Sun Savings Bank

ANNUAL REPORT 2024

www.sunsavings.ph

Contents

About the Bank

Sun Savings Bank (the "Bank") is a locally incorporated thrift bank established in June 1997, originally operating under the name Urban Corp. Development Bank. In May 2004, the Bank was renamed EIB Savings Bank and, by August of the same year, was granted a Certificate of Authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a thrift bank. During its formative years, under previous ownership, the Bank primarily focused on microfinance lending.

A major milestone was reached in June 2011, when the Bank was acquired by a consortium of seasoned investors with deep expertise in the banking sector. The group is composed of Fleetwood Holdings, Inc. (FHI), Project Quest Corporation (PQC), Santos Gonzalez Hijos, and Navion Capital Resources.

At the time of the acquisition, Sun Savings Bank operated a single branch, with total assets of PHP 69 million, liabilities of PHP 1 million, and equity of PHP 68 million. Following the acquisition, the new management launched a strategic roadmap aimed at transforming the Bank into a leading institution focused on consumer and SME banking. This strategic direction anticipated the evolving landscape shaped by financial technology and the growing shift toward digital banking.

Since then, the Bank has implemented a targeted expansion strategy across Cebu Province. It has opened additional branches and branch-lite units in key cities across both northern and southern Cebu. This expansion has increased the Bank's network to nine locations, reinforcing its commitment to accessible, community-based financial services throughout Metro Cebu and nearby provinces.

In line with its forward-looking strategy, Sun Savings Bank is also accelerating its digital transformation efforts. The Bank continues to invest in strengthening its digital infrastructure to offer secure, seamless, and user-friendly services. Key initiatives include enhancements to its online banking platforms, the introduction of mobile banking solutions, and the integration of new technologies to improve customer experience and streamline transactions.

Corporate Policy

Our Vision

Sun Savings Bank will be the preferred bank for consumers, professionals and entrepreneurs who are looking for rewarding and convenient digital banking services.

Sun Savings Bank aspires to become the preferred banking partner for consumers, professionals, and entrepreneurs by providing rewarding, accessible, and technology-driven financial solutions. As the financial landscape continues to evolve, the Bank is committed to delivering convenient digital banking services that enhance customer experience, promote financial inclusion, and support the diverse needs of its clients.

By leveraging innovation, streamlining processes, and focusing on customer-centric products, Sun Savings Bank aims to simplify day-to-day banking and empower individuals and businesses to achieve their financial goals. Whether through mobile banking, online loan applications, or seamless fund transfers, the Bank ensures that each interaction is efficient, secure, and tailored to the modern lifestyle.

Through this vision, Sun Savings Bank positions itself not only as a provider of financial services but as a proactive partner in the economic journey of its clients, offering value, trust, and a commitment to continuous improvement.

Our Mission

We will achieve our vision through investments in Information Technology (IT), human capital, strategic branch network and product offerings for identified target markets.

Sun Savings Bank is committed to achieving its vision by making strategic investments in key areas that drive sustainable growth and innovation. These include enhancing our Information Technology (IT) infrastructure to deliver secure and efficient digital banking services; developing our human capital to ensure a skilled, motivated, and customer-focused workforce; expanding and optimizing our branch network to improve accessibility and market reach; and offering relevant and responsive financial products tailored to the needs of our identified target markets, including consumers, professionals, and entrepreneurs.

Through these initiatives, the Bank seeks to provide meaningful financial solutions that empower our clients and contribute to inclusive economic development.

Our Core Values

- We consistently uphold our **HEART core values**, which stand for:

- **H:** Honesty, Integrity
- **E:** Excellence
- **A:** Ability and Agility
- **R:** Respect
- **T:** Transparency and Teamwork

- These values form a strong foundation for our success and guide our decisions, actions, and relationships. They define our identity and are reflected in every aspect of our operations. By adhering to these core values, we believe we can continue to deliver exceptional financial services to our valued customers and contribute to the growth and prosperity of the communities we serve.

Our Business Model

Sun Savings Bank remains steadfast in its commitment to delivering **value-for-money financial services** tailored to the needs of **consumers, professionals, and entrepreneurs**. By offering competitive rates, accessible banking solutions, and personalized service, the Bank ensures that its products remain affordable, relevant, and impactful in helping clients achieve their financial goals.

