aguirre
Partner

CPA Cert No. 0105660

P.T.R. No. 0024447, issued on January 3, 2025, Makati City

TIN 221-755-698

BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 30, 2025

Yuanta Savings Bank Philippines, Inc.
(A wholly-owned subsidiary of Yuanta Commercial Bank Co., Ltd.)

Statements of Financial Position
As at December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
Assets			
Cash and other cash items	2	13,355,360	15,014,301
Due from Bangko Sentral ng Pilipinas (BSP)	2	57,950,644	41,919,291
Due from other banks	2,3	39,117,756	53,015,687
Investment securities at fair value through other comprehensive income (FVOCI)	4	990,703,424	1,120,050,618
Investment securities at amortized cost	4	256,587,053	265,272,149
Loans and receivables, net	5	1,096,578,550	830,182,397
Bank premises, furniture, fixtures and equipment, net	6	108,937,262	111,909,938
Deferred tax assets, net	15	21,256,452	26,070,427
Other assets, net	7	49,079,221	37,637,144
Total assets		2,633,565,722	2,501,071,952
Liabilities and Equity			
Liabilities			
Deposit liabilities	8	629,972,846	430,969,371
Interbank loans payable	4	-	50,000,000
Accrued interest and other expenses	9	16,287,207	17,311,345
Manager's checks		2,108,648	8,184,527
Retirement benefit obligation	16	6,463,150	4,958,255
Income tax payable		75,691	-
Other liabilities	10	15,353,339	9,180,134
Total liabilities		670,260,881	520,603,632
Equity			
Share capital	11	2,400,000,000	2,400,000,000
Additional paid-in capital	11	9,000,000	9,000,000
Accumulated deficit		(418,757,129)	(388,677,955)
Accumulated other comprehensive loss, net	12	(26,938,030)	(39,853,725)
Total equity		1,963,304,841	1,980,468,320
Total liabilities and equity		2,633,565,722	2,501,071,952

(The notes on pages 1 to 46 are integral part of these financial statements)

Yuanta Savings Bank Philippines, Inc.
(A wholly-owned subsidiary of Yuanta Commercial Bank Co., Ltd.)

Statements of Comprehensive Income
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
Interest income			
Loans and receivables	5	74,208,739	43,888,996
Due from BSP and other banks	2,3	10,221,769	9,913,467
Investment securities at FVOCI, net	4	39,421,819	44,641,897
Investment securities at amortized cost	4	14,086,224	14,358,070
		137,938,551	112,802,430
Interest expense			
Deposit liabilities	8	13,130,953	5,003,177
Interbank loans payable		1,413,256	548,073
		14,544,209	5,551,250
Net interest income		123,394,342	107,251,180
Provision for (reversal of) credit losses			
Loans and receivables	5	2,707,502	29,630,166
Investment securities at FVOCI	4	1,106	(63,155)
Investment securities at amortized cost	4	(7,866)	(10,397)
		2,700,742	29,556,614
Net interest income after provision for credit losses		120,693,600	77,694,566
Other income (loss), net			
Service charges and fees, net	13	(93,451)	2,916,207
Foreign exchange gain, net		4,435,295	643,713
Miscellaneous income, net		903,163	4,176,514
		5,245,007	7,736,434
Operating expenses			
Compensation and employee benefits	16	56,976,532	54,675,952
Depreciation and amortization	6,7	23,480,817	21,897,330
Taxes and licenses		9,596,955	8,413,626
Other expenses	14	51,733,651	46,864,709
		141,787,955	131,851,617
Loss before income tax		(15,849,348)	(46,420,617)
Income tax expense	15	(14,229,826)	(5,283,961)
Net loss for the year		(30,079,174)	(51,704,578)
Other comprehensive income (loss)			
Items subsequently reclassified to profit or loss			
Unrealized fair value gain (loss) on investment in debt securities measured at FVOCI, net of tax	4,12	12,556,898	28,983,120
Items not reclassified to profit or loss			
Unrealized fair value gain on investments in equity securities measured at FVOCI, net of tax	4,12	850,000	1,847,100
Remeasurement gain on retirement benefits, net of tax	12,16	(491,203)	1,303,564
		12,915,695	32,133,784
Total comprehensive loss for the year		(17,163,479)	(19,570,794)

(The notes on pages 1 to 46 are integral part of these financial statements)

Yuanta Savings Bank Philippines, Inc.
(A wholly-owned subsidiary of Yuanta Commercial Bank Co., Ltd.)

Statements of Changes in Equity
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Share capital (Note 11)	Additional paid-in capital (Note 11)	Accumulated other comprehensive (loss) income, net (Note 12)	Accumulated deficit	Total
Balance at January 1, 2023	2,400,000,000	9,000,000	(70,026,509)	(338,934,377)	2,000,039,114
Total comprehensive loss					
Net loss for the year	-	-	-	(51,704,578)	(51,704,578)
Other comprehensive income	-	-	32,133,784	-	32,133,784
Total comprehensive loss for the year	-	-	32,133,784	(51,704,578)	(19,570,794)
Other movements					
Item subsequently reclassified to profit or loss					
Realized gain on disposal of financial asset at FVOCI, net of tax	-	-	(1,961,000)	1,961,000	-
Balance at December 31, 2023	2,400,000,000	9,000,000	(39,853,725)	(388,677,955)	1,980,468,320
Total comprehensive (loss) income					
Net loss for the year	-	-	-	(30,079,174)	(30,079,174)
Other comprehensive income	-	-	12,915,695	-	12,915,695
Total comprehensive (loss) income for the year	-	-	12,915,695	(30,079,174)	(17,163,479)
Other movements					
Item subsequently reclassified to profit or loss					
Realized gain on disposal of financial asset at FVOCI, net of tax	-	-	-	-	-
Balance at December 31, 2024	2,400,000,000	9,000,000	(26,938,030)	(418,757,129)	1,963,304,841

(The notes on pages 1 to 46 are integral part of these financial statements)

Yuanta Savings Bank Philippines, Inc.
(A wholly-owned subsidiary of Yuanta Commercial Bank Co., Ltd.)

Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
Cash flows from operating activities			
Loss before income tax		(15,849,348)	(46,420,617)
Adjustments for:			
Interest received		137,330,863	115,545,403
Interest income	2,3,4,5	(137,938,551)	(112,802,430)
Depreciation and amortization	6,7	23,480,817	21,897,330
Interest paid		(13,665,595)	(2,942,881)
Interest expense	8	14,544,209	5,551,250
Provision for (reversal of) credit losses	4,5	2,700,742	29,556,614
Net unrealized foreign exchange gain	20	(3,598,850)	428,928
Retirement benefits expense	16	3,049,710	1,871,635
Gain on sale of retired bank premises, furniture, fixtures and equipment	6,7	(2,500)	(285,500)
Operating income before changes in operating assets and liabilities		10,051,497	12,399,732
Changes in operating assets and liabilities			
(Increase) decrease in:			
Loans and receivables		(266,025,606)	(569,037,073)
Other assets		(1,006,165)	(7,103,981)
(Decrease) increase in:			
Deposit liabilities		199,003,475	(82,602,824)
Manager's check		(6,075,879)	4,398,555
Accrued interest and other expenses		(1,902,752)	1,061,784
Other liabilities		6,173,205	3,274,268
Net cash absorbed by operations		(59,782,225)	(637,609,539)
Income taxes paid		(13,511,659)	(18,532,231)
Contribution paid to retirement plan	16	(2,199,752)	(1,583,597)
Net cash used in operating activities		(75,493,636)	(657,725,367)
Cash flows from investing activities			
Acquisitions of:			
Investment securities at amortized cost	4	-	(46,630,000)
Bank premises, furniture, fixtures and equipment	6	(11,622,300)	(15,259,175)
Intangible assets	7	(19,321,753)	240,000
Proceeds from:			
Maturities of investment securities at FVOCI	4	150,000,000	268,000,000
Maturities of investment security at amortized cost	4	9,204,423	40,045,705
Disposal of investment securities at FVOCI	4	-	2,427,000
Sale of retired bank premises, furniture, fixtures and equipment		2,500	285,500
Net cash provided by investing activities		128,262,870	249,109,030
Cash flows from financing activities			
Availment (repayment) of interbank loans payable	4	(50,000,000)	50,000,000
Net increase (decrease) in cash and cash equivalents		2,769,234	(358,616,337)
Cash and cash equivalents at January 1		109,949,279	468,125,007
Effect of foreign exchange rate changes on cash and cash equivalents		(2,294,753)	440,609
Cash and cash equivalents at December 31	2	110,423,760	109,949,279

(The notes on pages 1 to 46 are integral part of these financial statements)

Yuanta Savings Bank Philippines, Inc.

(A wholly-owned subsidiary of Yuanta Commercial Bank Co., Ltd.)

Notes to Financial Statements

As at and for the years ended December 31, 2024 and 2023

(All amounts in Philippine Peso, unless otherwise stated)

1 General information

Yuanta Savings Bank Philippines, Inc. (the "Bank") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on August 1, 1997. The Bank was authorized by the Bangko Sentral ng Pilipinas (BSP) to operate as a thrift bank on October 24, 1997 and started its commercial operations on November 5, 1997.

The Bank is engaged in the general business of savings and mortgage banking and exercises all the rights, attributes, powers and privileges, together with the assumption of all the duties and obligations of a savings and mortgage bank. As a banking institution, the Bank's operations are regulated and supervised by the BSP. On June 14, 2007, the Monetary Board of the BSP granted the Bank the authority to operate a Foreign Currency Deposit Unit (FCDU). On August 1, 2007, the Bank started its FCDU operations.

On November 26, 2019, the Bank applied for an increase in authorized capital stock with SEC and Yuanta Commercial Bank Co., Ltd. (YCB) invested additional capital to subscribe to 1.4 billion shares at P1 par. On December 9, 2021, SEC approved the Bank's application for increase in authorized shares. As at December 31, 2024 and 2023, the Bank is a wholly-owned subsidiary of YCB.

The Bank's registered address is at G-1A/B, Chatham House Condominium, Rufino corner Valero Streets, Salcedo Village, Makati City. As at December 31, 2024, the Bank has 49 employees (2023 - 49).

Approval of the financial statements

The financial statements of the Bank have been approved and authorized for issue by the Board of Directors (BOD) on April 29, 2025. There are no material events that occurred from April 29 to April 30, 2025.

2 Cash and cash equivalents; Due from BSP

Details of cash and cash equivalents presented in the statement of cash flows as at December 31 follow:

	Note	2024	2023
Cash and other cash items		13,355,360	15,014,301
Due from BSP		57,950,644	41,919,291
Due from other banks	3	39,117,756	53,015,687
		110,423,760	109,949,279

Due from BSP as at December 31 consists of:

	2024	2023
Overnight deposit facility (ODF)	50,000,000	20,000,000
Demand deposit account (DDA)	7,950,644	9,937,059
BSP - Reverse repurchase facility (RRP)	-	11,982,232
	57,950,644	41,919,291

RRP represents placement with the reverse repurchase facility of the BSP. With the implementation of the Interest Rate Corridor System, RRP was modified to a purely overnight RRP. DDA represents reserve requirements as provided under Section 94 of Republic Act (RA) No. 7653.

It also includes the Bank's respective working funds to settle transactions due to/from BSP and with other banks, which are subject to payment in legal tender upon demand, by the presentation of checks as provided under Section 58 of RA No. 7653.

ODF represents settlement account with an average maturity of seven (7) days.

For the year ended December 31, 2024, interest income from due from BSP amounts to P9,278,776 (2023 - P7,644,354).

