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INDEPENDENT AUDITORS' REPORT

To the Stockholders and the Board of Directors
PACIFIC ACE SAVINGS BANK, INC.
Retail 1, Times Square, Cinema Complex
Subic Bay Freeport Zone, Olongapo City

Qualified Opinion

We have audited the financial statements of **PACIFIC ACE SAVINGS BANK, INC.** (the "Bank") which comprise the statements of financial position as of December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, except for the effect on the financial statements of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of 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 (PFRSs) Accounting Standards.

Basis for Qualified Opinion

As discussed in Note 4 to the financial statements, the Bank adopted PFRS 9, Financial Instruments on January 1, 2018, except for the impairment requirements of the new standard. PFRS 9 introduces a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts.

The Bank adopted Appendix 15 of Manual of Regulations for Banks (MORB) in assessing and measuring impairment for its credit exposures. Appendix 15 of Manual of Regulations for Banks (MORB) provides guidelines for provisioning which is inconsistent with PFRS 9 and thus constitutes a departure from PFRS. As of December 31, 2024 and 2023, the Bank's total allowance on credit losses on loans and other receivables amounted to ₱30.18 million and ₱26.55 million, as disclosed in Note 10. As the Bank has not implemented or assessed the impact of the ECL requirements of PFRS 9, any adjustments to the amounts of surplus, allowance for credit losses and related deferred tax assets as at December 31, 2024 and 2023 have not been determined due to certain limitations.

The Bank has unbooked allowance for credit losses on loans receivable amounting to ₱2,186,878 and ₱3,157,842 as of December 31, 2024 and 2023, respectively, based on the provisions of Appendix 15 of the BSP Manual of Regulations for Banks, as disclosed in Note 10. Should the Bank recognize the said amount, the Bank's profit and equity for the years ended December 31, 2024 and 2023 will be reduced by ₱2,186,878 and ₱3,157,842, respectively, and capital adequacy ratio (CAR) as of December 31, 2024 and 2023 will be reduced to 51.88% and 50.85%, respectively.

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines*, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation 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 PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, 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.

The Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulation No. 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 28 and Revenue Regulation No. 15-2010 on taxes, duties and license fees paid or accrued during the taxable year in Note 27 are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management **PACIFIC ACE SAVINGS BANK, INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-000-2024, issued on January 5, 2024; effective until January 4, 2027
SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period
TIN 002-013-406-000

By:

RYAN A. SABUG
Partner
CPA License No. 0111183
BOA Registration No. 0190/P-004, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-004-2023, issued on February 9, 2023; effective until February 8, 2026
SEC A.N. (Individual) 111183-SEC, Group A, issued on February 4, 2021; valid for 2020 to 2024 audit period
TIN 232-158-286-000
PTR No. 10466283, issued on January 2, 2025, Makati City

March 31, 2025
Makati City, Philippines

PACIFIC ACE SAVINGS BANK, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Notes	**2024**	2023
ASSETS			
Cash on hand	8	**28,727,679**	17,311,783
Due from Bangko Sentral ng Pilipinas	8	**678,798,378**	538,245,583
Due from other banks	8	**55,580,959**	25,534,383
Investment securities at amortized cost	9	**30,191,093**	39,822,722
Loans and other receivables – net	10	**93,939,106**	118,355,037
Bank premises, furniture, fixtures and equipment – net	11	**24,842,420**	31,853,972
Investment properties – net	12	**9,152,950**	6,498,007
Other assets	13	**20,637,614**	16,749,059
TOTAL ASSETS		**941,870,199**	794,370,546
LIABILITIES AND EQUITY			
LIABILITIES			
Deposit liabilities	14	**627,257,153**	513,303,955
Income tax payable		**221,945**	20,381
Accrued and other liabilities	15	**169,910,793**	147,102,797
Total Liabilities		**797,389,891**	660,427,133
EQUITY			
Share capital	16	**68,117,500**	68,117,500
Retained earnings – free	16	**76,362,808**	65,825,913
Total Equity		**144,480,308**	133,943,413
TOTAL LIABILITIES AND EQUITY		**941,870,199**	794,370,546

See Notes to Financial Statements.

PACIFIC ACE SAVINGS BANK, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Notes	2024	2023
INTEREST INCOME			
Due from BSP and other banks	8	**22,704,312**	24,827,237
Investment securities at amortized cost	9	**2,079,575**	1,070,000
Loans and other receivables	10	**14,043,314**	17,401,197
		38,827,201	43,298,434
INTEREST EXPENSE			
Deposit liabilities	14	**(3,922,758)**	(4,923,880)
NET INTEREST INCOME		**34,904,443**	38,374,554
OTHER OPERATING INCOME	17	**9,615,712**	13,868,658
TOTAL OPERATING INCOME		**44,520,155**	52,243,212
OPERATING EXPENSES	18	**(27,302,539)**	(32,048,994)
PROVISION FOR CREDIT LOSSES	19	**(6,341,671)**	(6,791,164)
PROFIT BEFORE TAX		**10,875,945**	13,403,054
INCOME TAX EXPENSE	20	**(339,050)**	(445,233)
PROFIT		**10,536,895**	12,957,821
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME		**10,536,895**	12,957,821

See Notes to Financial Statements.

PACIFIC ACE SAVINGS BANK, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Share Capital (Note 16)	**Retained Earnings – free** (Note 16)	**Total Equity**
Balance at December 31, 2022	68,117,500	52,868,092	120,985,592
Profit	–	12,957,821	12,957,821
Balance at December 31, 2023	68,117,500	65,825,913	133,943,413
Profit	–	10,536,895	10,536,895
Balance at December 31, 2024	**68,117,500**	**76,362,808**	**144,480,308**

See Notes to Financial Statements.

PACIFIC ACE SAVINGS BANK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**10,875,945**	13,403,054
Adjustments for:			
Interest income	8,9	**(24,783,887)**	(25,897,237)
Depreciation	18	**6,786,406**	6,964,419
Provision for credit losses	19	**6,341,671**	6,791,164
Interest expense – lease liabilities	15	**705,766**	334,000
Operating cash flows before working capital changes		**(74,099)**	1,595,400
Changes in operating assets and liabilities			
Decrease (increase) in:			
Loans and other receivables		**15,419,317**	(22,107,547)
Other assets		**(2,844,452)**	(15,177,890)
Increase (decrease) in:			
Deposit liabilities		**113,953,198**	(196,764,008)
Accrued and other liabilities		**24,698,254**	(10,227,428)
Cash generated from (used in) operations		**151,152,218**	(242,681,473)
Interest received	8,9	**24,783,887**	25,897,237
Income tax paid		**(215,407)**	(648,082)
Net cash generated from (used in) operating activities		**175,720,698**	(217,432,318)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from redemption of investment securities at amortized cost	9	**20,000,000**	1,242,202
Acquisition of investment securities at amortized cost	9	**(10,368,371)**	–
Acquisition of bank premises, furniture, fixtures, and equipment	11	**(401,987)**	(912,989)
Net cash generated from investing activities		**9,229,642**	329,213
CASH FLOWS FROM FINANCING ACTIVITY			
Payments for lease liabilities – principal and interest	15	**(2,935,073)**	(1,721,814)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**182,015,267**	(218,824,919)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash on hand		**17,311,783**	22,970,375
Due from Bangko Sentral ng Pilipinas		**538,245,583**	750,922,043
Due from other banks		**25,534,383**	26,024,250
		581,091,749	799,916,668
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash on hand	8	**28,727,679**	17,311,783
Due from Bangko Sentral ng Pilipinas	8	**678,798,378**	538,245,583
Due from other banks	8	**55,580,959**	25,534,383
		763,107,016	581,091,749

See Notes to Financial Statements.

1. GENERAL INFORMATION

1.01 Corporate Information

PACIFIC ACE SAVINGS BANK, INC. (the "Bank") was duly registered with the Securities and Exchange Commission (SEC) on November 6, 1998 under SEC Registration No. A199816569. The Bank was granted authority by the Bangko Sentral ng Pilipinas (BSP) to engage in and carry on the general business of a savings/thrift bank, to exercise all the rights, attributes, powers, and privileges together with all the assumption of all duties and obligations of a savings/thrift bank as provided for the Thrift Banking Act of 1995 (Republic Act No. 7906) and other related laws, and to transact and do all matters and things incidental thereto or which may at any time hereafter be usual in connection with the business of a savings or thrift bank.

The Bank is registered with Subic Bay Metropolitan Authority (SBMA) as a Subic Bay Freeport (SBF) enterprise under Republic Act 7227, otherwise known as the bases conversion and development act of 1992. As a SBF registered enterprise the Bank is subject to 5% preferential tax rate on gross entitled to the privileges and benefits provided for under RA 7227 and its implementing rules and regulations such as not limited to tax and duty free importation of raw materials, capital equipment and household and personal items for use and only within SBF Zone. The Bank is 100.00% owned by Filipino Citizens.

On October 9, 2021, SBMA issued Certificate of Registration and Tax Exemption with No. 2001-2044, granting the Bank the rights, privileges, and benefits of a SBF. The Certificate is automatically renewed under Section 23 of the Implementing Rules from the set forth above until August 31, 2026.

The registered office, which is also its principal place of business, is located at Retail 1, Times Square, Cinema Complex, Subic Bay Freeport Zone, Olongapo City. The Bank is domiciled in the Philippines.

2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.01 Statement of Compliance

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

PFRS Accounting Standards include all applicable PFRSs, Philippine Accounting Standards (PASs), and Interpretations issued by the Philippine Interpretations Committee – IFRIC as approved by the FSRSC and adopted by the SEC. All provisions and requirements of PFRSs are applied by the Bank in preparation of its financial statements except for the requirements of the following standard:

PFRS 9 Financial Instruments – For impairment, the Bank adopted Appendix 15 of Manual of Regulations for Banks (MORB) that provides rates for provisioning based on number of days past due, collaterals, and type of loan, which are inconsistent with the requirements of the new standard.

2.02 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, except where a Financial Reporting Standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

2.03 Presentation and Functional Currency

Items included in the financial statements of the Bank are measured using Philippine Peso, the currency of the primary economic environment in which the Bank operates (the "functional currency"). All presented financial information has been rounded to the nearest Peso, except when otherwise specified.

2.04 Use of Judgments and Estimates

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the Bank's financial statements and accompanying notes.

Judgments are made by management in the development, selection and disclosure of the Bank's significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an ongoing basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.05 Going Concern Assumption

The Bank is not aware of any significant uncertainties that may cast doubts upon the Bank's ability to continue as a going concern.

3. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

3.01 New and Amended Standards and Interpretations Effective on January 1, 2024

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2024, unless otherwise stated.

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16)
- Supplier Finance Arrangements (Amendments to PAS 7 and PFRS 7)
- Non-current Liabilities with Covenants (Amendments to PAS 1)

These amendments had no impact on the Bank's financial statements.