President's Report

Francisco A. Dizon
President & CEO

As we look back on 2024, I am pleased to present an overview of the key milestones that marked another year of progress and resilience for Sun Savings Bank. Throughout the year, the Bank remained focused on its strategic priorities—strengthening core operations, responding to external challenges, and exploring opportunities for sustainable growth.

The succeeding sections of this report highlight the Bank's overall performance in 2024, including significant accomplishments, operational advancements, and key challenges we faced, along with the strategic initiatives we are undertaking to drive future growth. These developments reflect our unwavering commitment to innovation, customer-centric service, and operational excellence.

Looking ahead, the Bank is poised to accelerate its transformation through the rollout of major digital initiatives in 2025. These include the acquisition of our new core banking system, the launch of a next-generation mobile banking app, and the introduction of digital lending solutions—all aligned with our long-term vision of becoming the preferred financial partner for consumers, professionals, and entrepreneurs.

The report concludes with a summary of our financial performance in 2024, which underscores the soundness of our fundamentals and the effectiveness of our strategy. As we move forward, Sun Savings Bank remains dedicated to delivering accessible, secure, and innovative financial services that empower individuals and support the communities we serve.

Financial Condition and Results of Operations in 2024

Sun Savings Bank's financial performance in 2024 highlights its continued growth and commitment to expanding its market presence while maintaining a strong financial position. The main driver of the bank's overall asset growth was the expansion of its loan portfolio, which increased by 13.8%, reaching P3.1 billion by the end of 2024, up from P2.8 billion in 2023. This growth underscores the bank's dedication to providing financial support to its expanding customer base, further solidifying its role in the local financial ecosystem.

On the liquidity side, the bank's liquid assets grew by 10%, totaling P808 million in 2024, compared to P735 million in 2023. This increase not only strengthened the bank's liquidity position but also ensured that it remained well-positioned to manage the rapid expansion of its loan portfolio. The balance between loan growth and maintaining liquidity demonstrates the bank's effective financial management and prudent risk approach.

The expansion in assets was primarily funded by a 24% rise in total deposits, which reached P2.6 billion by year-end 2024, up from P2.1 billion in 2023. Sun Savings Bank continues to attract new depositors by offering competitive interest rates and a diverse range of deposit products tailored to customer needs. Additionally, the bank has effectively managed its medium-term bank loans, ensuring its funding sources remain sustainable and aligned with its long-term growth strategy.

To strengthen its capital base and support future growth, Sun Savings Bank's shareholders' equity increased by 16%, reaching P629 million in 2024, up from P542 million in 2023. This resulted in a strong Capital Adequacy Ratio of 16.2%, significantly exceeding the Bangko Sentral ng Pilipinas (BSP) minimum requirement of 10%. This solid capital position underscores the bank's resilience and its ability to navigate changing market conditions.

In terms of profitability, the bank's net income grew to P86.9 million in 2024, reflecting steady revenue growth and effective cost management. The result was a return on equity (ROE) of 14.83%, demonstrating the bank's ability to generate value for its shareholders. This increase in net income supports the bank's ongoing investment in both expansion and digital transformation initiatives, aimed at enhancing customer experience and operational efficiency.

As part of its growth strategy, Sun Savings Bank continued to open new branch-lite units in Cebu : one opened in Bogo City in September 2024 and another is scheduled to open in Moalboal in May of 2025. These new branch-lite units mark a significant step in the bank's regional expansion, bringing its total number of banking offices in Cebu to nine. This expansion aligns with the bank's strategy to increase its presence in key local markets and serve a wider range of customers.

Overall, Sun Savings Bank's performance in 2024 reflects a solid financial position, driven by strong asset growth, effective liquidity management, and a robust capital foundation. With a continued focus on expansion, profitability, and digital transformation, the bank is well-positioned for ongoing success in the years ahead.

Operational Highlights

- **Streamlining Operations through Loan Origination System (LOS):**

  In line with its commitment to improving service delivery and operational efficiency, Sun Savings Bank continued to develop a Loan Origination System (LOS) which is expected to be launched in February 2025. This digital platform will significantly streamline the loan application and approval process, reducing the average processing time per client from one hour to just 15 minutes. The LOS enhances client experience, minimizes manual intervention, and strengthens internal controls in loan processing.