3 Due from other banks

The account as at December 31 consists of:

	2024	2023
Placements	12,218,240	25,665,035
Deposit accounts	26,899,516	27,350,652
	39,117,756	53,015,687

Deposit accounts generally earn interest based on daily bank deposit rates.

The Bank's placements with other banks consist of time deposits with local banks denominated in US dollar for a period of one month to three months with interest at prevailing market rates and are considered as cash equivalents (Note 2) in the statement of cash flows.

For the year ended December 31, 2024, interest income with other banks amounts to P942,993 (2023 - P2,269,113).

4 Investment securities

4.1 Investment securities at fair value through other comprehensive income (FVOCI)

The account at December 31 consists of:

	2024	2023
Debt securities		
Government	890,664,500	1,026,400,500
Private	94,038,924	88,650,118
	984,703,424	1,115,050,618
Proprietary shares - country club shares	6,000,000	5,000,000
	990,703,424	1,120,050,618

Government and private debt securities as of December 31, 2024 and 2023 will mature in various dates from 2024 to 2031.

	2024	2023
Current (within 12 months)	97,881,000	148,691,000
Non-current (over 12 months)	886,822,424	966,359,618
	984,703,424	1,115,050,618

The movements in investment securities at FVOCI follow:

	2024	2023
At beginning of year	1,120,050,618	1,351,951,146
Additions	-	-
Disposals	-	(466,000)
Maturities	(150,000,000)	(268,000,000)
Amortization of premium, net	(816,313)	(1,544,260)
Reversal of impairment loss	(1,106)	63,155
Effect of foreign exchange rate changes	3,728,094	(512,143)
Fair value adjustment	17,742,131	38,558,720
At end of year	990,703,424	1,120,050,618

As at December 31, 2024, government securities amounting to P865.10 million (2023 - 338.56 million) is used as security for total credit lines amounting to P680 million (2023 - 270 million). Out of the securities pledged as security, P100 million is classified as investment at amortized cost. As at December 31, 2023, interbank loans payable amounting to P50 million was drawn from the total credit line which represents funds borrowed from other banking institution which matured on March 12, 2024. Interest expense on the interbank loans payable for the year ended December 31, 2024 amounts to P1,413,256 (2023 - P548,073)

For the year ended December 31, 2024, interest income from government debt securities and other debt securities amounts to P39,421,819 (2023 - P44,641,897).

In 2023, proceeds from disposal of financial assets at FVOCI amount to P2,427,000. Realized gain on sale of financial assets at FVOCI presented in the statement of changes in equity amounts 1,961,000.

4.2 Investment securities at amortized cost

The account at December 31 consists of:

	2024	2023
Government debt securities		
Current (within 12 months)	4,504,169	2,865,028
Non-current (over 12 months)	202,001,250	212,185,674
	206,505,419	215,050,702
Corporate debt securities		
Non-current (over 12 months)	50,081,634	50,221,447
	256,587,053	265,272,149

Debt securities carry interest at rates ranging 4.75% to 8.60% as at December 31, 2024 and 2023, and mature in various dates from 2025 to 2028.

The movements in investment securities at amortized cost follow:

	2024	2023
At beginning of year	265,272,149	260,522,196
Additions	-	46,630,000
Maturities	(9,204,423)	(40,045,705)
Amortization of (premium) discount, net	(1,654,048)	(1,487,346)
Reversal of impairment loss	7,866	10,397
Effect of foreign exchange rate changes	2,165,509	(357,393)
At end of year	256,587,053	265,272,149

For the year ended December 31, 2024, interest income from these investments amounts to P14,086,224 (2023 - P14,358,070).

5 Loans and receivables, net

The account as at December 31 consists of:

	2024	2023
Receivable from customers		
Commercial	1,040,108,430	809,530,139
Consumption	7,823,871	3,733,408
Real estate	77,042,492	43,128,887
	1,124,974,793	856,392,434
Other receivables		
Accrued interest receivables	13,876,876	13,269,188
Accounts receivables	297,327	383,699
	14,174,203	13,652,887
	1,139,148,996	870,045,321
Allowance for credit losses		
Stage 1	(7,321,494)	(7,463,947)
Stage 2	(54,480)	(82,727)
Stage 3	(35,194,472)	(32,316,250)
	(42,570,446)	(39,862,924)
	1,096,578,550	830,182,397

Interest income on loans and receivables for the years ended December 31 consists of:

	2024	2023
Receivables from customers		
Commercial	68,189,683	39,369,071
Consumption	1,151,842	2,568,529
Real estate	4,867,214	1,951,396
	74,208,739	43,888,996

Below is the breakdown of allowance for credit losses as December 31:

	2024	2023
Receivable from customers	41,977,883	39,457,106
Accrued interest receivables	592,563	405,818
	42,570,446	39,862,924

The allowance for credit losses recognized is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and lifetime expected credit loss (ECL);
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Impact on the measurement of ECL due to changes in probability of default (PD), exposure at default (EAD) and loss given default (LGD) in the period;
- Foreign exchange translations for assets denominated in foreign currencies and other movements; and,
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

The following tables summarize the changes in the loss allowance for loans and receivables between the beginning and the end of the annual period:

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
Allowance for credit losses	ECL	ECL	ECL	Total
At January 1, 2024	7,463,947	82,727	32,316,250	39,862,924
Provision for credit losses for the year				
Transfers:				
Transfer in (out of) Stage 1				
Transfer in (out of) Stage 2	8,706	(8,706)	-	-
Transfer in (out of) Stage 3	-	-	-	-
New financial assets originated	3,330,450	-	-	3,330,450
Financial assets derecognized during the period	(236,299)	-	(155,752)	(392,051)
Changes in PD, EAD and LGD	(3,245,310)	(19,541)	3,033,974	(230,877)
	(142,453)	(28,247)	2,878,222	2,707,522
At December 31, 2024	7,321,494	54,480	35,194,472	42,570,446

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
Allowance for credit losses	ECL	ECL	ECL	Total
At January 1, 2023	4,479,951	3,549,450	2,486,855	10,516,256
Provision for credit losses for the year				
Transfers:				
Transfer in (out of) Stage 1				
Transfer in (out of) Stage 2	18,215	(18,215)	-	-
Transfer in (out of) Stage 3		(7,500,000)	7,500,000	-
New financial assets originated	7,412,714	-	-	7,412,714
Financial assets derecognized during the period	(4,454,748)	(1,113)	(102,823)	(4,558,684)
Changes in PD, EAD and LGD	7,815	4,052,605	22,715,714	26,776,134
	2,983,996	(3,466,723)	30,112,891	29,630,164
Write-off	-	-	(283,496)	(283,496)
	2,983,996	(3,466,723)	29,829,395	29,346,668
At December 31, 2023	7,463,947	82,727	32,316,250	39,862,924

With the foregoing level of allowance for credit losses, management believes that amount is sufficient to cover any losses that may be incurred from the non-collection or non-realization of its receivables and other risk assets.

6 Bank premises, furniture, fixtures and equipment, net

The movements and the components of the account follow:

	Bank premises	Furniture, fixtures and equipment	Transportation equipment	Total
Cost				
Balance at beginning of year	152,136,645	100,776,621	1,900,100	254,813,366
Additions	-	11,622,300	-	11,622,300
Reclassification	-	(150,000)	-	(150,000)
Balance at end of year	152,136,645	112,248,921	1,900,100	266,285,666
Accumulated depreciation				
Balance at beginning of year	73,032,196	68,067,865	1,803,367	142,903,428
Depreciation	3,280,024	11,068,219	96,733	14,444,976
Balance at end of year	76,312,220	79,136,084	1,900,100	157,348,404
Net carrying amounts, December 31, 2024	75,824,425	33,112,837	-	108,937,262

	Bank premises	Furniture, fixtures and equipment	Transportation equipment	Total
Cost				
Balance at beginning of year	152,136,645	85,517,446	1,900,100	239,554,191
Additions	-	13,841,116	-	13,841,116
Reclassification	-	1,418,059	-	1,418,059
Balance at end of year	152,136,645	100,776,621	1,900,100	254,813,366
Accumulated depreciation				
Balance at beginning of year	69,751,942	58,123,669	1,505,681	129,381,292
Depreciation	3,280,254	9,944,196	297,686	13,522,136
Balance at end of year	73,032,196	68,067,865	1,803,367	142,903,428
Net carrying amounts, December 31, 2023	79,104,449	32,708,756	96,733	111,909,938

Management believes that there are no indications that the bank premises, furniture, fixture and equipment are impaired.

Certain furniture, fixtures and equipment completed in 2023 are reclassified from construction-in-progress under Other assets (Note 7).

In 2024, certain retired furniture, fixtures and equipment and transportation equipment were sold amounting to P2,500 (2023 - P285,500).

7 Other assets, net

The account as at December 31 consists of:

	2024	2023
Computer software, net	27,611,899	12,925,216
Construction in progress	231,950	4,001,950
Miscellaneous deposits	5,566,221	5,473,729
Real and other properties acquired (ROPA)	3,652,581	3,477,872
Miscellaneous assets	1,478,391	1,172,625
Prepaid expenses	10,538,179	10,585,752
	49,079,221	37,637,144

The movements of computer software follow:

	2024	2023
Cost		
At beginning of year	77,996,922	76,184,050
Additions	19,321,753	240,000
Reclassification	3,920,000	1,572,872
At end of year	101,238,675	77,996,922
Accumulated amortization		
At beginning of year	65,071,706	57,027,143
Amortization during the year	8,555,070	8,044,563
Reclassification	-	-
At end of year	73,626,776	65,071,706
Net carrying amount	27,611,899	12,925,216

The cost of certain computer software completed in 2023 and 2024 are reclassified from construction-in-progress under Other assets.

Miscellaneous deposits pertain to rental deposits and other deposits to various suppliers.

Miscellaneous assets consist mainly of documentary stamp taxes and office supplies.

8 Deposit liabilities

The account as at December 31 consists of:

	Note	2024	2023
Special savings	18	343,845,612	212,152,284
Demand		216,506,931	151,767,281
Savings		69,620,303	67,049,806
		629,972,846	430,969,371

The Bank's deposits bear annual interest at rates ranging from 0% to 4.50% in 2024 and 2023.

As at December 31, 2024, the Bank has complied with the required statutory and legal reserves amounting to P5.64 million (2023 – P6.83 million) (Note 2).

The details of interest expense on deposit liabilities for the years ended December 31 are as follows:

	2024	2023
Special savings	12,862,291	4,892,215
Savings	161,905	18,179
Demand	106,757	92,783
	13,130,953	5,003,177

9 Accrued interest and other expenses

The account as December 31 consists of:

	2024	2023
Accrued interest	3,583,649	2,705,035
Accrued expenses		
Staff benefits	5,395,199	5,395,199
Taxes	1,937,070	1,836,091
Management and other professional fees	1,080,146	1,080,146
Others	4,291,143	6,294,874
	16,287,207	17,311,345

Others include accrual for general and administrative expenses other than staff benefits and management and other professional fees.

10 Other liabilities

The account as at December 31 consists of:

	2024	2023
Accounts payable and other liabilities	12,665,958	8,082,299
Withholding tax	2,399,415	641,507
SSS, Philhealth, and Pag-ibig contributions payable	287,665	427,128
Others	301	29,200
	15,353,339	9,180,134

Accounts payable include unclaimed balances and unpaid purchases from various suppliers. The unclaimed balances refer to the deposits held by the Bank in favor of depositors known to be dead or unheard for ten years or more which have not been turned over to the Treasurer of the Philippines pursuant to the provisions of the Unclaimed Balances Act (Act No. 3936, as amended).