3.02 Standards Issued but Not Yet Effective (Effective Beginning on or After January 1, 2025)

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3.02.01 PFRS 17 Insurance Contracts
PFRS 17 'Insurance Contracts' is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. PFRS 17 replaces PFRS 4 'Insurance Contracts'. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply.

The overall objective of PFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. PFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is originally effective for annual periods beginning January 1, 2023. However, the Financial Reporting Standards Council has approved, on December 15, 2021, the amendment of PFRS 17 which defers the date of initial application by two years to annual periods beginning on or after January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

The Bank does not expect the standard to have a material impact on its operations or financial statements.

3.02.02 Lack of Exchangeability (Amendments to PAS 21)
In August 2023, the IASB amended PAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not.

The amendment is effective for reporting periods beginning on or after January 1, 2025.The Bank does not expect these amendments to have a material impact on its operations or financial statements.

3.02.03 Annual Improvements to PFRS Accounting Standards – Volume 11
In July 2024, the IASB published 'Annual Improvements to PFRS Accounting Standards – Volume 11'. A summary of improvements is set out below:

- PFRS 1 'First-time Adoption of PFRS Financial Reporting Standards' – Hedge accounting by a first-time adopter
- PFRS 7 'Financial Instruments: Disclosures' – Gain or loss on derecognition
- PFRS 7 'Financial Instruments: Disclosures' Implementation Guidance – Disclosure of differences between the fair value and the transaction price and disclosures on credit risk
- PFRS 9 'Financial Instruments' – Transaction price and lessee derecognition of lease liabilities
- PFRS 10 'Consolidated Financial Statements' – Determination of a 'de facto agent'
- PAS 7 'Statement of Cash Flows' – Cost method

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early application is permitted but will need to be disclosed. The Bank does not expect these amendments to have a material impact on its operations or financial statements.

3.02.04 Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and 7)
On May 30, 2024, the IASB issued targeted amendments to PFRS 9 and PFRS 7 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 designated at fair value through other comprehensive income (FVOCI).

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted but will need to be disclosed. The Bank does not expect these amendments to have a material impact on its operations or financial statements.

3.02.05 PFRS 18 'Presentation and Disclosure in Financial Statements'
PFRS 18 will replace PAS 1, *Presentation of Financial Statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Bank's financial statements.

The Bank will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

3.02.06 PFRS 19 'Subsidiaries without Public Accountability: Disclosures'
Issued in May 2024, PFRS 19 allows for certain eligible subsidiaries of parent entities that report under PFRSs to apply reduced disclosure requirements.

PFRS 19 will become effective for reporting periods beginning on or after January 1, 2027, with early application permitted. The Bank does not expect the standard to have a material impact on its operations or financial statements.

4. MATERIAL ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Bank in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Financial Assets

4.01.01 Initial Recognition and Measurement
Financial assets are recognized in the Bank's financial statements when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Plan's financial assets, except for investments classified at fair value through profit or loss (FVTPL).

4.01.02 Classification
The Bank classifies its financial assets, other than hedging instruments, in the following categories: fair value through profit or loss (FVTPL), financial asset fair value through other comprehensive income (FVOCI) and financial asset at amortized cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

As of December 31, 2024 and 2023, the Bank has not designated any financial assets as at FVTPL.

Financial Assets at Amortized Cost
Financial assets at amortized cost are quoted non-derivative financial asset with fixed and determinable payment and fixed maturities for which Bank's management has the positive intention and ability to hold maturity.

A financial asset shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

As of December 31, 2024 and 2023, the Bank's cash and cash equivalents, loans receivables and investment securities at amortized costs are classified under this category.

In the statement of cash flows, cash and cash equivalents includes cash in bank and temporary placements with original maturities of three months or less from dates of placement and that are subject to insignificant risk of changes in value.

Cash and cash equivalents are valued at face value. If a bank holding the funds of the Plan is in bankruptcy or financial difficulty, cash should be written down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

The Bank recognizes each item of cash and cash equivalents as a current asset when the cash is not restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Loans and other receivable include those arising from direct loans to customers including officers and employees. These are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

After initial measurement, 'Loans receivables' are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included as 'Interest income' in the statement of comprehensive income. The losses arising from impairment are recognized in 'Provision for credit losses' in the statement of comprehensive income.

<u>Financial assets at FVOCI</u>
Financial assets at FVOCI include debt and equity securities.

Debt Instruments at FVOCI
For debt instruments that are not designated at FVTPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met: (1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (2) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

As of December 31, 2024 and 2023, the Bank does not have debt instruments at FVOCI.

Equity Instruments at FVOCI
For equity instruments that are not held for trading, the Bank may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, *Financial Instruments: Presentation*. This option is available and made on an instrument by instrument basis. Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings. Equity securities at FVOCI are not subject to impairment assessment.

As of December 31, 2024 and 2023, the Bank does not have equity instruments at FVOCI.

Financial Assets at FVPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not "solely for payment of principal and interest", and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell. The Bank may, at initial recognition, designate a debt instrument meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

This category also includes equity instruments which the Bank had not irrevocably elected to classify at FVOCI at initial recognition.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As of December 31, 2024 and 2023, the Bank does not have equity securities at FVPL.

Reclassification
The Bank reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the re-classification date.

Impairment
At the end of the reporting period, the Bank assess its expected credit losses (ECL). The Bank recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. The Bank being categorized as having simple and non-complex operations adopted the basic guidelines in setting up of allowance for credit losses provided for in Appendix 15 of the Manual of Regulations for Banks in recognizing expected credit losses (ECL) for its loans and other receivables.

The Bank considers a financial asset in default when contractual payments, i.e. last amortization paid are more than 30 days past due. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Bank's ECL measurement, as determined by the Management, is disclosed in Note 6.

Derecognition
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 right to receive cash flows from the asset has expired;
- The Bank retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Bank has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Bank's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of Bank that the Bank could be required to repay.

4.01.03 Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4.01.04 Impairment of Financial Assets
At the end of the reporting period, the Bank assess its expected credit losses (ECL). The Bank recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. The Bank being categorized as having simple and non-complex operations adopted the basic guidelines in setting up of allowance for credit losses provided for in Appendix 15 of the Manual of Regulations for Banks in recognizing expected credit losses (ECL) for its loans and other receivables.

The Bank considers a financial asset in default when contractual payments, i.e. last amortization paid are more than 30 days past due. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Bank's ACL measurement, as determined by the Management, is disclosed in Note 6.02.05.

As of December 31, 2024 and 2023 the Bank did not assess the impact of ECL model that is in accordance with PFRS 9 due to certain limitations.

4.01.05 Derecognition
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 right to receive cash flows from the asset has expired;
- The Bank retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- The Bank has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Bank's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount that the Bank could be required to repay.

4.02 Financial Liabilities

4.02.01 Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost.

All financial liabilities are recognized at fair value and, in the case of financial liabilities at FVTPL plus any directly attributable transaction costs.

The Bank's financial liabilities at amortized cost includes deposit liabilities and accrued and other liabilities.

4.02.02 Subsequent Measurement
The measurement of financial liabilities depends on their classification, as described as follows:

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied.

As of December 31, 2024 and 2023, the Bank has not designated any financial liability as at FVTPL.

- Financial liabilities at amortized cost

  After initial recognition, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortization process.

  Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

4.02.03 Derecognition
The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.03 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are measured at cost less any accumulated depreciation, amortization and impairment losses. Cost consists of purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditures relating to an item of bank premises, furniture, fixtures and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. The carrying amount of replaced parts is derecognized. All other subsequent expenditures are recognized as expense in the period in which those are incurred.

Land is not depreciated. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Transportation equipment	–	5 years
Furniture, fixtures and equipment	–	5 – 10 years
IT equipment	–	5 – 10 years
Other Equipment	–	5 – 10 years

Leasehold improvements are depreciated over the shorter between the improvements' useful life of 10 years or the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fully depreciated assets still in use are retained in the financial statements. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the financial statements and any resulting gain or loss is credited or charged to profit or loss. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

4.04 Investment Property

Properties that are held either to earn rental income or for capital appreciation or both, and are not significantly occupied by the Bank, are classified as investment properties.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Depreciation is computed using straight-line method based on the estimated useful lives of the assets of 10 years. Land is not depreciated. Impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher between the property's fair value less cost to sell and value in use.

Investment properties are derecognized by the Bank upon disposal or when the investment property is permanently withdrawn from use and no future benefit is expected to arise from the continued use of the asset. Any gain or loss on derecognition of an investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income in the period in which the property is derecognized.

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

Transfers to and from investment property do not result in gain or loss.

4.05 Prepayment and other assets

Other assets not classified as financial assets, includes prepaid assets, prepaid income tax and the likes. These other assets qualifying into the definition of assets under PAS 1 Presentation of Financial Statements are resources controlled by the Bank as a result of past events and from which future economic benefits are expected to flow to the entity. Other assets are recognized on an accrual basis of accounting.

4.06 Impairment of Non-financial Assets

At the end of each reporting date, the Bank assesses whether there is any indication that any non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of these assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

4.07 Related Party Relationships and Transactions

Related party transactions are transfer of resources, services or obligations between the Bank and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual.

In considering each possible related party relationships, attention is directed to the substance of the relationship and not merely on the legal form.

Further, Section 131 of the MORB states that related parties shall cover the BSFI's subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the BSFI exerts direct/indirect control over or that exerts direct/indirect control over the BSFI; the BSFI's DOSRI, and their close family members, as well as corresponding persons in affiliated companies. These shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the BSFI, hence, is identified as a related party.

The above definition shall also include direct or indirect linkages to a BSFI identified as follows:

(1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
(2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
(3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the BSFI and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
(4) Permanent proxy or voting trusts in favor of the BSFI constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

Related party transactions (RPTs) shall refer to transactions or dealings with related parties of the BSFI, including its trust department regardless of whether or not a price is charged. These shall include, but not limited to the following:

(1) On- and off-balance sheet credit exposures and claims and write-offs;
(2) Investments and/or subscriptions for debt/equity issuances;
(3) Consulting, professional, agency and other service arrangements/contracts;
(4) Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements);
(5) Construction arrangements/contracts;
(6) Lease arrangements/contracts;
(7) Trading and derivative transactions;
(8) Borrowings, commitments, fund transfers and guarantees;
(9) Sale, purchase or supply of any goods or materials; and
(10) Establishment of joint venture entities.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

4.08 Revenue Recognition

4.08.01 Revenue Recognition for Revenues within the scope of PFRS 15
Prior to January 1, 2018, under PAS 18, Revenue, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Bank and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable by the Bank for services provided in the normal course of business. In addition, the following specific recognition criteria must also be met before revenue is recognized.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Bank has assessed that it is acting as principal in all arrangements.

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

Penalties and service charges
The Bank earns penalties and service charges from a diverse range of services it provides to its customers. Service fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and credit-related fees. Service fees are collected from borrowers to cover direct and indirect expenses in processing credit applications.