11 Share capital

The account as at December 31 consists of:

	2024	2023
Authorized capital stock	3,000,000,000	3,000,000,000
Issued and outstanding (at P1 par value per share)	2,400,000,000	2,400,000,000

Under MORB Section 121, the Bank has complied with the minimum capitalization set by the BSP which is P500 million for thrift banks with head office only in Metro Manila.

12 Accumulated other comprehensive income (loss), net

The account as at December 31 consists of:

	2024	2023
Cumulative actuarial losses on retirement	856,902	1,348,105
Unrealized fair value income on investment securities at FVOCI	(27,794,932)	(41,201,830)
	(26,938,030)	(39,853,725)

The amounts above are presented net of deferred tax effect.

The movement in unrealized fair value income (loss) on investment securities at FVOCI follow:

	Notes	2024	2023
At beginning of year		(41,201,830)	(70,071,050)
Fair value gain (loss) on OCI	4	17,742,131	40,519,720
Tax effect	15	(4,335,233)	(9,689,500)
Reclassified to deficit due to gain on disposal	4	-	(1,961,000)
At end of year		(27,794,932)	(41,201,830)

13 Service charges and fees, net

Details of service charges and fees for the years ended December 31 are as follows:

	2024	2023
Penalties	(1,195,383)	1,267,484
Service charges and fees from:		
Remittances	535,699	741,049
Deposits	222,724	402,653
Loan issuances	147,094	319,509
Others	196,415	185,512
	(93,451)	2,916,207

14 Other expenses

Details of other expenses for the years ended December 31 are as follows:

	2024	2023
Repairs and maintenance	16,459,643	15,067,099
Postage, telephone, cable and telegram	8,623,808	8,039,708
Professional fees	7,539,490	6,140,423
Power, light and water	3,423,180	3,064,526
Security, messenger and janitorial	2,889,169	2,427,177
Director's fees	2,040,000	2,160,000
Insurance	1,849,815	1,745,010
Banking fees	1,463,451	1,488,859
Membership fees and dues	1,462,294	1,425,251
Travel and representation	946,608	714,644
Supervision fees	299,993	802,914
Others	4,736,200	3,789,098
	51,733,651	46,864,709

Others consist mainly of trainings and seminar, stationery and supplies used, rental, inquiry and verification fees, and fuel.

15 Income tax expense; Deferred tax assets (DTA), net

The following are the components of income tax expense for the years ended December 31:

	2024	2023
Current	13,587,347	14,618,219
Deferred	642,479	(9,334,258)
	14,229,826	5,283,961

A reconciliation between the income tax expense at the statutory rates and income tax expense at effective tax rate follows:

	2024	2023
Loss before income tax	(15,849,348)	(46,420,617)
Tax benefit on pretax loss at 25%	(3,962,337)	(11,605,154)
Tax effects of:		
Unrecognized NOLCO and MCIT	18,326,869	19,213,839
Non-deductible expenses	2,991,279	9,597,388
Income subjected to lower income tax rates	(2,646,414)	(3,048,552)
Others	(479,571)	(8,873,560)
Effective income tax expense	14,229,826	5,283,961

The components of the Bank's deferred tax assets and liabilities as at December 31 are as follows:

	2024	2023
Deferred tax assets		
Unrealized fair value loss on bond investment at FVOCI	10,417,058	14,602,289
Allowance for credit losses	10,699,590	10,023,968
Retirement liability	1,615,787	1,239,563
MCIT	-	523,645
Unrealized foreign exchange loss	-	107,232
	22,732,435	26,496,697
Deferred tax liabilities		
Unrealized fair value gain on equity investments	(576,270)	(426,270)
Unrealized foreign exchange gain	(899,713)	-
	(1,475,983)	(426,270)
Deferred tax assets, net	21,256,452	26,070,427

Deferred income tax assets are recognized only to the extent that taxable income will be available against which the deferred income tax assets can be used. The Bank did not recognize deferred income tax assets on its NOLCO and MCIT in 2024 since the Bank does not expect that it will generate sufficient taxable income to allow all or part of its NOLCO and MCIT in 2024 to be utilized.

The details of the Bank's unexpired NOLCO are as follows:

Year of Incurrence	Year of Expiration	2024	2023
2024	2027	60,599,613	-
2023	2026	72,164,997	72,164,997
2022	2025	93,699,852	93,699,852
2021	2026	90,697,567	90,697,567
2020	2025	86,106,183	86,106,183
		403,268,212	342,668,599
NOLCO not recognized		(403,268,212)	(342,668,599)
		-	-
Tax rate		25%	25%
Deferred income tax asset on NOLCO		-	-

As at December 31, the Bank has MCIT that can be claimed as deduction from future income tax payable as follows:

Year of Incurrence	Year of Expiration	2024	2023
2024	2027	1,103,405	-
2023	2026	523,645	523,645
2022	2025	84,946	84,946
2021	2024	233,700	233,700
2020	2023	-	558,840
		1,945,696	1,401,131
Used portion/expired during the year		(233,700)	(558,840)
MCIT not recognized		(1,711,996)	(318,646)
		-	523,645

16 Employee benefits

16.1 Compensation and employee benefits

Compensation and employee benefits for the years ended December 31 consist of:

	2024	2023
Salaries and wages	37,477,695	34,403,243
Retirement benefits expense	3,049,710	1,871,635
Other employee benefits	16,449,127	18,401,074
	56,976,532	54,675,952

Other employee benefits mainly include fringe benefits and SSS, Pag-ibig and Philhealth contributions.

16.2 Retirement benefits

The Bank accrues retirement benefits based on an annual actuarial valuation report covering regular and qualified employees.

The Bank maintains a non-contributory defined benefit type plan which provides a retirement benefit equal to 100% of Plan Salary for every year of credited service. Benefits are paid in lump-sum upon retirement or separation in accordance with the terms of the Plan.

The Bank's latest actuarial valuation was performed as at December 31, 2024.

Details of the retirement benefits obligation recognized in the statement of financial position as at December 31 are as follows:

	2024	2023
Present value of benefit obligations	9,467,581	7,133,034
Fair value of plan assets	(3,004,431)	(2,174,779)
Retirement benefit obligation	6,463,150	4,958,255

Details of the retirement benefits expense recognized in profit or loss for the years ended December 31 are as follows:

	2024	2023
Current service cost	2,836,015	1,442,279
Net interest cost	213,695	429,356
	3,049,710	1,871,635

Details of the retirement benefits expense recognized in other comprehensive income for the years ended December 31 are as follows:

	2024	2023
Remeasurement gain - defined benefit liability	(492,093)	1,814,064
Remeasurement loss - plan assets	(162,844)	(75,978)
	(654,937)	1,738,086

The movements in the present value of retirement benefits obligation are as follows:

	2024	2023
At beginning of year	7,133,034	7,936,938
Current service cost	2,836,015	1,442,279
Interest cost	432,597	531,775
Remeasurements		
Loss (gain) from changes in financial assumptions	20,746	329,045
Loss (gain) from experience adjustments	471,347	(2,143,109)
Benefits paid	(1,426,158)	(963,894)
At end of year	9,467,581	7,133,034

The movements in the fair value of plan assets are as follows:

	2024	2023
At beginning of year	2,174,779	1,528,635
Contributions	2,199,752	1,583,597
Interest income	218,902	102,419
Remeasurement loss on return on plan asset	(162,844)	(75,978)
Benefits paid	(1,426,158)	(963,894)
At end of year	3,004,431	2,174,779

Plan assets at December 31, 2024 comprise of 39.40% (2023 - 1.76%) cash and cash equivalents, 60.54% (2023 - 98.24%) investment in trust fund and 0.06% (2023 - nil) interest receivable which the carrying amount approximates its fair value at said dates.

The actuarial assumptions used to determine retirement benefit obligation as at December 31 are as follows:

	2024	2023
Discount rate	6.10%	6.12%
Salary increase rate	3.00%	3.00%

16.3 Discount rate sensitivity

The following illustrates the sensitivity to a reasonably possible change in each key assumption, with all other variable held constant, of the Bank's accrued retirement benefits. The sensitivity analysis is prepared assuming the fair value of asset does not vary during the period. The methods and assumptions are the same in prior years. A 100 bps increase, or decrease is used when reporting this risk internally to key management personnel and represents management's assessment of the reasonably possible change in discount rate and salary increase. The impact on the Bank's retirement benefits obligation which affects the Bank's cash flow is as follows:

	Increase in assumption	Decrease in assumption
December 31, 2024		
Discount rate	(696,609)	809,104
Salary growth rate	861,086	(751,093)
December 31, 2023		
Discount rate	(552,865)	644,533
Salary growth rate	683,562	(593,974)

Expected maturity analysis of retirement obligation follow:

	Less than 1 year	Between 1-5 years	Over 5 years
December 31, 2024	132,743	7,573,439	67,537,615
December 31, 2023	128,895	6,082,617	54,095,233

The expected contribution to the retirement benefit plan in 2024 amounts to P3,892,993 (2023 - P2,933,003).

Except for the disclosure above and the preceding pages, no other transaction occurred with the retirement plan as at December 31, 2024 and 2023.

17 Related parties

The Bank, in the normal course of business, has transactions with related parties. The following are the specific relationships, amount of transactions, account balances, the terms and conditions and the nature of the consideration to be provided in the settlement.

2024	Transactions for the year	Outstanding balances	Terms
Interbank loans payable from Parent Bank	\$10,000	-	These borrowings are unsecured and are settled in cash upon maturity, with 6% interest rates in 2024
Deposits from			These are demand, savings and special savings deposits bearing interest rates ranging from 0.075% to 5.00%.
Key management personnel	1,368,287	2,637,089	

2023	Transactions for the year	Outstanding balances	Terms
Deposits from			
			These are demand, savings and special savings deposits bearing interest rates ranging from 0.00% to 1.75%.
Key management personnel	1,724,955	2,343,218	

The aggregate amounts included in the determination of income before income tax for the years ended December 31 that resulted from transactions with each class of related parties are as follows:

	2024	2023
Interest expense		
Parent Bank	746	-
Key management personnel	88,009	14,394
Salaries, allowances and other short-term benefits		
Key management personnel	30,215,046	25,102,331

17.1 Loans and credit accommodations to directors, officers, stockholders and other related interests (DOSRI)

The Bank, from time to time, provides financial assistance to officers and employees, as part of the Bank's benefit program, to meet housing, transportation, household and personal needs of officers and employees subject to the terms and conditions approved by the BSP. As at December 31, 2024, the Bank has interest-bearing, unsecured and unimpaired outstanding loans with DOSRI amounting to P647,569 (2023 - P1,051,389). The Bank has fully complied with BSP rules on DOSRI loans.

17.2 Remuneration of key management personnel

The salaries and employee benefits given to the Bank's key management personnel for the year ended December 31, 2024 amount to P30,215,046 (2023 – P25,102,331). Key management personnel include managerial and higher-level positions.

18 Significant contracts

On August 8, 2006, the Bank executed a memorandum of agreement with the Philippine Retirement Authority (PRA) which qualified the Bank as a depository or trustee for the requisite deposit of the retirees under the Retirement Program of the PRA. Under the program, the qualified retirees are required to open a time deposit, trust account or any other instrument that the Bank offers and will earn interest at a rate of 2% per annum. Upon maturity, unless otherwise directed by the retiree, the net interest earned will then become part of the principal.

As at December 31, 2024, total special savings deposits pertaining to this program amount to P28.1 million (2023 - P51.8 million) and included under "Special savings" in deposit liabilities (Note 8). Under the agreement, certain conditions should be met for the Bank to qualify as a depository unit of PRA, these include, but not limited to the following: maintenance of a capital adequacy, asset quality, management, earnings, liquidity risk, and sensitivity to market risk (CAMELS) rating of at least "3" from the BSP. As at December 31, 2024 and 2023, the Bank had satisfactorily complied with these PRA requirements.

19 Critical accounting judgments and estimates

The preparation of the financial statements in compliance with the Philippine Financial Reporting Standards (PFRS) requires management to make judgments and estimates that affect amounts reported in the financial statements. The judgments and estimates used in the financial statements are based upon management's evaluation of facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances.

19.1 Critical accounting judgments

Realization of deferred income tax assets (Note 15)

Management reviews at each reporting date the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax losses will be applied.

19.2 Critical accounting estimates

Measurement of the expected credit loss for loans and receivables under PFRS 9 (Note 5)

The measurement of the expected credit loss (ECL) for loans and receivables is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Allowance for credit losses on loans and receivables amounts to P42,570,446 and P39,862,924 as at December 31, 2024 and 2023, respectively.

Estimated useful lives of bank premises, furniture, fixtures and equipment, and computer software (Notes 6 and 7)

The Bank estimates the useful lives of its bank premises, furniture, fixtures and equipment, and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear. The estimation of the useful lives of the bank premises, furniture, fixtures and equipment and computer software are based on a collective assessment of industry practice and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the bank premises, furniture, fixtures and equipment and computer software would increase recorded operating expenses and decrease the related assets.

Estimated retirement benefits obligation (Note 16)

The determination of the Bank's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 16 and include, among others, discount rates and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

Retirement benefit obligation as at December 31, 2024 and 2023 is disclosed in Note 16.

20 Financial risk and capital management

20.1 Financial risk management objectives and policies

The Bank's operation involves the traditional banking activities of deposit-taking and lending to qualified individual or corporate borrowers and use of financial instruments. The Bank is exposed to the following risks from its use of financial instruments: (a) credit; (b) liquidity; (c) interest rate; (d) foreign currency; and (e) price risks.

The Bank is exposed to a variety of financial risks which results from its operating and investing activities. The Bank's risk management focuses on actively securing the Bank's short to medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

Risk management structure and process

The Bank has established sound risk management practices which include appropriate and reasonable contingency plans in handling risks and to guide the Bank's management and BOD to understand, measure, monitor and control the risk assumed, adopt risk management practices whose sophistication and effectiveness are commensurate to the risk being monitored and controlled, and maintain capital commensurate with the risk exposure assumed.

The BOD and Senior Management of the Bank are ultimately responsible for the oversight of the Bank's risk management process. The BOD is responsible for understanding the nature and the level of risks taken by the Bank. The Senior Management is responsible for ensuring that risks are adequately managed both long-term and day-to-day basis. The Bank's BOD is in-charge of the implementation of the risk management process which includes, among others, the development of various risk strategies and principles, control guidelines, policies and procedures, implementation of risk measurement tools, monitoring of key risk indicators, and the imposition and monitoring of risk limits.

To effectively manage the risks, the Bank identifies current and prospective risk exposures by understanding the sources of risks arising from the Bank's existing or new business initiatives. The head of each department identifies various risks on their current and future operations/products or services. Identifying risk includes identifying the Bank's desired level of risk exposure (risk appetite) based on its ability and willingness to assume the risk.

Risk appetite is set by the Bank's BOD after discussion of the impact, likelihood and alternative ways to manage risk with various department heads. Risk identification is a continuing process and occurs at both the transaction and portfolio level.

Once the sources of risks have been identified, risk measurement models are applied to quantify the Bank's risk exposures. Risk measurement systems and methodologies are integrated in the Bank's risk management process and results are interpreted in coordination with other risk exposures. The Bank's Asset and Liability Committee (ALCO) is responsible for the assessment of possible liquidity risks by establishing indicators of potential risk, assessment and matching potential sources of funds, and monitoring of internal as well as market indicators of liquidity problems of the Bank. ALCO is also responsible for communicating potential exposure of the Bank to interest risk and foreign currency risk to the Senior Management and BOD. The Bank has also created a Credit Committee (CRECOM) which is responsible for the stringent evaluation and approval of loans and for remedial actions on problematic loan accounts.

The Bank maintains an adequate system of internal controls to ensure the integrity of its risk management process. These internal controls are integral part of the Bank's overall system of control. An independent internal audit review on the risk management process is performed on an annual basis. The Internal Audit Department is mandated to conduct annual review and results are reported to the Audit Committee and Senior Management for proper action. The ALCO also conducts review of the guidelines and introduces revisions on the risk management process. The review of risk management process also includes assessment of the assumptions, parameters, and measures used.

20.2 Impairment assessment

The references below show where the Bank's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the summary of significant accounting policies.

- The Bank's definition and assessment of default and cure (Note 20.2.1)
- An explanation of the Bank's internal grading system (Note 20.5.5)
- How the Bank defines, calculates and monitors the probability of default, exposure at default and loss given default (Note 20.3)
- When the Bank considers there has been a significant increase in credit risk of an exposure (Note 20.2.2)
- The Bank's policy of segmenting financial assets where ECL is assessed on a collective basis (Note 20.2.3)
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 assets (Note 20.5.5)

20.2.1 Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. The following enumerates the events triggering default for each financial asset:

(a) Receivables from customers

- i. Principal or interest payments over 3 months (90 days) past due, or the bank has begun collection procedures or liquidation of collateral
- ii. Cases where the court has initiated reorganization or liquidation proceedings
- iii. Declaration of bankruptcy in court
- iv. Debtor's loans from other banking institutions have been recognized as nonperforming, and reclassified as non-accrual or written off as bad debts.
- v. Debtor has filed for bankruptcy, reorganization, or other debt clearance proceedings
- vi. Loans classified as "in default" according to the Bank's internal credit rating model

(b) Investments in debt instruments/ Due from BSP and other banks

- i. External credit ratings of the instrument are "in default"
- ii. Principal or interest payments over 3 months (90 days) past due, or are not made in accordance with the agreement
- iii. Bankruptcy, reorganization, or other debt clearance proceedings has been filed
- iv. Other breaches of contract by the debtor as assessed on a case-by-case basis

(c) Other financial assets

- i. Miscellaneous deposits: At the balance sheet date, the deposit has not been returned at maturity or overdue from the collection date, unless the contractual terms specify it.
- ii. Remaining receivables: At the balance sheet date, the borrower is more than 90 days past due on its contractual payments.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated indicators at the time of the cure, and the asset no longer showing significant increase in credit risk compared to initial recognition.

20.2.2 Significant increase in credit risk (SICR)

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

At every balance sheet date, the Bank assesses the change in default risk over the lifetime of each financial asset to determine whether there has been a significant increase in credit risk since initial recognition. The Bank considers reasonable and supportable information (including forward-looking information) when determining whether there has been significant increase in credit risk. The main indicators taken into account for each financial asset are as follows:

(a) Receivables from customers

- i. The borrower is over 30 days past due.
- ii. The Bank's internal credit rating of the asset is equivalent to a non-investment grade rating by an external agency, and the rating has dropped by more than two scales since initial recognition.
- iii. Records of bad credit are confirmed after assessment

(b) Investments in debt instruments/ Due from BSP and other banks.

- i. The Bank's internal credit rating of the asset is equivalent to a non-investment grade rating by an external agency, and the rating has dropped by more than two scales since initial recognition.
- ii. The contractual payments of counterparties are more than 30 days past due.

(c) Other financial assets

- i. Miscellaneous deposits: At the balance sheet date, the deposit has not been returned at maturity.
- ii. Other receivables: At the balance sheet date, the borrower is more than 30 days past due on its contractual payment.

20.2.3 Grouping of financial assets measured on a collective basis

Depending on the factors below, the Bank calculates ECL either on a collective or an individual basis.

Financial assets subject to ECL that have been assessed individually but for which no impairment is required and all individually insignificant exposure are then assessed collectively, in groups of assets with similar credit risk characteristics.

The Bank groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans.

20.3 Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 21 Summary of material accounting policies and in Note 19 Critical accounting judgments and estimates.

The following table shows the forecast of the key forward-looking economic variables used in each of the economic scenarios for the ECL calculations for financial year ended December 31, 2024 and 2023. The figures for “Subsequent years” represent a long-term average and the same are applied for each scenario.

Key variables (2024)	ECL scenario	Assigned probabilities (%)	Next 12 months	2 to 5 years (Average)
GDP (in billion pesos)	Base scenario	25	10,161.79	10,161.79
	Upside	25	21,051.76	21,051.76
	Downside	50	14,096.05	14,096.05
Unemployment (%)	Base scenario	25	4.70	4.70
	Upside	25	4.40	4.40
	Downside	50	10.30	10.30
Trade balance (as % of GDP)	Base scenario	50	(14.59)	(14.59)
	Upside	20	(3.52)	(3.52)
	Downside	30	(20.57)	(20.57)
Net foreign direct investments flows (Growth rate in %)	Base scenario	50	(70.20)	(70.20)
	Upside	20	48.30	48.30
	Downside	30	(70.20)	(70.20)
Overall balance of payments (In million US\$)	Base scenario	50	1,203.64	1,203.64
	Upside	20	(4,730.00)	(4,730.00)
	Downside	30	9,144.00	9,144.00
Overall surplus/deficit (as % of GDP)	Base scenario	50	1.27	1.27
	Upside	20	9.10	9.10
	Downside	30	(5.82)	(5.82)
Exports (Growth rate in %)	Base scenario	50	(1.75)	(1.75)
	Upside	20	(22.56)	(22.56)
	Downside	30	22.17	22.17

Key variables (2023)	ECL scenario	Assigned probabilities (%)	Next 12 months	2 to 5 years (Average)
GDP (in billion pesos)	Base scenario	25	10,161.79	10,161.79
	Upside	25	10,031.65	10,031.65
	Downside	50	6,750.63	6,750.63
Unemployment (%)	Base scenario	25	4.70	4.70
	Upside	25	5.10	5.10
	Downside	50	10.30	10.30
Trade balance (as % of GDP)	Base scenario	50	(10.30)	(10.30)
	Upside	20	(3.60)	(3.60)
	Downside	30	(18.10)	(18.10)
Net foreign direct investments flows (Growth rate in %)	Base scenario	50	(49.80)	(49.80)
	Upside	20	46.90	46.90
	Downside	30	(53.40)	(53.40)
Overall balance of payments (In million US\$)	Base scenario	50	568.00	568.00
	Upside	20	(4,730.00)	(4,730.00)
	Downside	30	9,144.00	9,144.00
Overall surplus/deficit (as % of GDP)	Base scenario	50	(9.30)	(9.30)
	Upside	20	1.00	1.00
	Downside	30	(11.50)	(11.50)
Exports (Growth rate in %)	Base scenario	50	8.60	8.60
	Upside	20	(25.60)	(25.60)
	Downside	30	36.60	36.60

Sensitivity analysis

The loan portfolios have different sensitivities to movements in macroeconomic variables, so the above three scenarios have varying impact on the expected credit losses of the Bank's portfolios. The allowance for impairment is calculated as the weighted average of expected credit losses under the baseline, upside and downside scenarios. The impact of weighting these multiple scenarios was a decrease in the allowance for impairment by P4,342,152 from the baseline scenario as of December 31, 2024 (2023 – P3,138,588).