Other Income
Other income arises from bank fees and charges, bank commissions and miscellaneous income. Other income is recognized upon completion of the earning process and the collectability is reasonably assured.

4.08.02 Revenue Recognition for Revenues outside the scope of PFRS 15
For revenues outside the scope of PFRS 15, the following specific recognition criteria must also be met before revenue is recognized:

Interest on Loans
Interest income on loans and discount with advanced interest are recognized periodically using the effective interest method of amortization. On the other hand, interest income on loans and discount with no advanced interest, where payments are made on a monthly basis, is recognized on a monthly basis on payment dates using the effective interest method.

The Bank does not accrue interest income on past due loans in compliance with BSP regulations.

Unearned discount is recognized as income over the terms of the receivables using the effective interest rate method and shown as deduction from loans.

The Bank shall only charge interest based on the outstanding balance of a loan. For a loan where the principal is payable in instalments, interest per instalment shall be calculated based on the outstanding balance of the loan. The Bank does not recognize any interest income for past due loans and receivables as the inflows of the economic benefits from these loans and receivables are uncertain.

Interest Income on Bank Deposits and Investment Securities at Amortized Cost
Interest on bank deposits and investment securities at amortized cost are recognized in profit or loss using the effective interest method.

4.09 Cost and Expense Recognition

Cost and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss in the following manner:

- On the basis of a direct association between costs incurred and the earning of specific items of income;
- On the basis of a systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and association with income can only be broadly or indirectly determined; or
- Immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

4.10 Leases

4.10.01 The Bank as Lessee
For any new contracts entered into on or after January 1, 2019, the Bank considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition, the Bank assesses whether the contract meets three (3) key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank.
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Recognition and Initial Measurement

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.
The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Subsequent Measurement

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

Useful life considered in depreciating the right-of-use assets is the life of the asset or remaining term of the lease, whichever is shorter.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

4.11 Employee Benefits

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees, including trustees and management.

4.11.01 Short-term Employee Benefits
The Bank recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Bank to its employees include salaries and wages, bonus and incentives, directors' fees, SSS, PHIC, HDMF contributions, accumulating and vesting credit leaves and gratuity pay.

4.11.02 Post-employment Benefits
The Bank does not have an existing retirement plan. However, it is subject to the minimum retirement benefit under the Republic Act (RA) 7641, "The Retirement Pay Law," which provides for retirement pay to qualified employees in the absence of any retirement plan. RA 7641 requires that private employers should provide minimum retirement benefits to employees who have reached the age of 60 with at least five years of service to the Bank.

The retirement pay is equivalent to at least one-half month salary for every year of service, a fraction of at least six months being considered as one whole year. Unless the parties provide for broader inclusions, the term half-month salary shall mean 15 days plus one-twelfth of the 13th month pay and the cash equivalent of not more than five days of service incentive leave.

The Company has not yet established a retirement fund for its regular employees and no amount of retirement benefit obligation has been accrued because the Company's management deemed that the amount of retirement obligation as of December 31, 2024 and 2023 is not significant.

4.12 Income Tax

The tax expense for the period pertain to the current tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

4.12.01 Current Income Tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

4.13 Equity

Share capital represents the nominal value of shares that have been issued.

Retained earnings includes all current and prior period results of operations as reported in the statement of comprehensive income.

4.14 Earnings Per Share

Earnings per share is computed by dividing net income for the year by the weighted average number of common shares outstanding during each year after giving retroactive effect to share dividends and share splits declared during the year, if any.

4.15 Provisions, Contingent Liabilities and Contingent Assets

4.15.01 Provisions
Provisions are recognized when the Bank has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.15.02 Contingencies
Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

4.16 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.17 Events After the End of the Reporting Date

The Bank identifies events after the reporting date as events that occurred after the reporting date but before the date the financial statements were authorized for issue. Any event that provides additional information about the Bank's financial position at the reporting date is reflected in the financial statements. Non-adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with Financial Reporting Standards in the Philippines for Banks requires management to use estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policies

The Bank has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

5.01.01 Classification of financial assets
The Bank follows the guidance of PFRS 9 starting January 1, 2018 in classifying financial assets at initial recognition whether it will be subsequently measured at fair value through other comprehensive income, at amortized cost, or at fair value through profit or loss.

The Bank determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The Bank determines whether the contractual cash flows associated with the financial asset are solely payments of principal and interest (the "SPPI"). If the instrument fails the SPPI test, it will be measured at fair value through profit or loss.

5.01.02 Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs.

5.01.03 Determining Provisions and Contingencies
The Bank is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Bank's defense in these matters and is based upon an analysis of potential result. The Bank currently does not believe that these proceedings will have a material adverse effect on its financial condition. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

5.01.04 Determining Fair Value of Financial Instruments
The Bank classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models was taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

5.01.05 Determining Fair Value of Acquired Assets classified as Investment Properties
The Bank determines the fair value of the acquired properties through internally- or externally-generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties.

The fair value of investment properties are disclosed in Note 12.

5.01.06 Determining Asset Impairment
The Bank performs an impairment review when certain impairment indicators are present. Determining the fair value of bank premises, furniture, fixtures and equipment, investments, assets held for sale and intangible assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Bank to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Bank to conclude that property and equipment, investments and intangible assets associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations. While the Bank believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under generally accepted accounting principles in the Philippines.

In both years, Management determined that there was no indication of impairment that occurred on its investment properties, as disclosed in Note 12.

5.01.07 Determining whether or not a contract contains a lease
At inception of a contract, the Bank assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Identified asset
An asset is typically identified by being explicitly specified in a contract. However, an asset can also be identified by being implicitly specified at the time that the asset is made available for use by the customer.

Substantive substitution rights
Even if the asset is specified, the Bank does not have the right to use an identified asset, if, at inception of the contract, a supplier has the substantive right to a substitute the asset throughout the period of use (i.e., the total period of time that an asset is used to fulfil a contract with the Bank, including the sum of any non-consecutive periods of time). A supplier's right to substitute an asset is substantive when both of the following conditions are met:

- The supplier has the practical ability to substitute alternative assets throughout the period of use (e.g., the Bank cannot prevent the supplier from substituting an asset and alternative assets are readily available to the supplier or could be sourced by the supplier within a reasonable period of time); and
- The supplier would benefit economically from the exercise of its right to substitute the asset (i.e., the economic benefits associated with substituting the asset is expected to exceed the costs associated with substituting the asset).

The Bank's evaluation of whether a supplier's substitution right is substantive is based on facts and circumstances at inception of the contract. At inception of the contract, the Bank does not consider future events that are not likely to occur.

Right to obtain substantially all of the economic benefits from use of the identified asset
To control the use of an identified asset, the Bank is required to have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use (e.g., by having exclusive use of the asset throughout that period).

When assessing whether the Bank has the right to obtain substantially all of the economic benefits from the use of an asset, the Bank considers the economic benefits that result from use of the asset within the defined scope of the customer's right to use the asset. A right that solely protects the supplier's interest in the underlying asset (e.g., limits on the number of miles a customer can drive a supplier's vehicle) does not, in and of itself, prevent the Bank from obtaining substantially all of the economic benefits from use of the asset and, therefore, are not considered when assessing whether the Bank has the right to obtain substantially all of the economic benefits.

If a contract requires the Bank to pay the supplier or another party a portion of the cash flows derived from the use of an asset as consideration (e.g., a percentage of sales from the use of retail space), those cash flows are considered to be economic benefits that the Bank derives from the use of the asset.

Right to direct the use of the identified asset
The Bank has the right to direct the use of an identified asset throughout the period of use when either the Bank has the right to direct how and for what purpose the asset is used throughout the period of use. The Bank has the right to direct the use of an identified asset whenever it has the right to direct how and for what purpose the asset is used throughout the period of use (i.e., it can change how and for what purpose the asset is used throughout the period of use). When evaluating whether the Bank has the right to change how and for what purpose the asset is used throughout the period of use, its focus is on whether the Bank has the decision-making rights that will most affect the economic benefits that will be derived from the use of the asset. The decision-making rights that are most relevant are likely to depend on the nature of the asset and the terms and conditions of the contract.

5.01.08 Classifying Real and Other Properties Acquired (ROPA)
The Bank acquires properties in settlement of loans through foreclosure or dation in payment. These properties are recognized in accordance with Section 382 of the MORB, as follows:

1. Land and buildings shall be accounted for using the cost model under PAS 40 "Investment Property";
2. Other non-financial assets shall be accounted for using the cost model under PAS 16 "Property Plant and Equipment", provided that these are held for use in the production or supply of goods or services, or for administrative purposes; and
3. PFRS 5 "Non-Current Assets Held for Sale" when the properties comply with the provisions of the standard.

Notwithstanding the above provisions, it is a regulatory expectation for the Bank to dispose these properties immediately.

5.02 Key Sources of Estimation Uncertainties

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

5.02.01 Estimating Allowances for Credit Losses
The Bank estimates the allowance for credit losses related to its loans and receivables based on assessment of specific accounts where the Bank has information that certain customers are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the customer and the customer's current credit status based on 8third party credit reports and known market factors. The Bank used judgment to record specific reserves for customers against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated, notwithstanding the provisioning requirements under Manual of Regulations for Banks (MORB).

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for credit losses would increase the recognized operating expenses and decrease current assets.

In both years, the collectability of Bank's loans receivables and other assets are assessed and determined that certain borrowers are unable to meet their financial obligations. Consequently, the Bank recognized total provision for credit losses amounting to ₱6,341,671 and ₱6,791,164 in 2024 and 2023, respectively, as disclosed in Note 19. Allowance for credit losses – loans receivables amounted to ₱30,182,369 and ₱26,556,436 as of December 31, 2024 and 2023, respectively, as disclosed in Note 10. Allowance for credit losses – accounts receivables amounted to ₱4,581,090 as of December 31, 2024 and 2023 as disclosed in Note 13.

5.02.02 Reviewing Residual Values, Useful Lives and Depreciation Method of Bank's Premises, Furniture, Fixtures and Equipment and Investment Properties
The residual values, useful lives and depreciation method of the Bank's premises, furniture, fixtures and equipment and investment properties are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Bank's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Bank considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Bank's assets. In addition, the estimation of the useful lives is based on Bank's collective assessment of industry practice, internal technical evaluation 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 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 bank's premises, furniture, fixtures and equipment and investment properties would increase the recognized operating expenses and decrease non-current assets.

The Bank uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Bank expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

The Bank has bank premises, furniture, fixtures and equipment stated at carrying value of ₱24,842,420 and ₱31,853,972 as of December 31, 2024 and 2023, respectively, as disclosed in Note 11. The carrying amounts of investment properties amounted to ₱9,152,950 and ₱6,498,007, as of December 31, 2024 and 2023, respectively, as disclosed in Note 12.