20.4 Financial instrument by category

2024	Fair value through other comprehensive income	At amortized cost	Total
Cash and other cash items	-	13,355,360	13,355,360
Due from BSP	-	57,950,644	57,950,644
Due from other banks	-	39,117,756	39,117,756
Investments securities at FVOCI	990,703,424	-	990,703,424
Investment securities at amortized cost	-	256,587,053	256,587,053
Loans and receivables, net	-	1,096,578,550	1,096,578,550
Miscellaneous deposits	-	5,566,221	5,566,221
	990,703,424	1,469,155,584	2,459,859,008

	At amortized cost	Total
Deposit liabilities	629,972,846	629,972,846
Accrued interest and other expenses	16,287,207	16,287,207
Manager's checks	2,108,648	2,108,648
Accounts payable and other liabilities	12,665,958	12,665,958
	661,034,659	661,034,659

2023	Fair value through other comprehensive income	At amortized cost	Total
Cash and other cash items	-	15,014,301	15,014,301
Due from BSP	-	41,919,291	41,919,291
Due from other banks	-	53,015,687	53,015,687
Investments securities at FVOCI	1,120,050,618	-	1,120,050,618
Investment securities at amortized cost	-	265,272,149	265,272,149
Loans and receivables, net	-	830,182,397	830,182,397
Miscellaneous deposits	-	5,473,729	5,473,729
	1,120,050,618	1,210,877,554	2,330,928,172

	At amortized cost	Total
Deposit liabilities	430,969,371	430,969,371
Interbank loans payable	50,000,000	50,000,000
Accrued interest and other expenses	17,311,345	17,311,345
Manager's checks	8,184,527	8,184,527
Accounts payable and other liabilities	8,082,299	8,082,299
	514,547,542	514,547,542

20.5 Credit risk

Credit risk is the risk of financial loss arising from the borrowers' inability to meet their contractual obligation. The Bank's operation involves the traditional banking activities of deposit-taking and lending to qualified individual or corporate borrowers. Financial problems may arise from lending activities specifically from failure of the borrowers to pay their obligation on time, poor monitoring of documentary requirements that are required to be submitted annually, or failure to regularly monitor the submission of updated reports for active accounts.

20.5.1 Credit risk management

The following guidelines are being implemented by the Bank to mitigate credit risk:

(a) Collection management guidelines

This defines the collection or recovery process of delinquent accounts, the policies on loan loss provisioning, restructuring of accounts, writing off delinquent accounts, compromise agreements and other matters on collection.

(b) Credit guidelines for loans

This defines the requirements, features, qualifications of loan products being offered by the Bank. It includes the process from loan application to approval and monitoring. The following were performed by the Bank to manage credit risk:

- The Bank offers loan products to qualified individuals and corporate clients based on sound and prudent bank practices and in accordance with its existing policies;
- Extending loan facilities to qualified individuals, by taking into consideration the character, capacity, collateral and condition of each borrower;
- For loans that are secured by collaterals, the Bank ensures that it can annotate its mortgage and therefore, protect its legal interest thereto; and
- The Bank ensures that loans are approved by the CRECOM and BOD based on set limits.

Credit rating of corporate finance is categorized into 10 levels according to the risk assessment on each credit extension case. When a loan is granted, in addition to the credit quality of the client, fund purpose, and repayment source, the protection of claims and credit prediction should be considered, and credit risk by credit account and facility should also be respectively assessed and rated based on the corporate or consumer risk rating referencing standards.

Credit risk rating of consumer finance is categorized by client category, client profession and the rating of collateral threshold.

20.5.2 Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk of the Bank as at December 31:

	2024	2023
On-balance sheet		
Due from Bangko Sentral ng Pilipinas	57,950,644	41,919,291
Due from other banks	39,117,756	53,015,687
Investment debt securities at FVOCI	984,703,424	1,115,050,618
Investment securities at amortized cost	256,679,348	265,370,587
Loans and receivables	1,139,148,996	870,045,321
Miscellaneous deposits	5,566,221	5,473,729
Off-balance sheet		
Undrawn loan commitments	29,000,000	50,000,000
	2,512,166,389	2,400,875,233

Investments securities at amortized cost and loans and receivables are presented gross of allowance for credit losses.

20.5.3 Credit risk concentration profile

Credit risk exposure is also analysed by industry as of December 31 in respect of the Bank's on-balance and off-balance sheet financial assets as set out below:

	Due from BSP	Due from other banks	Investment securities at FVOCI	Investment securities at amortized cost	Loans and receivables	Miscellaneous deposit	Commitment and contingent accounts	Total
2024								
Financial institutions	57,950,644	39,117,756	55,859,760	9,272,078	786,000,000	-	29,000,000	977,200,238
Sovereign	-	-	890,664,500	197,281,956	-	-	-	1,087,946,456
Transportation and automotive	-	-	-	-	278,747,067	-	-	278,747,067
Electricity, gas, steam and airconditioning supply	-	-	38,179,164	-	-	-	-	38,179,164
Community, social and personal activities	-	-	-	-	-	-	-	-
Service activities	-	-	-	-	1,572,870	-	-	1,572,870
Agriculture,forestry and fishing	-	-	-	-	52,000,000	-	-	52,000,000
Construction	-	-	-	50,125,314	-	-	-	50,125,314
Wholesale and retail	-	-	-	-	5,535,560	-	-	5,535,560
Real estate, renting and business activities	-	-	-	-	-	611,178	-	611,178
Others	-	-	-	-	15,293,499	4,955,043	-	20,248,542
	57,950,644	39,117,756	984,703,424	256,679,348	1,139,148,996	5,566,221	29,000,000	2,512,166,389
2023								
Financial institutions	41,919,291	53,015,687	51,542,272	18,472,366	727,500,000	-	50,000,000	942,449,616
Sovereign	-	-	1,026,400,500	196,633,164	-	-	-	1,223,033,664
Electricity, gas, steam and airconditioning supply	-	-	37,107,846	-	-	-	-	37,107,846
Community, social and personal activities	-	-	-	-	1,917,905	-	-	1,917,905
Service activities	-	-	-	-	1,572,870	-	-	1,572,870
Agriculture,forestry and fishing	-	-	-	-	50,000,000	-	-	50,000,000
Construction	-	-	-	50,265,057	-	-	-	50,265,057
Wholesale and retail	-	-	-	-	27,690,628	-	-	27,690,628
Real estate, renting and business activities	-	-	-	-	47,711,031	726,378	-	48,437,409
Others	-	-	-	-	13,652,887	4,747,351	-	18,400,238
	41,919,291	53,015,687	1,115,050,618	265,370,587	870,045,321	5,473,729	50,000,000	2,400,875,233

20.5.4 Collateral

The Bank holds collateral against specific type of loans and receivables in the form of chattel and mortgage interests, other registered securities over assets, hold-out agreements and guarantees such as post-dated checks. Estimates of fair value (for determining loanable amount) are based on the value of collateral assessed at the time of borrowing. Collateral generally is not held over loans and receivables to other banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

The fair value of real and chattel mortgage held as collateral against loans and receivables amounts to P357 million and P226 million as at December 31, 2024 and 2023, respectively.

20.5.5 Credit quality of financial assets

(a) Loans and receivables, net

In response to the characteristics and scale of business, the Bank sets up credit quality rating for risk management purposes (such as implementing internal evaluation model of credit risk, setting up credit rating table or other relevant regulations).

The Bank, using statistical methods and expert professional judgment, as well as the consideration of client information, developed a business credit rating model for the purpose of evaluating the credit risk of corporate clients. The model is regularly reviewed to check if the calculation result is consistent with the actual situation, and adjustment of various inputs is calibrated to optimize the calculation result.

The credit quality of borrowers can be divided into four risk categories, which are set out and defined below, from very low to high, apart from impaired:

Credit risk rating	Corporate	Consumer
	Internal credit ratings mapped to S&P's ratings	Internal credit ratings
Very low	AAA to A-	Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.
Low	BBB+ to BB+	Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.
Medium	BB- to B+	Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.
High	B- to CCC	Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

Impaired/default - Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 20.2.1.

Unrated - Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of ratings models.

(b) Investment debt securities

The risk management of the Bank's debt instruments is based on credit rating of external institutions, credit quality of bonds, condition by geographical location and counterparty risk to identify the credit risk.

The Bank assesses the credit quality of debt instrument investments similar to corporate loans from very low to high risk based on their external credit ratings.

(c) Due from BSP and other banks

The Bank assesses the credit status of each counterparty before any transaction, and ratings assigned by domestic and foreign external ratings agencies are used in determining internal credit grades on which various credit risk exposure limits are set and then granted to different counterparties.

(d) Other financial assets at amortized cost

For other financial assets (accounts receivable and miscellaneous deposits), the Bank applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss methodology. These financial assets are grouped based on shared risk characteristics and aging profile. For some of these, impairment is assessed individually at a counterparty level.

The following table sets out the credit quality of financial assets by category:

Loans and receivables

	2024 ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit risk				
Credit risk				
Low	287,548,119	-	-	287,548,119
Medium	814,824,664	-	-	814,824,664
High	-	1,541,785	-	1,541,785
Impaired	-	3,562	35,230,866	35,234,428
Gross carrying amount	1,102,372,783	1,545,347	35,230,866	1,139,148,996
Loss allowance	(7,321,494)	(54,480)	(35,194,472)	(42,570,446)
Carrying amount	1,095,051,289	1,490,867	36,394	1,096,578,550
	2023 ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit risk				
Low	36,140,114	388,646	-	36,528,760
Medium	798,401,365	1,792,543	-	800,193,908
High	-	-	-	-
Impaired	-	4,596	33,318,057	33,322,653
Gross carrying amount	834,541,479	2,185,785	33,318,057	870,045,321
Loss allowance	(7,463,947)	(82,727)	(32,316,250)	(39,862,924)
Carrying amount	827,077,532	2,103,058	1,001,807	830,182,397

Investment in debt securities and other financial assets

	2024			Total
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Low				
Due from BSP	57,950,644	-	-	57,950,644
Due from other banks	39,117,756	-	-	39,117,756
Investment securities at FVOCI	984,703,424	-	-	984,703,424
Investment securities at amortized cost	256,679,348	-	-	256,679,348
Unrated				
Miscellaneous deposits	5,566,221	-	-	5,566,221
Gross carrying amount	1,344,017,393	-	-	1,344,017,393
Loss allowance	(126,593)	-	-	(126,593)
Carrying amount	1,343,890,800	-	-	1,343,890,800

	2023 ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Low				
Due from BSP	41,919,291	-	-	41,919,291
Due from other banks	53,015,687	-	-	53,015,687
Investment securities at FVOCI	1,115,050,618	-	-	1,115,050,618
Investment securities at amortized cost	265,370,587	-	-	265,370,587
Unrated				
Miscellaneous deposits	5,473,729	-	-	5,473,729
Gross carrying amount	1,480,829,912	-	-	1,480,829,912
Loss allowance	(98,438)	-	-	(98,438)
Carrying amount	1,480,731,474	-	-	1,480,731,474

20.5.6 Impaired financial assets (Stage 3)

Financial assets that are credit-impaired are shown below:

	2024	2023
Gross exposure	35,230,866	33,318,057
Allowance for impairment loss	(35,194,472)	(32,316,250)
	36,394	1,001,807
Fair value of collateral	-	-

20.6 Liquidity risk

Liquidity represents the ability to fund assets and meet obligations as they become due. It is essential for banks to compensate for expected and unexpected balance sheet fluctuations and provide funds for growth. To manage liquidity risk, the Bank has established Liquidity Risk Management Practices (LRMP) to ensure that the Bank is able to maintain a level of liquidity sufficient to meet its financial obligations in a timely manner. The Bank's LRMP also reflects the ability of the Bank to manage unplanned changes in funding sources, as well as to react to changes in market conditions that affect the ability to quickly liquidate assets with minimal loss. It also includes evaluating various funding sources and the costs associated with the sources identified.