5.02.03 Determining Impairment of Non-Financial Asset
The Bank performs an impairment review when certain impairment indicators are present. Determining the fair value of investment properties, and bank premises, furniture, fixtures and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Bank to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Bank to conclude that investment properties and bank premises, furniture, fixtures and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Bank believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In both years, Management determined that there was no indication of impairment that occurred on its investment properties.

6. RISK MANAGEMENT OBJECTIVES AND POLICIES

6.01 General Risk Management Principles

The Bank's financial instruments comprise cash and cash equivalents, investment securities at amortized cost, loans and other receivables, other assets, and other financial liabilities such as deposit liabilities, and other accrued and other liabilities to finance the Bank's operations.

The main risks arising from the Bank's financial instruments are credit risk, market risk, liquidity risk and operation risk. The management reviews and agrees on policies for managing each of these risks and they are summarized below.

In Philippine Peso

The following table summarizes the carrying amount of financial assets and liabilities recorded by category:

	Notes		2024		2023
Financial assets at amortized cost					
Cash on hand	8	₱	**28,727,679**	₱	17,311,783
Due from BSP	8		**678,798,378**		538,245,583
Due from other banks	8		**55,580,959**		25,534,383
Investment securities at amortized cost	9		**30,191,093**		39,822,722
Loans and other receivables – net	10		**93,939,106**		118,355,037
Accounts receivables*	13		**3,881,538**		731,962
		₱	**891,118,753**	₱	740,001,470
Financial liabilities at amortized cost					
Deposit liabilities	14	₱	**627,257,153**	₱	513,303,955
Accrued and other liabilities**	15		**169,042,921**		146,198,287
		₱	**796,300,074**	₱	659,502,242

**net of allowance of ₱4,581,090 in 2024 and 2023.*
***excluding non-financial liabilities amounting to ₱867,872 and ₱904,510 in 2024 and 2023, respectively.*

6.02 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

On-going credit evaluation is performed on the financial condition of loans and other receivable and, where appropriate, obtaining additional collateral is requested to cover the loans.

The Bank does not have significant credit risk exposure to any single counterparty or any Bank of counterparties having similar characteristics. The Bank defines counterparties as having similar characteristics if they are related entities.

Also, the Bank manages its credit risk by depositing its cash with high credit quality banking institutions.

The carrying amount of financial assets recognized in the financial statements represents the Bank's maximum exposure to credit risk.

6.02.01 Credit Risk Exposure

The table below shows the gross maximum exposure to credit risk of the Bank as of December 31, 2024 and 2023, without considering the effects of credit risk mitigation techniques.

	Notes		2024		2023
Due from BSP	8	₱	**678,798,378**	₱	538,245,583
Due from other banks	8		**55,580,959**		25,534,383
Investment securities at amortized cost	9		**30,191,093**		39,822,722
Loans and other receivables*	10		**124,121,475**		144,911,473
Accounts receivables**	13		**8,462,628**		5,313,052
		₱	**897,154,533**	₱	753,827,213

**gross of allowance for credit losses amounting to ₱30,182,369 and ₱26,556,436 in 2024 and 2023, respectively.*
***gross of allowance of ₱4,581,090 in 2024 and 2023.*

In Philippine Peso

6.02.02 Risk Concentration of the Maximum Exposure to Credit Risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions, concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Bank's financial strength and undermine public confidence.

6.02.03 Credit Quality of Financial Assets

The table below shows the credit quality by class of financial assets as of December 31, 2024 and 2023.

2024	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Total**
Due from BSP	678,798,378	–	–	678,798,378
Due from other banks	55,580,959	–	–	55,580,959
Investment securities at amortized cost	30,191,093	–	–	30,191,093
Loans and other receivables*	51,992,520	57,297,221	14,831,734	124,121,475
Accounts receivables**	3,881,538	–	–	3,881,538
	820,444,488	**57,297,221**	**14,831,734**	**892,573,443**

2023	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Due from BSP	538,245,583	–	–	538,245,583
Due from other banks	25,534,383	–	–	25,534,383
Investment securities at amortized cost	39,822,722	–	–	39,822,722
Loans and other receivables*	69,657,191	59,805,695	15,448,587	144,911,473
Accounts receivables**	731,962	–	–	731,962
	673,991,841	59,805,695	15,448,587	749,246,123

**gross of allowance for credit losses amounting to ₱30,182,369 and ₱26,556,436 in 2024 and 2023, respectively.*
***net of allowance of ₱4,581,090 in 2024 and 2023.*

Neither past due nor impaired cash on hand and in banks are working capital cash fund placed, invested, or deposited in local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability. Other neither past due nor impaired accounts are loans and other receivables and investment securities which have a very remote likelihood of default and have consistently exhibited good paying habits.

Past due but not impaired loans and receivables and investment securities are loans and receivables and investment securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of collateral available or status of collection of amounts owed to the Bank.

Loans with negotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, the Bank has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

Impaired Loans and receivables and investment securities are loans and receivables and investment securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms of the promissory notes and securities agreements. Loans and receivables that have been provided with 100% allowance for credit losses and those under litigation are considered impaired.

The Bank holds collateral against loans receivables in the form of real estate and chattel mortgages.

In Philippine Peso

6.02.04 Aging Analysis

An aging analysis of the Bank's loans and other receivable as of December 31, 2024 and 2023 are as follows:

		2024		2023
Outstanding receivables:				
Current accounts	₱	**51,992,520**	₱	69,657,191
Past due accounts:				
1 – 30 days past due		**90,422**		965,153
31 – 60 days past due		**–**		5,089,752
61 – 90 days past due		**20,058,126**		35,810,587
91 - over 180 days past due		**51,980,407**		33,388,790
	₱	**124,121,475**	₱	144,911,473

6.02.05 Measurement of ACL

As a general rule, Especially Mentioned and Substandard – Underperforming [e.g., substandard accounts that are unpaid or with missed payment of less than ninety (90) days] shall be considered as Stage 2 accounts, while Substandard Non-performing, Doubtful, and Loss accounts shall be considered as Stage 3 accounts.

Individually Assessed Loans and Other Credit Exposures

1. Loans and other credit exposures with unpaid principal and/or interest shall be classified and provided with allowance for credit losses (ACL) based on the number of days of missed payments, as follows:

   For unsecured loans and other credit exposures:

No. of days unpaid/with missed payments	Classification	Minimum ACL	Stage
31 – 90 days	Substandard (underperforming)	10%	2
91 – 120 days	Substandard (non-performing)	25%	3
121 – 180 days	Doubtful	50%	3
181 days and over	Loss	100%	3

   For secured loans and other credit exposures:

No. of days unpaid/with missed payments	Classification	Minimum ACL	Stage
31 – 90 days*	Substandard (underperforming)	10%	2
91 – 180 days*	Substandard (non-performing)	10%	3
181 – 365 days	Substandard (non-performing)	25%	3
Over a year – 5 years	Doubtful	50%	3
Over 5 years	Loss	100%	3

**When there is imminent possibility of foreclosure and expectation of loss, ACL shall be increased to 25%.*

   Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances shall be treated as if these are unsecured.

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2. Loans and other credit exposures that exhibit the characteristics for classified accounts described under Sec. 143 (Credit Classification and Provisioning) shall be provided with ACL, as follows:

Classification	Minimum ACL	Stage
Especially mentioned	5%	2
Substandard – secured	10%	2 or 3
Substandard – unsecured	25%	2 or 3
Doubtful	50%	3
Loss	100%	3

3. Unsecured loans and other credit accommodations classified as "Substandard" in the last two (2) internal credit reviews which have been continuously renewed/extended without reduction in principal and is not in process of collection, shall be downgraded to "Doubtful" classification and provided with a fifty percent (50%) allowance for credit losses.

4. Loans and other credit accommodations under litigation which have been classified as "Pass" prior to the litigation process shall be classified as "Substandard" and provided with twenty-five percent (25%) allowance for credit losses.

5. Loans and other credit accommodations that were previously classified as "Pass" but were subsequently restructured shall have a minimum classification of EM and provided with a five percent (5%) allowance for credit losses, except for loans which are considered non-risk under existing laws, rules and regulations.

6. Classified loans and other credit accommodations that were subsequently restructured shall retain their classification and provisioning until the borrower has sufficiently exhibited that the loan will be fully repaid.

Collectively Assessed Loans and Other Credit Exposure

1. Current "Pass" loans and other credit accommodations should be provided with a reasonable level of collective allowance, using historical loss experience adjusted for current conditions.

2. Loans and other credit exposures with unpaid principal and/ or interest shall be classified and provided with ACL based on the number of days of missed payments, as follows:

   For unsecured loans and other credit exposures:

No. of days unpaid/with missed payments*	Classification	Minimum ACL	Stage
1 – 30 days	Especially Mentioned	2%	2
31 – 60 days/1st restructuring	Substandard	25%	2 or 3
61 – 90 days	Doubtful	50%	3
91 days and over/2nd restructuring	Loss	100%	3

**PAR for microfinance loans*

In Philippine Peso

For secured loans and other credit accommodations:

No. of days unpaid/with missed payments*	Classification	ACL (%)		Stage
		Other types of collateral	Secured by real estate	
31 – 90 days	Substandard (underperforming)	10	10	2
91 – 120 days	Substandard (non-performing)	25	15	3
121 – 360 days	Doubtful	50	25	3
361 days – 5 years	Loss	100	50	3
Over 5 years	Loss	100	100	3

**PAR for microfinance loans*

Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances is determined to be insufficient, weak or without recoverable values, such loans and advances shall be treated as if these are unsecured.

6.03 Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short-, medium- and long-term funding and liquidity management requirements.

The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Bank seeks to manage its liquidity profile to be able to finance its capital expenditures and cover its operating costs. The Bank's objective is to maintain a balance between continuity of funding and flexibility. In the management of liquidity risk, the Bank monitors and maintains a level of cash and due from other banks deemed adequate by the Management to finance the Bank's operations.

As of December 31, 2024 and 2023, minimum liquidity ratio of the Bank is 107.97% and 109.03%, respectively.

In Philippine Peso

The table below summarizes maturity profile of the Bank's financial assets and liabilities as of December 31, 2024 and 2023 based on undiscounted contractual cash flows.