Funding diversification allows the Bank to maintain access to different funding lines and allows more flexibility in selecting the appropriate funding source.

The Bank uses the following risk measurement methodologies to measure liquidity risk exposure:

a) Risk impact and likelihood rating guide

- No. 1 rating - may occur only in exceptional circumstances
- No. 2 rating - could occur at some time (low probability of occurrence)
- No. 3 rating - might occur at some time (moderate probability)
- No. 4 rating - will probably occur in most circumstances
- No. 5 rating - is expected to occur in most circumstances and has occurred several times in the unit

b) Daily cash level report (in Philippine peso and US dollar)

The Bank uses daily cash level report to measure excess funds on a daily basis and exposure on day to day (short term) funding liquidity risk. It is also used to determine the sufficiency of the Bank's reserves and excess funds available for BSP overnight lend.

c) *Maturity matching*

The Bank measures the exposure on liquidity risk arising from mismatched maturities of assets and liabilities, otherwise known as “tenor gaps”. In this method, the Bank’s financial assets and liabilities are divided into time bands and then slots each cash inflow and outflow items according to maturity dates. The overall objective is to determine and control liquidity “gaps” and highlight long term build ups in cash inflows and outflows. A 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 the future funding requirements of the Bank.

The table below presents an analysis of the maturity groupings of resources and liabilities in accordance with BSP account classifications. The liability balances disclosed in the following tables are based on contractual undiscounted cash flows, which may differ from the amounts included in the statement of financial position due to certain items which are based on discounted cash flows.

December 31, 2024	1-3 months	3 months- 1 year	over 1-5 years	over 5 years	Total
Assets					
Cash and other cash items	13,355,360	-	-	-	13,355,360
Due from BSP	53,837,946	2,076,231	2,036,467	-	57,950,644
Due from other banks	39,117,756	-	-	-	39,117,756
Investment securities at FVOCI	-	100,000,000	897,145,000	28,922,500	1,026,067,500
Investment securities at amortized cost	709,891	55,726,594	195,742,344	-	252,178,829
Loans and receivables	101,737,568	832,514,757	129,244,035	74,716,001	1,138,212,361
Miscellaneous deposits	-	-	5,566,221	-	5,566,221
	208,758,521	990,317,582	1,229,734,067	103,638,501	2,532,448,671
Liabilities					
Deposit liabilities	172,559,297	208,947,610	248,465,939	-	629,972,846
Manager's check	2,108,648	-	-	-	2,108,648
Accrued interest other expenses	16,287,207	-	-	-	16,287,207
Other financial liabilities	12,665,958	-	-	-	12,665,958
	203,621,110	208,947,610	248,465,939	-	661,034,659
Gap	5,137,411	781,369,972	981,268,128	103,638,501	1,871,414,012

December 31, 2023	1-3 months	3 months- 1 year	over 1-5 years	over 5 years	Total
Assets					
Cash and other cash items	15,014,301	-	-	-	15,014,301
Due from BSP	41,919,291	-	-	-	41,919,291
Due from other banks	53,015,687	-	-	-	53,015,687
Investment securities at FVOCI	100,000,000	50,000,000	994,670,000	27,685,000	1,172,355,000
Investment securities at amortized cost	660,096	8,594,123	250,149,033	-	259,403,252
Loans and receivables	32,842,833	3,174,815	734,994,806	98,222,814	869,235,268
Miscellaneous deposits	-	-	5,473,729	-	5,473,729
	243,452,208	61,768,938	1,985,287,568	125,907,814	2,416,416,528
Liabilities					
Deposit liabilities	126,423,006	106,696,347	197,850,018	-	430,969,371
Interbank loans payable	50,000,000	-	-	-	50,000,000
Manager's check	8,184,527	-	-	-	8,184,527
Accrued interest other expenses	17,311,345	-	-	-	17,311,345
Other financial liabilities	8,082,299	-	-	-	8,082,299
	210,001,177	106,696,347	197,850,018	0	514,547,542
Gap	33,451,031	(44,927,409)	1,787,437,550	125,907,814	1,901,868,986

The Bank performs the following to mitigate exposure to liquidity risk:

- Avoiding extreme concentration of transactions in a single market and loan exposure in a single industry;
- Diversification of loan / asset exposures in different industries, the types of transactions in which the Bank will engage in and establish exposure limits per industry/per individual type of products;
- Lending and investing only in highly liquid markets;
- Consideration of the availability of alternative markets as protection against the possibility of losing access to one or more markets during periods of overall market stress;
- Requiring treasury personnel to continuously observe market conditions and notify Risk Managers/Senior Management of any indications of market illiquidity (including suspension of availment on existing credit lines);
- Requiring Account Officers and Loan Officers to continuously observe market conditions and report to Risk Managers/Senior Management any indications of stress or problems in any industry/borrower;
- Consideration of the possible need to rebalance portfolios, provide extra collateral and manage potential defaults;
- Establishment of procedures that will identify and address timing mismatches in offsetting payment and delivery obligations, such as early terminations of deposits. This will be achieved through the preparation and analysis of various reports; and
- Observation of various control limits set by the BOD to minimize exposure on liquidity risk.

In addition to the developed procedures that mitigate liquidity risk exposure, the Bank has established a contingency plan to deal with temporary and long-term liquidity disruptions.

Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996 series of 2018 entitled Amendments to the Liquidity Coverage Ratio Framework and Minimum Prudential Liquidity requirements for stand-alone thrift banks, rural banks, cooperative banks and Quasi-bank. Under the circular, covered banks shall maintain a prudential Minimum Liquidity Ratio (MLR) of 20% which consists of liquid assets to cover qualified liabilities including off-balance sheet liabilities.

As of December 31, 2024 and 2023, the Bank's MLR compliance are as follows:

	2024	2023
Stock of liquid assets	1,198,329,702	1,332,944,231
Qualifying liabilities	662,170,411	511,532,201
MLR compliance	181%	261%

The Bank's stock of liquid assets consists of cash and cash equivalents, due from BSP and other banks and government debt securities.

20.7 Interest rate risk

Interest rate risk is the risk that changes in market interest rates will reduce current or future earnings and/or the economic value of a financial institution. Accepting interest rate risk is a normal part of the Bank's operation and is a major source of profitability and shareholder value. Excessive or inadequately understood and controlled interest rate risk, however, can pose a significant threat to the Bank's earnings and capital. Thus, an effective risk management process that maintains interest rate risk within prudent levels is essential to ensure the safety and soundness of the Bank. The Bank classifies sources of interest rate risk as option risk and repricing.

Prepayment option risk

Option risk is presented by optionality that is embedded in some assets and liabilities. The most common example is the mortgage loan. This type of loan presents significant option risk due to prepayment option available to clients.

For salary loans and other types of loans, the clients have the option to prepay the loan or they can extend the term of the loan which has the effect of slowing down the repayment. In terms of deposit products, clients have the option to terminate deposit accounts which in turn would lessen deposit liabilities of the Bank. As at December 31, 2024, loans subject to prepayment risk represents commercial, consumption and real estate loans with an aggregate amount of P1,124,974,793 (2023 – P856,392,434) (Note 5). The effect of prepayment option is deemed not significant as the option price normally approximates the amortized cost of the financial instruments at option date.

Repricing risk

The simplest technique for measuring interest rate risk exposure starts with a maturity or repricing schedule that distributes interest-sensitive assets, liabilities and off-balance sheet positions into a certain number of predefined time bands according to their maturity or time remaining to their next repricing. The Bank has condominium loan products in which borrowers may choose to avail of the fixed interest rate from one (1) to five (5) years. The market rate may tend to go up or down which exposes the Bank to repricing risk. As at December 31, 2024, the Bank's condominium loans under Real estate classification which are subject to repricing risk amount to P77,042,492 (2023 – P43,128,887) (Note 5).

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

The Bank adopts repricing gap analysis in analyzing its resources and liabilities based on expected interest realization and recognition.

If the analysis shows a positive gap, the Bank is exposed to the risk that interest rates will go down; however, if the analysis shows a negative gap, the Bank is exposed to the risk that interest rates will go up.

The interest rate risk profile of the Bank's assets and liabilities is as follows:

	Repricing				
December 31, 2024	1-3 months	3 months- 1 year	1-5 years	Non-repricing	Total
Assets					
Cash and other cash items	-	-	-	13,355,360	13,355,360
Due from BSP	50,000,000	-	-	7,950,644	57,950,644
Due from other banks	12,218,240			26,899,517	39,117,757
Investment securities at FVOCI	-	100,000,000	926,067,500	-	1,026,067,500
Investment securities at amortized cost	9,272,828	-	46,276,000	196,630,000	252,178,828
Loans and receivables	1,013,864,721	3,978,341	107,131,731	-	1,124,974,793
Miscellaneous deposits	-	-	-	5,566,221	5,566,221
	1,085,355,789	103,978,341	1,079,475,231	250,401,742	2,519,211,103
Liabilities and equity					
Deposit liabilities	29,495,680	208,947,610	105,402,322	286,127,234	629,972,846
Manager's check	-	-	-	2,108,648	2,108,648
Other financial liabilities	-	-	-	12,665,958	12,665,958
	29,495,680	208,947,610	105,402,322	300,901,840	644,747,452
Gap	1,055,860,109	(104,969,269)	974,072,909	(50,500,098)	1,874,463,651

December 31, 2023	Repricing			Non-repricing	Total
	1-3 months	3 months-1 year	1-5 years		
Assets					
Cash and other cash items	-	-	-	15,014,301	15,014,301
Due from BSP	31,982,232	-	-	9,937,059	41,919,291
Due from other banks	25,665,035	-	-	27,350,652	53,015,687
Investment securities at FVOCI	100,000,000	50,000,000	1,022,355,000	-	1,172,355,000
Investment securities at amortized cost	18,456,250	-	-	246,815,899	265,272,149
Loans and receivables	735,721,573	49,307,126	71,363,735	-	856,392,434
Miscellaneous deposits	-	-	-	5,473,729	5,473,729
	911,825,090	99,307,126	1,093,718,735	304,591,640	2,409,442,591
Liabilities and equity					
Deposit liabilities	17,014,463	106,696,347	88,441,474	218,817,087	430,969,371
Interbank loans payable	50,000,000	-	-	-	50,000,000
Manager's check	-	-	-	8,184,527	8,184,527
Other financial liabilities	-	-	-	8,082,299	8,082,299
	67,014,463	106,696,347	88,441,474	235,083,913	497,236,197
Gap	844,810,627	(7,389,221)	1,005,277,261	69,507,727	1,912,206,394

The Bank can tolerate a cumulative positive or negative gap of at least 35% for regular banking unit and 85% for the FCDU's total interest rate sensitive assets or liabilities and equity. Any excess thereon is communicated to the ALCO who courses through to Senior Management and BOD for proper action. The table below represents the sensitivity of the Bank's financial assets to a ± 100 basis points possible interest rate changes with all other variables held constant as at December 31:

Effect of reasonably possible shift in profit and loss	Change in interest rate	2024	2023
Interest rate-sensitive financial assets			
Due from BSP	± 100 bps	$\pm 500,000$	$\pm 319,822$
Due from other banks	± 100 bps	$\pm 122,182$	$\pm 256,650$
Investment securities at amortized cost	± 100 bps	$\pm 555,488$	$\pm 184,563$
Loans and receivables, net	± 100 bps	$\pm 11,249,748$	$\pm 8,563,924$
		$\pm 12,427,419$	$\pm 9,324,959$
Interest rate-sensitive financial liability			
Deposit liabilities	± 100 bps	$\pm 3,438,456$	$\pm 2,121,523$
Interbank loans payable	± 100 bps	-	$\pm 500,000$
		$\pm 3,438,456$	$\pm 2,621,523$

20.8 Foreign currency exchange risk

Foreign currency exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. In contracting to meet clients' foreign currency needs or simply buying and selling foreign exchange for its own account, the Bank undertakes a risk that exchange rates might change subsequent to the time the contract is consummated.