2024	**On Demand**	**Due within 1 year**	**Due beyond 1 year but not more than 5 years**	**Due beyond 5 years but not more than 15 years**	**Total**
Financial Assets:					
Cash on hand	₱ 28,727,679	₱ –	₱ –	₱ –	₱ 28,727,679
Due from BSP	678,798,378	–	–	–	678,798,378
Due from other banks	27,790,480	27,790,479	–	–	55,580,959
Investment securities at amortized cost	–	–	30,191,093	–	30,191,093
Loans and other receivables*	16,269,976	4,181,252	22,886,181	80,784,066	124,121,475
Accounts receivables**	8,462,628	–	–	–	8,462,628
	₱ 760,049,141	**₱ 31,971,731**	**₱ 53,077,274**	**₱ 80,784,066**	**₱ 925,882,212**
Financial Liabilities:					
Deposit liabilities	₱ 612,343,809	₱ 14,213,344	₱ 700,000	₱ –	₱ 627,257,153
Accrued and other liabilities***	169,042,921	–	–	–	169,042,921
	₱ 781,386,730	**₱ 14,213,344**	**₱ 700,000**	**₱ –**	**₱ 796,300,074**

**gross of allowance for credit losses amounting to ₱30,182,369 in 2024.*
***gross of allowance of ₱4,581,090 in 2024.*
****excluding non-financial liabilities amounting to ₱867,872 in 2024.*

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2023	On Demand	Due Within 1 Year	Due Beyond 1 Year But Not More Than 5 Years	Due Beyond 5 Year But Not More Than 15 Years	Total
Financial Assets:					
Cash on hand	₱ 17,311,783	₱ –	₱ –	₱ –	₱ 17,311,783
Due from BSP	538,245,583	–	–	–	538,245,583
Due from other banks	25,534,383	–	–	–	25,534,383
Investment securities at amortized cost	–	10,000,000	29,822,722	–	39,822,722
Loans and other receivables*	12,529,563	13,436,423	48,245,758	70,699,729	144,911,473
Accounts receivables**	5,313,052	–	–	–	5,313,052
	₱ 598,934,364	₱ 23,436,423	₱ 78,068,480	₱ 70,699,729	₱ 771,138,996
Financial Liabilities:					
Deposit liabilities	₱ 71,332,045	₱ 441,671,910	₱ 300,000	₱ –	₱ 513,303,955
Other liabilities***	146,198,287	–	–	–	146,198,287
	₱ 217,530,332	₱ 441,671,910	₱ 300,000	₱ –	₱ 659,502,242

**gross of allowance for credit losses amounting to ₱26,556,436 in 2023.*
***gross of allowance of ₱4,581,090 in 2023.*
****excluding non-financial liabilities amounting to ₱904,510 in 2023.*

7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Cash on hand, Due from BSP, Due from other banks, Other assets, Accrued and other liabilities
The carrying values of these financial assets and liabilities approximate their fair values due to the relatively short-term maturities of these financial assets and liabilities.

Loans and other receivables
Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Bank's current incremental lending rates for similar types of loans and receivables.

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

Fair Value Hierarchy
In accordance with PFRS 13, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

For purposes of determining the market value at Level 1, a market is regarded as active 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.

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

There were neither transfers between Levels 1 and 2 instruments in both years.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Fair Value Measurement for Non-financial Assets
The fair value of the Bank's land classified under Investment Properties account, as disclosed in Note 12, is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

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The fair value of investment properties for the years ended December 31, 2024 and 2023 amounted to ₱45,633,740 and ₱30,181,200, respectively, as disclosed in Note 12, is currently categorized within Level 2. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	2024	2023
Cash on hand	₱ **28,727,679**	₱ 17,311,783
Due from BSP*	**678,798,378**	538,245,583
Due from other banks	**55,580,959**	25,534,383
	₱ **763,107,016**	₱ 581,091,749

**Including actual reserves amounting to 28,798,378 and 38,245,583 in 2024 and 2023, respectively.*

Cash on hand represents actual cash in vault – local currencies, and those in possession of the cashier and the tellers as of December 31, 2024 and 2023.

Due from BSP is the deposit balance maintained with the Bangko Sentral ng Pilipinas to meet reserve requirements. As per existing regulations, reserves against deposit liabilities for thrift banks shall be 1% and 2% for 2024 and 2023, respectively, for savings, time and demand deposits. Due from BSP also includes Term Deposit Facility. The interest rates for the bank's Term Deposit Facility ranged from 6.10% to 6.60% and 6.30% to 6.70% in 2024 and 2023, respectively.

Due from other banks represent funds deposited with domestic banks which are used by the Bank as part of its working funds. Peso denominated deposits earn interest at annual rates ranging from 0.01% to 32.48% in 2024 and 2023.

Interest earned on deposits on local banks and deposit with BSP amounted to ₱22,704,312 and ₱24,827,237 in 2024 and 2023, respectively.

9. INVESTMENT SECURITIES AT AMORTIZED COST

These accounts consist of investment in Land Bank of the Philippines and Development Bank of the Philippines in the form of treasury bills.

Movements in the account are disclosed below:

	2024	2023
Balance at January 1	₱ **39,822,722**	₱ 41,064,924
Acquisitions	**10,368,371**	–
Maturities	**(20,000,000)**	(1,242,202)
Balance, December 31	₱ **30,191,093**	₱ 39,822,722

Interest rate ranges from 2.0% to 3.0% in 2024 and 2023 with maturity ranging from one (1) year to five (5) years.

The Bank assesses at each financial reporting date whether there is an indication that an investment may be impaired and believes that there is no such indication as of December 31, 2024 and 2023.

No impairment was recognized as of and for the years ended December 31, 2024 and 2023.

In Philippine Peso

Interest earned amounted to ₱2,079,575 and ₱1,070,000 for the years ended December 31, 2024 and 2023, respectively.

10. LOANS AND OTHER RECEIVABLES – net

The Bank's loan receivables consist of:

		2024		2023
Current loans	₱	**51,139,099**	₱	69,609,475
Past due loans		**72,128,955**		75,254,282
Total loans receivable		**123,268,054**		144,863,757
Accrued interest receivable		**853,421**		47,716
		124,121,475		144,911,473
Allowance for credit losses – loans receivable (Note 19)		**(30,182,369)**		(26,556,436)
Total loans and other receivables – net	₱	**93,939,106**	₱	118,355,037

As of December 31, 2024 and 2023, no loans receivable was used as collateral for liabilities.

Total earned interest amounted to ₱14,043,314 and ₱17,401,197 as of December 31, 2024 and 2023, respectively.

Allowance for credit losses is comprised of the following:

		2024		2023
Specific allowance for probable losses	₱	**29,674,478**	₱	25,861,092
General loan loss provision		**507,891**		695,344
	₱	**30,182,369**	₱	26,556,436

The allowance for credit losses which includes both specific and general loan loss reserves, represents management estimates of credit losses inherent in the portfolio, after consideration of the prevailing and anticipated economic conditions, prior to loss experience, estimated recoverable value based on fair market values of underlying collateral and prospects of support from guarantors, subsequent collections and evaluations made by BSP Supervision and Examination Sector. The BSP observes certain criteria and guidelines based largely on the classification of loans in establishing specific loss reserves.

The Bank reviews the quality of its loan portfolio and prepares a quantitative classification of its risk assets including loans. Accordingly, a specific valuation allowance for probable losses was provided on regular loans based on the following schedule:

Classification of risk assets	Required valuation allowance
Loans especially mentioned	5%
Substandard – secured	10%
Substandard – unsecured	25%
Doubtful	50%
Loss	100%

In Philippine Peso

For micro-finance portfolio, the specific allowances are computed based on portfolio at risk. Portfolio at risk (PAR) refers to loan outstanding with one day amortization missed payment. Specific allowance based on PAR follows:

Number of days PAR	Required allowance
1 – 30 days	2%
31 – 60 days	25%
61– 90 days	50%
91 days and over	100%

For unclassified loans whether regular or micro-finance, a general loan loss provision equivalent to 1% of the total loan portfolio is provided.

Details of the Bank's unbooked allowance for credit losses as of December 31, 2024 and 2023 are disclosed below:

		2024		2023
Required allowance	₱	**32,369,247**	₱	29,714,278
Booked allowance		**(30,182,369)**		(26,556,436)
	₱	**2,186,878**	₱	3,157,842

10.01 Past Due Loans

Past due loans of a bank shall, as a general rule, refer to all accounts in its loan portfolio, all receivable components of trading account securities and other receivables, which are not paid at maturity.

BSP Manual of Regulations for Banks, Sec. 304, defined the classification of past due loans as follows:

As a general rule, loans, investments, receivables, or any financial asset, including restructured loans, shall be considered past due when any principal and/or interest or instalment due, or portions thereof, are not paid at their contractual date, in which case, the total outstanding balance thereof shall be considered past due.

Installment refers to principal and/or interest amortizations that are due on several dates as indicated in the loan documents. The allowance for loan losses is the estimated amount of losses in the Bank's loan portfolio, based on evaluation of the collectability of loans and prior loss experience.

Any amounts set aside in respect of losses on loans and advances in addition to those losses that have been specifically identified or potential losses which experience indicates to be present in the portfolio of loans and advances are accounted for as appropriations from retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of net profit or loss for the period.

The allowance is increased by provisions charged to expenses and reduced by write-offs and reversals.

In Philippine Peso

10.02 Non-Performing Loans

Section 304 of the MORB, defined non-performing loans (NPLs) as follows:

Loans, investments, receivables or any financial asset shall be considered non-performing, even without missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and 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 90 days from contractual due date, or accrued interests for more than 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 it has 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.

As of December 31, 2024 and 2023, non-performing loans (NPLs) not fully covered by allowance for credit losses are as follows:

		2024		2023
Total Non-performing loans	₱	**72,038,533**	₱	69,199,377
Less: Non-performing loans covered by allowance for credit losses		**29,663,495**		23,571,519
	₱	**42,375,038**	₱	45,627,858

Information regarding the Bank's non-performing loans are as follows:

	2024	2023
Ratio of gross NPLs to gross TLP (%)	**58.44%**	47.77%
Ratio of net NPLs to gross TLP (%)	**34.38%**	31.50%
Ratio of total allowance for credit losses to gross NPLs (%)	**41.90%**	38.38%
Ratio of specific allowance for credit losses on gross TLP to gross NPLs (%)	**41.19%**	37.37%

In Philippine Peso

11. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT (BPFFE) – net

The carrying amounts of the Bank's BPFFE are as follows:

2024	Leasehold improvement	Furniture, fixtures, and other equipment	Transportation equipment	Right-of-use assets	Total
Cost:					
At January 1	₱ 12,633,534	₱ 37,070,546	₱ 1,564,197	₱ 12,483,391	₱ 63,751,668
Additions	–	401,987	–	–	401,987
Write-off	–	(11,803,064)	–	–	(11,803,064)
Adjustments	7,550	–	–	–	7,550
At December 31	**12,641,084**	**25,669,469**	**1,564,197**	**12,483,391**	**52,358,141**
Accumulated Depreciation:					
At January 1	7,173,939	22,972,973	918,558	832,226	31,897,696
Depreciation (Note 18)	986,203	2,988,389	254,340	2,496,678	6,725,610
Write-off	–	(11,803,064)	–	–	(11,803,064)
Adjustments	7,550	687,929	–	–	695,479
At December 31	**8,167,692**	**14,846,227**	**1,172,898**	**3,328,904**	**27,515,721**
Carrying Amount	**₱ 4,473,392**	**₱ 10,823,242**	**₱ 391,299**	**₱ 9,154,487**	**₱ 24,842,420**

In Philippine Peso

2023	Leasehold improvement	Furniture, fixtures, and other equipment	Transportation equipment	Right-of-use assets	Total
Cost:					
At January 1	₱ 12,517,174	₱ 38,144,326	₱ 1,950,697	₱ 5,780,122	₱ 58,392,319
Additions	116,360	796,629	–	–	912,989
Additions-PFRS 16	–	–	–	12,483,391	12,483,391
Write-off	–	(1,870,409)	(386,500)	(5,780,122)	(8,037,031)
At December 31	12,633,534	37,070,546	1,564,197	12,483,391	63,751,668
Accumulated Depreciation:					
At January 1	5,856,285	21,127,585	979,861	5,164,964	33,128,695
Depreciation (Note 18)	1,317,654	3,874,184	325,197	1,447,384	6,964,419
Write-off	–	(1,870,409)	(386,500)	(5,780,122)	(8,037,031)
Adjustments	–	(158,387)	–	–	(158,387)
At December 31	7,173,939	22,972,973	918,558	832,226	31,897,696
Carrying Amount	₱ 5,459,595	₱ 14,097,573	₱ 645,639	₱ 11,651,165	₱ 31,853,972

Based on the management's assumptions, which is based on the recoverable amount of the properties, no impairment loss is required to be recognized both in 2024 and 2023.

No properties were used as collateral for liabilities as at December 31, 2024 and 2023.

All additions in 2024 and 2023 were paid in cash.

Under BSP rules, investments in premises, furniture, fixtures and equipment should not exceed 50% of a bank's unimpaired capital. As of December 31, 2024 and 2023, the Bank has complied with this requirement satisfactorily.

In Philippine Peso

The following are the lease agreement entered into by the Bank and outstanding as of December 31, 2024 and 2023:

	Lease Term			
Location of leased Property	**Start of term**	**End of term**	**Lease Payment**	**Escalation Clause**
Subic bay, Olangapo City	09/01/2023	08/31/2028	244,589	None

The lease contracts are renewable upon such terms and conditions mutually agreed by the both parties prior to expiration. The leased assets are being depreciated based on useful life of the leased asset or remaining term of the lease, whichever is shorter.

12. INVESTMENT PROPERTIES – net

This investment properties pertains to real properties, such as land and building held by the Bank for capital appreciation.

Movement of investment properties as follows:

2024	**Land**	**Building**	**Total**
Cost:			
Balance, January 1	₱ 5,890,050	₱ 1,310,013	₱ 7,200,063
Additions	2,715,739	–	2,715,739
Balance, December 31	**8,605,789**	**1,310,013**	**9,915,802**
Accumulated depreciation:			
Balance, January 1	–	702,056	702,056
Depreciation	–	60,796	60,796
Balance, December 31	**–**	**762,852**	**762,852**
Carrying amount	**₱ 8,605,789**	**₱ 547,161**	**₱ 9,152,950**

2023	Land	Building	Total
Cost:			
Balance, January 1	₱ 1,251,877	₱ 702,056	₱ 1,953,933
Additions	4,638,173	607,957	5,246,130
Balance, December 31	5,890,050	1,310,013	7,200,063
Accumulated depreciation:			
Balance, January 1	–	702,056	702,056
Balance, December 31	–	702,056	702,056
Carrying amount	₱ 5,890,050	₱ 607,957	₱ 6,498,007

The Bank acquired its investment properties from foreclosure of properties.

The Bank carried out a review of the recoverable amounts of its investment properties. The Bank has determined that there is no indication that an impairment loss has occurred on its investment properties.

All real and other properties acquired are accounted for as investment properties.

No amount of investment properties of the Bank has been pledged to secure general banking facilities granted to the Bank.

In Philippine Peso

Fair value is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The fair value of investment properties for the years ended December 31, 2024 and 2023 amounted to ₱45,633,740 and ₱30,181,200, respectively, is currently categorized within Level 2. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

13. OTHER ASSETS

This account consists of:

		2024		2023
Advances to others	₱	**15,064,901**	₱	13,922,057
Accounts receivables		**8,462,628**		5,313,052
Stationeries and supplies on hand		**896,170**		881,636
Prepaid expenses		**795,005**		1,213,404
		25,218,704		21,330,149
Allowance for losses – accounts receivable (Note 19)		**(4,581,090)**		(4,581,090)
	₱	**20,637,614**	₱	16,749,059

Account receivables pertain to the unliquidated cash advance of its employees and related party.

Prepaid expenses include the remaining unexpired portion of the cost of insurance on fire, MSPR, cash-in vault and fidelity bonds of employees.

Advances to other includes advances to Infrasoft, employees and suppliers.

14. DEPOSIT LIABILITIES

The Bank's deposit liabilities as of December 31 consist of the following:

		2024		2023
Demand deposits	₱	**372,002,072**	₱	102,168,353
Savings deposits		**238,152,854**		397,554,434
Time deposits		**17,102,227**		13,581,168
	₱	**627,257,153**	₱	513,303,955

Savings deposits are composed of regular savings accounts which are withdrawable upon demand and those with special terms and withdrawable at certain period of time. Time deposits have different maturity dates maximum of which is one (1) year term/maturity and bear different interest rates based on the amount of deposits and term of placements. Time deposits with term of five (5) years or more are exempt from tax in accordance with BIR regulation.

Interest rates on savings deposits ranges from 0.25% to 1.0% per annum and interest on time deposit ranges from 0.25% to 5.0% per annum for time deposits, both in 2024 and 2023.

In Philippine Peso

Interest expense on deposit liabilities charged to statements of comprehensive income in 2024 and 2023 amounted to ₱3,922,758 and ₱4,923,880, respectively.

The Bank is in compliance with these regulations as the Bank's Due from BSP account amounted to ₱28,798,378 and ₱38,245,583 as of December 31, 2024 and 2023, respectively, as disclosed in Note 8, and is enough to cover the required reserve requirements.

15. ACCRUED AND OTHER LIABILITIES

This account consists of:

		2024		2023
Accounts payable	₱	**159,500,125**	₱	134,426,184
Lease liability		**9,542,796**		11,772,103
Accrued taxes and other expenses payable		**672,100**		704,578
Withholding tax payable		**153,099**		142,471
SSS, Philhealth, and Pag-ibig contribution payable		**42,673**		57,461
	₱	**169,910,793**	₱	147,102,797

Account payable pertains to remittance in the electronic money issuers of the Bank and other expenses incurred but not yet paid.

The details of the Bank's lease liabilities and their carrying amount as of December 31, 2024 and 2023 are as follows:

		2024		2023
Balance, January 1	₱	**11,772,103**	₱	676,526
Additions		**–**		12,483,391
Interest		**705,766**		334,000
Payments		**(2,935,073)**		(1,721,814)
Balance, December 31	₱	**9,542,796**	₱	11,772,103

The breakdown of lease liabilities as to current and non-current is as follows:

		2024		2023
Current	₱	**2,379,973**	₱	2,229,307
Non-current		**7,162,823**		9,542,796
Total	₱	**9,542,796**	₱	11,772,103

The maturity analysis of lease liabilities as at December 31, 2024 is as follows:

		Lease Payments		Finance Charges		Net Present Values
Within one year	₱	2,935,073	₱	555,100	₱	2,379,973
1 to 2 years		2,935,073		394,251		2,540,822
2 to 3 years		2,935,073		222,531		2,712,542
3 to 4 years		1,956,714		47,255		1,909,459
	₱	**10,761,933**	₱	**1,219,137**	₱	**9,542,796**

In Philippine Peso

The maturity analysis of lease liabilities as at December 31, 2023 is as follows:

	Lease Payments	Finance Charges	Net Present Values
Within one year	₱ 2,935,073	₱ 705,766	₱ 2,229,307
1 to 2 years	2,935,073	555,100	2,379,973
2 to 3 years	2,935,073	394,251	2,540,822
3 to 4 years	2,935,073	222,531	2,712,542
4 to 5 years	1,956,714	47,255	1,909,459
	₱ 13,697,006	₱ 1,924,903	₱ 11,772,103

16. EQUITY

16.01 Share Capital

Shown below are the details on the movement of ordinary shares.

	2024		2023	
	Shares	**Amount**	Shares	Amount
Authorized capital at ₱100 par value	**3,000,000**	**₱ 300,000,000**	3,000,000	₱ 300,000,000
Subscribed and paid up:				
Balance, January 1	**681,175**	**₱ 68,117,500**	681,175	₱ 68,117,500
Balance, December 31	**681,175**	**₱ 68,117,500**	681,175	₱ 68,117,500

16.02 Retained Earnings – free

The table below shows the movement in the Bank's retained earnings free as of December 31, 2024 and 2023:

	2024	2023
Beginning	**₱ 65,825,913**	₱ 52,868,092
Profit for the year	**10,536,895**	12,957,821
	₱ 76,362,808	₱ 65,825,913

16.03 Capital Management Objectives, Policies, and Procedures

The primary objectives of the Bank's capital management are to ensure the ability of the Bank to have sufficient capital to underpin the Bank's risk taking activities, to continue as a going concern, to maintain a strong credit rating and quality capital adequacy ratios, to ensure compliance with BSP regulations and to provide reasonable returns and benefits to shareholders.

The Bank manages its capital structure, which composed of paid-up capital and surplus reserve, and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities.

16.03.01 Capital Ratios

Appendix 62 of the MORB, as amended by BSP Circular Nos. 1079 and 1084, discusses the guidelines implementing the risk-based capital adequacy framework for stand-alone thrift banks, rural banks and cooperative banks.

The minimum capital ratios shall be expressed as a percentage of capital to risk-weighted assets as shown below:

Minimum Capital Ratio	Capital	% of Risk-Weighted Assets
Common Equity Tier 1 (CET1) Ratio	CET1	at least 6.0%
Tier 1 Ratio	Tier 1	at least 7.5%
Capital Adequacy Ratio (CAR)	Qualifying Capital	at least 10.0%

A capital conservation buffer (CCB) of two and a half percent (2.5%), comprised of CET1 capital, shall likewise be imposed.

The minimum capital ratios based on the new compositions and the CCB shall take effect starting January 1, 2023.

Qualifying capital consists of the following elements, net of required deductions:

a) Tier 1 Capital, which is composed of:
   i. CET1 Capital; and
   ii. Additional Tier 1 (AT1) Capital

b) Tier 2 Capital

CET1 Capital consists of:

a) Paid-up common stock; and
b) Surplus.

Tier 2 Capital consists of:
a) General loan loss provision.

Additionally, CCB is meant to promote the conservation of capital and build-up of adequate cushion above the minimum level that can be drawn down by banks to absorb losses during periods of financial and economic stress. The buffer is on top of the minimum capital requirements. The capital must first be used to meet the minimum CET1 ratio before the remainder can contribute to the CCB.