Most of the Bank's transactions are carried out in Philippine peso. Exposures to foreign currency exchange risk arise mainly from the foreign currency denominated due from other banks maintained by the Bank.

Foreign currency denominated financial assets as at December 31 are translated into Philippine peso at closing rate as follows:

	2024		2023	
	In US Dollar	In Philippine Peso	In US Dollar	In Philippine Peso
Financial assets				
Cash and other cash items	14,621	845,752	29,994	1,660,768
Due from other banks	305,144	17,651,052	599,388	33,188,138
Investment securities at FVOCI	1,465,680	84,782,260	1,430,870	79,227,272
Investment securities at amortized cost	874,949	50,611,442	902,374	49,964,452
Loans and receivables	16,263	940,728	17,666	978,172
Other assets	139	8,040	213	11,794
	2,676,796	154,839,274	2,980,505	165,030,596
Financial liabilities				
Deposit liabilities	1,235,195	71,449,871	1,600,066	88,595,655
Accrued interest payable	370	21,395	647	35,819
	1,235,565	71,471,266	1,600,713	88,631,474
Total net exposure	1,441,231	83,368,008	1,379,792	76,399,122

These balances were translated using the Bankers Association of the Philippines (BAP) peso-dollar exchange rates of P57.85 (2023 - P55.37) as at December 31, 2024. Net unrealized foreign exchange gain for the year ended December 31, 2024 amount to P3,598,850 (2023 – 428,928 loss).

Foreign currency-denominated deposits are generally used to fund the Bank's foreign currency denominated loans and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency denominated liabilities with the foreign currency denominated assets held under the FCDU books. In addition, the BSP requires a 30% liquidity reserve on all foreign currency liabilities held under the FCDU. As at December 31, 2024 and 2023, the Bank is in compliance with the said regulations.

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

For a 4.47% and 0.70% change in the foreign exchange rate of the Bank against relevant currency, there would be an equal and opposite impact on the pre-tax income and the effects are shown below:

	Change in FX rate	Impact on pre-tax income
December 31, 2024	+/-4.47%	+/- 3,117,330
December 31, 2023	+/-0.70%	+/-534,355

Exposures to foreign exchange rate fluctuation vary during the year depending on the volume of USD buying and selling transactions. Nonetheless, the analysis above is considered to be representative of the Bank's exposure to foreign currency risk.

20.9 Price risk

The Bank is exposed to price risk on the fluctuation on the price or fair value of its investments at FVOCI - quoted equity securities. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments. The fair value of investments at FVOCI are based on published prices in the market.

The changes in the fair value of financial assets at FVOCI - quoted equity securities are deemed not significant to the financial statements during and at the end of each reporting period.

20.10 Fair value information

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 follow:

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

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Financial asset measured at fair value

The fair value and fair value hierarchy of financial assets at fair value through other comprehensive income (FVOCI) as at December 31 are as follows:

	2024	2023	Valuation
Financial assets at FVOCI			
Level 1	984,703,424	1,115,050,618	Published prices
Level 2	6,000,000	5,000,000	Published prices with adjustments

Financial assets and liabilities measured at amortized cost for which fair value is disclosed

The following gives the fair value information of the Bank's investment securities at amortized cost which are not measured at fair value, but the fair values are disclosed at the end of each reporting period:

	2024		2023	
	Carrying values	Fair values	Carrying values	Fair values
Investment securities at amortized cost	256,587,053	249,295,095	265,272,149	262,454,905

These investment securities at amortized cost is classified under Level 1 based on market prices or broker/dealer price quotations.

Cash and other cash items and due from BSP and other banks

Due to the short-term nature of these financial instruments, their fair value approximates the carrying amount as at reporting date.

Loan and receivables

Fair value of loans and receivables is estimated by discounting anticipated cash (including interest at contractual rates). Performing loans are grouped, to the possible, into homogenous pools segregated by maturity and the coupon rates of the loans within each pool. In general, cash flows are discounted using current market rates for instruments with similar maturity, repricing and risk characteristics. For non-performing loans and receivables, an estimate is made of the time period to realize these cash flows and the fair value is estimated by discounting these cash flows at the effective interest rate. For non-performing loans and receivables where collateral exists, the fair value is the lesser of the carrying value of the loans and receivables net of specific allowances, or the fair value of the collateral, discounted as appropriate.

Based on the methodology described above, the Bank has determined that the carrying values of loans and receivables approximate fair values.

Deposit liabilities

Deposit liabilities is calculated using discounted cash flow models, based on the deposit type and its related maturity, applying either market rates, where applicable or current rates offered for deposits of similar remaining maturities.

Based on the described above, the Bank has determined that the carrying values of deposits by customers approximate fair values.

Other financial assets and liabilities

Carrying amounts of other financial assets and liabilities which have no definite repayment dates are assumed to be their fair values.

20.11 Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with the BSP imposed minimum capital requirements and to maintain healthy capital ratios in order to support its business and to maximize shareholders' value.

Under MORB Section 121, the Bank has complied the minimum capitalization set by the BSP which is P500 million for thrift banks with head office only in Metro Manila.

The Bank also complies with the minimum Capital Adequacy Ratio (CAR) as mandated by the BSP. The risk based CAR of thrift banks expressed as a percentage of qualifying capital to risk-weighted asset, shall not be less than ten percent (10%). Qualifying capital consists of Tier 1 (core plus hybrid) capital and Tier 2 (supplementary) capital elements, net of required deductions from capital. Tier 1 capital consists of the Bank's total equity excluding net unrealized losses on financial assets at FVOCI, unbooked valuation reserves and other capital adjustments based on latest report of examination as approved by the Monetary Board, total outstanding unsecured loans and credit accommodations, net of allowance for credit losses and deferred tax asset, net of deferred tax liability. Tier 2 capital consists of general loan loss provision and unsecured subordinated debt. Risk-weighted asset is the assigned risk weight to assets after exclusion of zero percent (0%) risk weight assets such as 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 as determined by the Monetary Board of the BSP.

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) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS.

As at December 31, the Bank's CAR is computed as follows:

	2024	2023
	<i>(In Thousands of Pesos)</i>	
Qualifying capital		
Net Tier 1 capital	1,912,780	1,940,404
Net Tier 2 capital	10,891	8,217
Total qualifying capital	1,923,671	1,948,621
Risk weighted assets		
Credit risk weighted assets	1,475,847	1,247,441
Operational risk weighted assets	154,409	149,367
Total risk weighted assets	1,630,256	1,396,808
CAR	118.00%	139.51%

The Bank has fully complied with the minimum CAR requirement of ten percent (10%).

21 Summary of material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

21.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. The term PFRS Accounting Standards in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial and Sustainability Reporting Standards Council (formerly known as the Financial Reporting Standards Council) and adopted by the SEC.

The Bank's financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVOCI.

21.2 Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the Bank

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2024 that have a material effect on the financial statements of the Bank.

(b) Amendments to existing standards not yet adopted by the Bank

The following amendments are not mandatory for December 31, 2024 reporting period and have 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 30 May 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:

- 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;
- Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- 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
- Update the disclosures for equity instruments design

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2024 that are considered relevant or expected to have a material effect on the financial statement of the Bank.

21.3 Financial instruments

21.3.1 Financial assets

21.3.1.1 Date of recognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Bank commits to purchase or sell the asset.

21.3.1.2 Initial recognition and subsequent measurement

At initial recognition, the Bank measures a financial asset at its fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, as described in Note 21.3.1.4 below, which results in the loss provision being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets differs from the transaction price on initial recognition, the Bank recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

The Bank classifies its financial assets in the following measurement categories: at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and at amortized cost.

As at December 31, 2024 and 2023, the Bank has no financial assets at FTVPL category.

(i) Debt instruments

Debt instruments consist of loans and receivables, due from BSP and other banks, government and corporate bonds and other financial receivables.

Classification and subsequent measurement of debt instruments depend on the Bank's business model for managing the asset and the cash flow characteristics of the asset.

(ii) Equity instruments

Equity instruments consist of investments in proprietary shares of a country club.

Based on these factors, the Bank classifies its financial assets into one of the following measurement categories:

1. Financial assets at amortized cost

The Bank measures financial assets at amortized cost if both of the following conditions are met:

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

The details of these conditions are outlined below:

Business model assessment: The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified and measured at fair value through profit or loss. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

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

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at fair value through profit or loss, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

2. Fair value through other comprehensive income (FVOCI)

The Bank measures debt instruments 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 assets meet the SPPI test.

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income. Impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost are recognized in the statement of total comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition).

21.3.1.3 Derecognition

(i) Derecognition due to substantial modification of terms and conditions

The Bank derecognizes a financial asset, such as a loan and receivables, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference between the carrying amounts after and prior to modification recognized as a gain or loss, to the extent that an impairment loss has not already been recorded.

The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit-impaired ("POCI").

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate ("EIR"), the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. As at December 31, 2024 and 2023, no financial assets were derecognized due to substantial modification of terms and conditions.

(ii) Derecognition other than for substantial modification

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 financial asset have expired; or
- The transfer of financial asset is as set out below and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either the Bank has:

- Transferred substantially all the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and have retained control of the asset, the asset continues to be recognized only to the extent of the Bank's continuing involvement, in which 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 the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

21.3.1.4 Impairment of financial assets

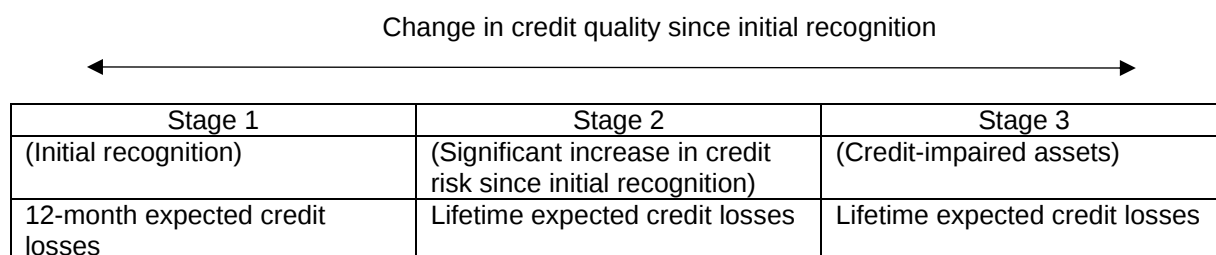
The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The Bank recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

PFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The Bank determines SICR based on prescribed benchmarks approved by the Board of the Directors.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with PFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3). There are no POCI as at December 31, 2024 and 2023.