Where a bank does not have positive earnings, has CET1 ratio of lower than eight and a half percent (8.5%) [CET1 ratio of six percent (6%) plus conservation buffer of two and a half percent (2.5%)], and has not complied with other minimum capital ratios, the Bank would then be restricted from making distribution of earnings.

In Philippine Peso

Information regarding the Bank's qualifying capital as of December 31, 2024 and 2023 is shown below:

		2024		2023
CET1 Capital	₱	**144,480,308**	₱	133,943,413
AT1 Capital		**–**		–
Tier 1 Capital		**144,480,308**		133,943,413
Tier 2 Capital		**507,891**		695,344
Qualifying capital	₱	**144,988,199**	₱	134,638,757
Total risk-weighted assets	₱	**277,825,022**	₱	261,346,238
CET1 Ratio		**52.00%**		51.25%
CCB		**46.00%**		45.25%
Tier 1 capital		**52.00%**		51.25%
Total CAR		**52.19%**		51.52%

The Bank's leverage ratio, computed as total capital over total assets, is 15.34% and 16.86%, as of December 31, 2024 and 2023, respectively.

16.04 Regulatory Relief from Compliance with New Minimum Capitalization Requirements Under Circular No. 854.

Monetary Board, in it's resolution no. 127 date January 25, 2018, approved the request of the Bank for grant of regulatory relief from compliance with new minimum capital requirement of ₱200 million under circular 854 dated October 29, 2014 subject to the following conditions:

a. The Bank shall maintain a minimum capital level equivalent to its adjusted capital of ₱64.1 million, and shall continue to comply with the required minimum capital adequacy ratio (CAR) of 10%. Should the Bank's minimum capital or CAR fall below minimum of ₱64.1 million and 10% required capital, Bank's stockholder shall immediately infuse additional capital in order to comply therewith;
b. Bank shall not be granted any special banking authority (such as acceptance of demand deposit and negotiable order of withdrawal accounts; and engaging in quasi-banking function) nor shall it be allowed to established new branches; relocate its head office in an area of higher classification; convert to higher category bank; and engage in other activities/ transactions requiring compliance with minimum capitalization under circular 854; and
c. The Bangko Sentral ng Pilipinas reserves the right to require the Bank to raise additional capital when deemed necessary vis-à-vis Bank's operations and risk profile.

In Philippine Peso

17. OTHER OPERATING INCOME

The account is composed of the following:

		2024		2023
Remittance services fees	₱	**2,723,831**	₱	3,400,183
Maintenance fees		**2,607,987**		2,174,398
Fees and commission income		**1,953,690**		5,360,751
ATM services fees		**591,635**		603,118
Recovery on charged-off assets		**26,000**		390,556
Miscellaneous income		**1,712,569**		1,939,652
	₱	**9,615,712**	₱	13,868,658

Recovery on charged-off assets pertains to the collections of accounts or recovery from impairment of items previously written-off/provided with allowance for credit losses. For the years ended December 31, 2024 and 2023, recovery on charged-off assets is composed only of collections of accounts previously written-off.

Miscellaneous income pertains to fees and commission income earned by the Bank from service charge on loans, deposits below maintaining balance and on cancellation of certificates and appraisal fees.

18. OPERATING EXPENSES

The account is composed of the following:

		2024		2023
Compensation and fringe benefits	₱	**9,797,853**	₱	10,558,907
Depreciation		**6,786,406**		6,964,419
Power, light and water		**1,708,582**		3,606,907
Information technology expenses		**1,024,172**		938,462
Insurance – PDIC		**993,972**		1,212,397
Management and other professional fees		**863,142**		775,000
Fees and commissions		**846,534**		989,236
Interest expense – lease liability		**705,766**		334,000
Membership fees and dues		**535,709**		564,968
Rent expense		**468,168**		2,389,760
Security, clerical, messengerial and janitorial services		**430,790**		784,530
Litigation expense		**412,022**		171,358
Representation and entertainment		**365,826**		223,343
Postage, telephone, cables and telegrams		**343,031**		102,678
Repairs and maintenance		**312,609**		395,795
Stationery and supplies used		**311,542**		296,241
Fuel and lubricants		**241,119**		356,649
Supervision fees		**71,653**		66,543
Traveling expenses		**56,296**		97,646
Periodicals and magazines		**50,000**		7,000
Fines and penalties		**26,200**		46,168
Advertising and publicity		**25,693**		25,451
Insurance expenses – others		**22,422**		33,254
Taxes and licenses		**7,442**		11,412
Documentary stamps used		**3,976**		36,256
Miscellaneous expenses		**891,614**		1,060,614
	₱	**27,302,539**	₱	32,048,994

In Philippine Peso

Compensation and other benefits are comprised of the following:

		2024		2023
Salaries and wages	₱	**8,536,444**	₱	9,235,716
Mandatory payables		**792,520**		825,224
Director's fee		**468,889**		486,667
Fringe benefits to officers and employees		**–**		11,300
	₱	**9,797,853**	₱	10,558,907

Breakdown of depreciation expense is disclosed below:

	Notes		2024		2023
Bank premises, furniture, fixtures and equipment	11	₱	**6,725,610**	₱	6,964,419
Investment properties	12		**60,796**		–
		₱	**6,786,406**	₱	6,964,419

19. ALLOWANCE FOR CREDIT LOSSES

The movement of account is as follows:

	Loans and other receivables (Note 10)	**Other Assets** (Note 13)	**Total**
Balance, December 31, 2022	25,343,140	4,249,352	29,592,492
Provision	6,459,426	331,738	6,791,164
Allowance transferred to ROPA	(5,246,130)	–	(5,246,130)
Balance, December 31, 2023	26,556,436	4,581,090	31,137,526
Provision	6,341,671	–	6,341,671
Allowance transferred to ROPA	(2,715,738)	–	(2,715,738)
Balance, December 31, 2024	**30,182,369**	**4,581,090**	**34,763,459**

20. INCOME TAXES

Section 12 (c) of Republic Act No. 7227, states that no taxes, local and national shall be imposed to the businesses and enterprise within the Subic Special Economic Zone. In lieu of paying taxes three percent (3%) of the gross income earned shall be remitted to the national Government, one percent (1%) each to the local government units affected by the declaration of the zone in proportion to their population area, and other factors. In addition, there is hereby established a development fund of one percent (1%) of the gross income earned to be utilized for the development of municipalities outside the City of Olongapo and the Municipality of Subic, and other municipalities contiguous to the base area.

In case of conflict between national and local laws with respect to the tax exemption privileges in the Subic Special Economic Zone, the same shall be resolve in favor of the latter.

The Bank's liability for income tax is based on existing tax laws and BIR regulations. However, income tax expense as shown on the statement of position comprehensive income is determined under the provision of PAS 12 Income Taxes. Under PAS 12, income tax expense is the sum of current tax expense computed under tax laws and deferred tax expense determined through the use of balance sheet liability method.

In Philippine Peso

Deferred tax expense is the sum of changes in deferred tax asset and deferred tax liability. The balance sheet liability method focuses on temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

20.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

		2024		2023
Income tax expense – current	₱	**339,050**	₱	445,233

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate in 2024 and 2023 is as follows:

		2024		2023
Subject to special tax rate of 5%:				
Gross income	₱	**1,545,726**	₱	1,740,095
Income tax effects of:				
Interest income subject to final tax		**(1,206,676)**		(1,294,862)
	₱	**339,050**	₱	445,233

20.02 Republic Act No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises (CREATE)” Act

On February 03, 2021, the final provisions of Senate Bill No. 1357 and House Bill No. 4157 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill, which seeks to reform corporate income taxes and incentives in the country, had been ratified by the Senate and the House of Representatives of the Philippines.

Under the proposed law, effective July 1, 2020, the corporate income tax will be reduced from the current 30% to 20% for domestic corporations with total assets not exceeding P100 million, excluding land, and total net taxable income of not more than P5 million. The corporate income tax of all other corporations (domestic and resident foreign), meanwhile, will be lowered to 25%. The bill would also lower the minimum corporate income tax (MCIT) from 2% to 1% effective July 2020 until June 30, 2023.

Other key provisions of the CREATE bill include:

- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.
- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2022, regional operating headquarters (ROHQ) currently enjoying 10% preferential income tax rate shall be subject to RCIT.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
    - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
    - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
    - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.

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- Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).
- Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED.
- For investments prior to effectivity of CREATE:
  - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
  - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

The said bill was signed into law on March 26, 2021, except for certain provisions that were vetoed, by the President of the Philippines.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event.

21. RELATED PARTY TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among the reporting entities, which are under common control with the reporting enterprise, or between, and/or among the reporting entities and its key management personnel, directors, or its shareholders.

There are transactions and arrangements between the Bank and its related parties and the effects of these on the basis determined between the parties are reflected in these financial statements.

The Bank have related party transactions with Pacific Ace Forex HK Ltd. as of and for the years ended December 31, 2024 and 2023.

Account	Terms and conditions	Transactions/Volume 2024	Transactions/Volume 2023	Outstanding Balance 2024	Outstanding Balance 2023
Pacific Ace Forex HK Ltd.					
Nature of relationship: Owned by Stockholder					
Accounts receivables	Unsecured, non-interest bearing No impairment	**6,755**	4,846,410	**236,210**	307,280

This account consists of non-interest-bearing receivables to affiliate for the commission on remittance transactions. This amount is unsecured and collectible on the following month.

The summary of Bank significant transactions with its related parties as of and for the years ended December 31, 2024.

Category	Amount of Transactions	Outstanding Balances	Terms	Conditions
2024				
DOSRI loans	₱ 8,000,000	₱ 5,621,599	Payable on instalment and lump-sum, interest-bearing, cash-settled	Secured

The General Banking Act and BSP regulations limit the amount of loans to each Directors, officers, shareholders and related interest (DOSRI).

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a) The individual ceiling for credit accommodation of a rural bank to each of its DOSRI shall be equivalent to his outstanding deposits and book value of his paid-in capital in the lending bank. The unsecured credit accommodation to each of the Bank's DOSRI shall not exceed thirty percent (30%) of his total credit accommodations.

b) The aggregate ceiling for credit accommodation whether direct or indirect, to DOSRI of a cooperative bank shall not exceed fifteen percent (15%) of the total loan portfolio of the Bank or tis combined capital accounts met of deferred income tax, unbooked valuation reserves and other capital adjustments required by the BSP, whichever is lower. The total unsecured direct and indirect borrowings of DOSRI shall not exceed thirty percent (30%) of the aggregate ceiling or outstanding direct/indirect credit accommodation thereto, whichever is lower.