The following diagram summarizes the impairment requirements under PFRS 9 (other than purchased originated credit-impaired financial assets):



The Bank uses the following key judgements and assumptions when estimating expected credit losses in accordance with PFRS 9:

(i) Determination of significant increase in credit risk (SICR)

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

(ii) Measuring ECL – Inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

- The PD represents the likelihood that the borrower will default (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset. The estimation of PD for consumer loans is based on the Bank’s aging reports with the incorporation of forward-looking economic information. While for corporate loans and investment in debt securities, PD is calculated based on default rate tables published by external credit rating agencies, incorporating forward-looking information.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining life (lifetime EAD). The 12-month and lifetime EADs are determined based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
- LGD represents the Bank’s expectation of the extent of loss on a defaulted exposure. They are grouped according to type (corporate or consumer). For consumer loans, the LGD is calculated based on the historical recovery experience. For corporate loans and investments in debt instruments, the LGD is calculated based on the collateral and liquidity preference of the debt instrument, incorporating the average recovery rate disclosed by external credit rating agencies.

The ECL is determined by multiplying the PD, LGD and EAD together for each individual exposure or collective segment. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(iii) Expected life

Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayments, extensions, calls and similar options.

(iv) Investment securities at FVOCI

The ECLs for financial investments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

(v) Forward-looking information incorporated in the ECL models

The Bank incorporates historical and current information, and forecasts forward-looking events and key economic variables that are assessed to impact credit risk and expected credit losses for each portfolio. Macroeconomic variables that affect a specific portfolio's non-performing loan rate(s) are determined through statistical modelling and the application of expert judgment. The probability-weighted ECL is calculated by running each scenario through the relevant ECL models and multiplying it by the appropriate scenario weighting.

The estimation and application of forward-looking information requires significant judgment. As with any economic forecasts, the projections and likelihood of occurrences are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The scenarios and their attributes are reassessed at each reporting date. Information regarding the forward-looking economic variables and the relevant sensitivity analysis is disclosed in Note 20.3.

(vi) Valuation of collateral held as security for financial assets

The Bank's accounting policy for collateral assigned to it through its lending arrangements under PFRS 9.

21.3.1.5 Reclassification of financial assets

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

21.3.2 Financial liabilities

21.3.2.1 Date of recognition

All financial liabilities are initially recognized on trade date (i.e. the date that the Bank becomes a party to the contractual provision of the instruments).

The Bank classifies its financial liabilities at amortized cost. As at December 31, 2024 and 2023, the Bank has no financial liabilities that are designated at fair value through profit loss.

1. Other liabilities measured at amortized cost

Financial liabilities measured at amortized cost include deposit liabilities, accrued interest and other expenses, interbank loans payable, and other liabilities, primarily accounts payable.

21.3.2.2 Initial recognition and subsequent measurement

Financial liabilities at amortized cost are initially recognized at fair value plus transaction costs.

Financial liabilities are subsequently measured at amortized cost using the effective interest method.

21.3.2.3 Derecognition

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions is not derecognized because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

21.4 Fair value measurement

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

Financial instruments

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

- For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes mainly from PDEX and Bloomberg.
- A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.
- For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, FX rates, volatilities and counterparty spreads) existing at reporting dates. The Bank uses widely recognized valuation models for determining fair values of non-standardized financial instruments of lower complexity. For these financial instruments, inputs into models are generally market observable.

The fair value for loans and receivables as well as liabilities to customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

Non-financial assets or liabilities

The Bank uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses observable inputs, such as prices, broker quotes and other relevant information generated by market transactions involving identical or comparable assets or group of assets.
- Income approach - A valuation technique that converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The fair values are determined in reference to observable market inputs reflecting orderly transactions, i.e. market listings, published broker quotes and transacted deals from similar and comparable assets, adjusted to determine the point within the range that is most representative of the fair value under current market conditions.

21.5 Bank premises, furniture, fixtures and equipment

Bank premises, furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Expenses that provide incremental future economic benefits to the Bank are added to the carrying amount of an item of bank premises, furniture, fixtures and equipment.

Depreciation of bank premises, furniture, fixtures and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the estimated useful lives of property and equipment as follows:

	Number of years
Bank premises	25-50
Furniture, fixtures and equipment	3-5
Transportation and equipment	5
Leasehold improvement	5 or lease term; whichever is shorter

The useful lives and depreciation method are reviewed at each reporting date to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of bank premises, furniture, fixtures and equipment.

When bank premises, furniture, fixtures and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. Fully depreciated bank premises, furniture, fixtures and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged against current operations.

21.6 Computer software

Computer software is carried at cost less any accumulated amortization and any accumulated impairment losses. Computer software is amortized over the useful or economic life, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method is reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. These costs are amortized on the basis of the expected useful lives of five (5) years. Costs associated with maintaining computer software are expensed as incurred. The assets are derecognized when there is no future economic benefit associated with its continuing use.

21.7 Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of bank premises, furniture, fixtures and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income.

21.8 Income taxes

The tax expense for the period comprises current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income.

At each reporting date the Bank reassess the need to recognize previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, carryforward benefits of unused tax credits from excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

21.9 Retirement benefit obligation

The Bank provides defined benefit retirement plan for all regular and qualified employees. The retirement plan is generally funded through payments to a trustee bank determined by periodic actuarial calculations.

The retirement benefit that an employee will receive on retirement under a defined benefit plan is dependent on several factors such as age, years of service and compensation. The Bank's defined benefit retirement plan provides a retirement benefit equivalent to one hundred percent (100%) of plan salary for every year credited service for qualified employees.

The liability in respect of defined benefit retirement plans is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurement comprising actuarial gains and losses, return on plan asset and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) is recognized immediately in other comprehensive income in the period in which they arise. Remeasurement is not reclassified to profit or loss in subsequent periods. Remeasurement recognized in other comprehensive income account "Remeasurement gains (losses) on retirement plan" is not reclassified to another equity account in subsequent periods. The difference between the interest income component of net interest and the actual return on plan asset is recognized in other comprehensive income.

Past-service costs are recognized immediately in the statement of comprehensive income.

21.10 Interest income and expense

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

21.11 Service charges and fees

Service charges and fees are recognized when (or as) the Bank satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the Bank satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

21.12 Expense recognition

Expenses in the statement of total comprehensive income are presented using the functional method.

22 Supplemental information required under BSP Circular No. 1074

Presented below are the additional information required by BSP Circular No. 1074 issued on January 8, 2020. This information is presented for BSP reporting purposes and is not required in the basic financial statements.

22.1 Basic quantitative indicators of financial performance

The key financial performance indicators follow (in %):

	2024	2023
Return on average equity		
- Simple average ¹	(1.53%)	(2.60%)
Return on average assets		
- Simple average ²	(1.17%)	(2.05%)
Net interest margin		
- Simple average ³	5.17%	4.60%

¹Net income divided by average total equity for the period indicated. Average total equity is based on the year-on-year balance of equity for the years ended December 31, 2024 and 2023.

²Net income divided by average total assets as at period indicated. Average total assets is based on the year-on-year balance of total assets as at December 31, 2024 and 2023.

³Net interest income divided by average interest-earning assets. Average interest earning assets is based on the year-on-year balance of interest earning assets as at December 31, 2024 and 2023.

22.2 Description of capital instrument issued

The Bank considers its common shares as capital instrument for purposes of calculating its capital adequacy ratio as at December 31, 2024 and 2023.

22.3 Significant credit exposures

Details of the loans and receivables portfolio as to concentration as to industry/economic sector (in %) at December 31 are as follows:

	2024	2023
Community, social and personal activities	0.10	0.22
Service activities	17.92	0.18
Agriculture, forestry and fishing	4.62	5.84
Wholesale and retail, trade, repair of motor vehicles and motorcycles	0.49	3.23
Real estate, renting and business activities	7.00	5.57
Financial institution	69.87	84.96
	100.00	100.00

22.4 Breakdown of total loans

Details of the loans and receivables portfolio at December 31 as to collateral (amounts net of unearned discounts and exclusive of accrued interest receivable and accounts receivable) are as follows:

	2024	2023
Secured by:		
Real estate	71,709,809	59,834,659
	71,709,809	59,834,659
Unsecured	1,053,264,984	796,557,775
	1,124,974,793	856,392,434

Details of the loans and receivables portfolio at December 31 as to status (amounts net of unearned discounts and exclusive of accrued interest receivable and accounts receivable) are as follows:

	2024		Total
	Performing	Non-Performing	
Corporate	1,006,000,000	34,108,431	1,040,108,431
Individual	6,704,576	1	6,704,577
Housing	77,042,491	-	77,042,491
Auto Loan	-	6	6
Salary	878,069	241,219	1,119,288
	1,090,625,136	34,349,657	1,124,974,793

	2023		Total
	Performing	Non-Performing	
Corporate	777,421,708	32,108,431	809,530,139
Individual	1,815,503	1	1,815,504
Housing	43,128,887	-	43,128,887
Auto Loan	-	6	6
Salary	1,472,396	445,502	1,917,898
	823,838,494	32,553,940	856,392,434

Breakdown of performing and non-performing loans, net of allowance for credit losses, are as follows:

	2024	2023
Non-performing accounts (NPL)	34,349,656	32,553,940
Allowance attributable to NPL	(34,349,656)	(32,553,940)
Net NPL	-	-

BSP Circular 941, *Amendments to Regulations on Past Due and Non-Performing Loans*, states that loans, investments, 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 if there is an evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are 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.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

22.5 Information on related party loans

Details of DOSRI loans are as follows:

	2024	2023
Outstanding DOSRI loans	647,569	1,051,389
% to total outstanding loans and advances	0.06%	0.12%
% to total outstanding DOSRI loans		
Unsecured DOSRI loans	100%	100%
Past due DOSRI loans	-	-
Non-performing DOSRI loans	-	-

The Bank is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans as at December 31, 2024 and 2023.

22.6 Secured liabilities and assets pledged as security

As at December 31, 2024, government securities amounting to P865.10 million (2023 - 338.56 million) are used as security for total credit lines. (Note 4).

22.7 Contingencies and commitments arising from off-balance sheet items

There are P29 million and P50 million credit exposure relating to off-balance sheet item as at December 31, 2024 and 2023, respectively.

As at December 31, 2024 and 2023, the Bank has unused credit lines with various depository banks amounting to P680 million and P220 million, respectively.

23 Supplementary information required by the Bureau of Internal Revenue (BIR)

Below is the additional information required by Revenue Regulation (RR) No. 15-2010 that is relevant to the Bank. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

23.1 Documentary stamp taxes

Documentary stamp taxes paid for the year ended December 31, 2024 amount to P6,025,000.

23.2 Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2024 consist of:

	Paid	Accrued	Total
Income taxes withheld on compensation	6,288,800	2,049,047	8,337,847
Final income taxes withheld on interest on deposits and yield on deposit substitutes	2,967,443	293,656	3,261,099
Creditable income taxes withheld (expanded)	1,199,738	56,712	1,256,450
Fringe benefit tax	1,295,235	359,070	1,654,305
	11,751,216	2,758,485	14,509,701

23.3 All other local and national taxes

Local and national taxes paid and accrued for the year ended December 31, 2024 consist of:

	Paid	Accrued	Total
Gross receipts tax	6,917,322	1,578,000	8,495,322
Real property tax	287,060	-	287,060
Municipal taxes	592,627	-	592,627
Deficiency taxes	907,971	-	907,971
Others	801,027	-	801,027
	9,506,007	1,578,000	11,084,007

23.4 Tax cases and assessments

On November 30, 2023, the Bank received a Letter of Authority (LOA) from the BIR to examine the books and other accounting records for all internal revenue taxes, including documentary stamp taxes and other/miscellaneous taxes, for the period from January 1 to December 31, 2022. The Bank received final decision on disputed assessment dated November 12, 2024. The Bank has settled the deficiency taxes, including statutory increments amounting to P907,971 on November 21, 2024.