2024		**DOSRI Loans**		**Related Party Loans (Inclusive of DOSRI Loans)**
Total outstanding DOSRI/related party loans	₱	5,621,599	₱	5,621,599
Percent of DOSRI/related party accounts to total loans		4.56%		4.56%
Percent of unsecured DOSRI/related party accounts to DOSRI accounts		0.00%		0.00%
Percent of past due DOSRI/related party accounts to total DOSRI/related party accounts		0.00%		0.00%
Percent of nonperforming DOSRI/related party accounts to total DOSRI/related party accounts		0.00%		0.00%

The Bank assessed that DOSRI loans are not impaired as of December 31, 2024. Total allowance for credit losses recognized as of December 31, 2024 amounted to ₱56,216, which represents the general loan loss provision.

As of December 31, 2023, the Bank has no DOSRI and other related party loans.

21.01 Real Estate Transaction with DOSRI

The Bank leases its office from Pacific Ace Subic Corporation and Pacific Ace Management Corporation with term of 5-year contract for a monthly rental ranging from ₱14,737 to ₱371,651 with escalation clause as determined by both parties and paid a total amount of ₱3,211,662 and ₱3,949,468, respectively in 2024 and ₱191,579 and ₱162,105, respectively in 2023. The Bank paid its water expense to Pacific Ace Subic Corporation as lease a total amount of ₱97,026 and ₱93,574 in 2024 and 2023, respectively. The Bank paid its electricity expense to Pacific Ace Subic Corporation as lease a total amount of ₱1,441,426 and ₱3,325,093 in 2024 and 2023, respectively. The Bank paid its electricity expense to Pacific Ace Management Corporation as lease a total amount of ₱191,579 and ₱162,105 in 2024 and 2023, respectively.

21.02 Buy-out Transaction with Affiliate

In 2023, The Bank entered into buy-out transaction with Pacific Ace Finance, an affiliate of the Bank, amounting to ₱9,517,878.

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21.03 Remuneration of Key Management Personnel

The key management compensation during as of December 31, 2024 and 2023 is composed of the following:

		2024		2023
Short-term employee benefits	₱	**468,889**	₱	400,000
Post-employment benefits		**–**		–
	₱	**468,889**	₱	400,000

22. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following shows the movement of financial liabilities.

				Non-cash changes		
2024		**January 1**	**Cash flows**	**Interest expense**	**Others**	**December 31**
Lease liability	₱	11,772,103	**(2,935,073)**	**705,766**	**–**	**₱ 9,542,796**

				Non-cash changes		
2023		January 1	Cash flows	Interest expense	Others	December 31
Lease liability	₱	676,526	(1,721,814)	334,000	12,483,391	₱ 11,772,103

Cashflow in lease liability includes payment of interest expense.

23. RETIREMENT BENEFIT OBLIGATION

Under Republic Act (RA) No. 7641, otherwise known as the Retirement Pay Law that took effect on January 17,1993, the Bank is required to provide minimum retirement benefits to qualified retiring employees.

At the end of 2024 and 2023, the Company has not yet established a retirement fund for its regular employees and no amount of retirement benefit obligation has been accrued because the Company's management deemed that the amount of retirement obligation as of December 31, 2024 and 2023 is not significant.

24. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized when the Bank has a present obligation, whether legal or constructive, as a result of past event, or when it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Bank's contingent accounts arising from off-balance sheet items are disclosed in Note 28.

25. EVENTS AFTER THE REPORTING DATE

No events after the end of the reporting date were identified in these financial statements that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date), and that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

In Philippine Peso

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on March 31, 2025.

27. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15 – 2010

Revenue Regulation (RR) No. 21–2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns was amended under RR 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the notes to financial statements, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under the Philippine Financial Reporting Standards and such other standards and/or conventions.

Below are the additional information required by RR 15–2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

27.01 Gross Receipts Tax

The Bank is exempt from gross receipts tax as of December 31, 2024 and 2023.

27.02 Withholding Taxes

Withholding taxes paid and accrued during the year are as follows:

2024		**Paid**		**Accrued**		**Total**
Expanded withholding tax	₱	190,882	₱	90,146	₱	281,028
Final withholding tax		278,153		51,343		329,496
Withholding tax on compensation		109,100		11,610		120,710
	₱	**578,135**	**₱**	**153,099**	**₱**	**731,234**

2023		Paid		Accrued		Total
Expanded withholding tax	₱	156,277	₱	21,204	₱	177,481
Final withholding tax		901,043		110,914		1,011,957
Withholding tax on compensation		120,676		10,353		131,029
	₱	1,177,996	₱	142,471	₱	1,320,467

27.03 Taxes and Licenses

Taxes and licenses paid and accrued during the year are as follows:

		2024		2023
National taxes:				
Annual registration – BIR	₱	**–**	₱	500
Local taxes:				
Business permit		**4,400**		9,100
Others		**3,042**		1,812
	₱	**7,442**	₱	11,412

27.04 Deficiency Tax Assessments and Tax Cases

The Bank has no deficiency tax assessments for the years ended December 31, 2024 and 2023.

In Philippine Peso

28. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

On January 8, 2020, the Monetary Board (MB) amended BSP Circular No. 1074, requiring Banks to include the additional information on the following:

28.01 Basic Quantitative Indicators of Financial Performance

The following basic ratio measures the financial performance of the Bank:

	2024	2023
Return on average equity	**7.57%**	10.17%
Return on average assets	**1.21%**	1.45%
Net interest margin	**4.43%**	4.66%

28.02 Capital Instruments Issued

Description of capital instrument issued by the Bank is disclosed in Note 16.

28.03 Significant Credit Exposures

Disclosures as to industry/economic sector are as follows (net of unamortized discount):

	2024			2023		
	Amount	**% as to industry**	**% as to Tier 1**	Amount	% as to industry	% as to Tier 1
Real estate activities	**35,605,186**	**28.89**	**24.64**	38,366,426	26.48	28.64
Agriculture, forestry, and fishing	**31,545,529**	**25.59**	**21.83**	16,304,881	11.26	12.17
Wholesale and retail trade, repair of motor, vehicles, motorcycles	**25,506,126**	**20.69**	**17.65**	47,482,059	32.78	35.45
Arts, entertainment and recreation	**21,464,268**	**17.41**	**14.86**	21,464,268	14.82	16.02
Household consumption	**9,146,945**	**7.42**	**6.33**	–	0.00	0.00
Financial and insurance activities	**–**	**0.00**	**0.00**	5,431,477	3.75	4.06
Construction	**–**	**0.00**	**0.00**	5,756,779	3.97	4.30
Manufacturing	**–**	**0.00**	**0.00**	27,508	0.02	0.02
Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use	**–**	**0.00**	**0.00**	10,030,359	6.92	7.49
Total	**123,268,054**	**100**		144,863,757	100	

The BSP considers the concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital which is equivalent to ₱14,448,031 and ₱13,394,341, as of December 31, 2024 and 2023, respectively.

In 2024, the Bank is exposed to credit risk concentration on wholesale and retail trade, repair of motor, vehicles, motorcycles, real estate activities, arts, entertainment and recreation, and agriculture, forestry, and fishing amounting to more than 10% of Tier 1 Capital.

In 2023, the Bank is exposed to credit risk concentration on wholesale and retail trade, repair of motor, vehicles, motorcycles, more than 30% of the total loan portfolio. The Bank is exposed to credit risk concentration on wholesale and retail trade, repair of motor, vehicles, motorcycles, real estate activities, arts, entertainment and recreation, and agriculture, forestry, and fishing amounting to more than 10% of Tier 1 Capital.

In Philippine Peso

28.04 Breakdown of Total Loans

28.04.01 As to Security

Breakdown of loans as to secured and unsecured, and secured loans as to type of security are disclosed below:

		2024		2023
Secured by real estate mortgage	₱	**100,035,733**	₱	119,322,680
Unsecured		**23,232,321**		25,541,077
	₱	**123,268,054**	₱	144,863,757

28.04.02 As to Status

Breakdown of loans as to performing and non-performing status per product is as follows:

2024		**Performing**		**Non-performing**		**Total**
Loans to individuals for housing purposes	₱	22,449,804	₱	13,155,382	₱	35,605,186
Small enterprises		17,977,718		9,968,567		27,946,285
Medium enterprises		3,216,621		14,806,351		18,022,972
Agrarian reform loans		3,038,468		8,499,215		11,537,683
Microfinance loans		2,767,590		18,241,393		21,008,983
Salary-based general consumptions purposes		1,779,320		7,367,625		9,146,945
	₱	**51,229,521**	₱	**72,038,533**	₱	**123,268,054**

2023		Performing		Non-performing		Total
Loans to individuals for housing purposes	₱	24,834,341	₱	13,532,085	₱	38,366,426
Small enterprises		24,994,223		15,431,375		40,425,598
Medium enterprises		4,895,286		14,806,351		19,701,637
Agrarian reform loans		4,948,562		8,443,074		13,391,636
Microfinance loans		8,180,197		14,767,904		22,948,101
Salary-based general consumptions purposes		7,811,771		2,218,588		10,030,359
	₱	75,664,380	₱	69,199,377	₱	144,863,757

28.05 Information on Related Party Loans

Information on related party loans is disclosed in Note 21.

28.06 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2024 and 2023, no loans receivable was used as a collateral for liabilities, as disclose in Note 10.

28.07 Contingencies and Commitments Arising from Off-balance Sheet Items

The following is a summary of the Bank's contingent accounts arising from off-balance sheet as describe in BSP Circular 1074 as of December 31, 2024 and 2023:

	2024	2023
Items held as collateral	–	64

PACIFIC ACE SAVINGS BANK, INC.
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
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	2024	2023
Total audit fees	**125,000**	117,600
Non-audit service fees:		
Other assurance services	–	–
Tax services	–	–
All other services	–	–
Total non-audit fees	–	–
Total audit fees and non-audit fees	**125,000**	117,600

Audit and non-audit fees of other related entities

	2024	2023
Total audit fees	–	–
Non-audit service fees:		
Other assurance services	–	–
Tax services	–	–
All other services	–	–
Total audit fees and non-audit fees of other related entities	–	–

The amount disclosed are inclusive of VAT and Out-of-Pocket Expenses.

ANNEX 68 - E

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
PACIFIC ACE SAVINGS BANK, INC.
As of December 31, 2024

Ratio	Formula	Current Year	Prior Year
Current ratio	Current Assets / Current Liabilities	110.07%	108.44%
Acid test ratio	Quick Assets / Current Liabilities	107.48%	105.91%
Solvency ratio	Net Income + Depreciation and Amortization / Total Liabilities	2.16%	3.02%
Debt-to-equity ratio	Total Liabilities / Total Equity	551.90%	493.06%
Asset-to-equity ratio	Total Assets / Total Equity	651.90%	593.06%
Interest rate coverage ratio	Earnings before Interest and Taxes / Interest Expense	377.25%	372.21%
Return on equity	Net Income / Average Total Equity	7.57%	10.17%
Return on assets	Net Income / Average Total Assets	1.21%	1.45%
Net profit margin	Net Income / Revenue	27.14%	29.93%