- **Strong Deposit and Loan Portfolio Growth**

  The Bank continued to demonstrate resilience and market relevance with robust growth in both its deposit base and loan portfolio in 2024.

The performance reflects the Bank's deep customer relationships, continued trust from its core market, and effective credit strategies despite a competitive landscape.

	2024	2023	GROWTH
Total Deposits	2,628.95 M	2,116.95 M	24%
Time Deposits	2,376.68 M	1,907.12 M	25%
DepEd Salary Loans			
APDS Loan	3,045.69 M	2,717.84 M	12%
New Teachers Loan	152.12 M	78.63 M	93%
Total	3,197.81 M	2,796.47 M	14%

- **New CBS Migration**

  During the year, the Bank went through a process of evaluating various core banking systems that would enable it to operate as a hybrid bank offering both in-person and digital banking services and products. Finally, on December 26, 2024, Sun Savings Bank signed the contract for its Core Banking System migration with M2P Limited (India), which offered the most robust and flexible digital banking solution. This mark a significant milestone of the digital transformation journey. The migration commenced in January 2025, paving the way for enhanced digital banking products, streamlined services, and more efficient operations—strengthening the Bank's competitiveness and service delivery.

- **Sustainability Initiatives**

  Sun Savings Bank advanced its commitment to ESG principles by implementing paperless loan releases for DepEd salary loans—a move that promotes environmental sustainability, expands financial inclusion, and enhances governance through greater operational efficiency and transparency.

Challenges and Opportunities

Challenges:

Sun Savings Bank faced several external challenges in 2024 that impacted its operations and strategic targets. A significant concern was the delay in the announcement and implementation of salary increases for Department of Education (DepEd) teachers, originally expected in January–February 2025 but postponed to August–September 2025. This affected the borrowing capacity and overall liquidity of a substantial segment of the Bank's client base. Additionally, the Bank experienced pressure from ongoing loan redemptions as competitor banks—particularly larger institutions—offered lower interest rates and aggressive refinancing programs. These banks also introduced more competitive rates on time deposit products, attracting rate-sensitive depositors. Moreover, the continued migration of teachers abroad contributed to a contraction in the Bank's core market, posing long-term implications for loan demand and deposit mobilization.

Opportunities:

Amid ongoing challenges in the financial sector, Sun Savings Bank recognizes emerging opportunities that can drive growth, innovation, and long-term sustainability. A key development is the broader public acceptance and increased use of digital services, fueled by evolving consumer preferences and the growing demand for convenience, speed, and 24/7 access to financial solutions. This behavioral shift presents a timely and strategic opportunity for the Bank to fast-track its digital transformation agenda.
Central to this initiative is the ongoing migration to a more sophisticated core banking system, which will enable the seamless integration of various digital services. This foundational upgrade will support the development and rollout of mobile banking applications, online loan application platforms, and electronic fund transfer capabilities. By adopting a more agile and scalable technology infrastructure, the Bank will be positioned to enhance customer experience, improve operational efficiency, reduce transaction costs, and expand its reach beyond its traditional client base.

Furthermore, this transformation aligns with the Bangko Sentral ng Pilipinas' (BSP) push for greater digital financial inclusion, opening doors to potential fintech partnerships and innovative service delivery models. Through these advancements, Sun Savings Bank aims to remain competitive and relevant in a rapidly evolving financial landscape while continuing to serve its core market with excellence.

Strategic Initiatives

- **Driving Digital Transformation**

In pursuit of its vision to become a preferred provider of convenient and rewarding digital financial services, **Sun Savings Bank** has embarked on a comprehensive digital transformation journey. These initiatives aim to modernize operations, expand access, and enhance the overall customer experience.

- **Core Banking System Modernization**

  The Bank has initiated the **upgrade of its legacy core banking system** to a **modern, cloud-based platform**. This strategic shift will enable faster product deployment, real-time data processing, and seamless **API integration**, paving the way for future-ready digital services and improved operational efficiency.

- **Sun Savings Bank Mobile App**

  A new and improved **mobile banking app** is in development, designed to provide customers with a s**treamlined digital experience**. The app will support **online account onboarding**, **deposits**, **fund transfers**, **bill payments**, and other essential financial transactions—all from the convenience of a smartphone.

- **Digital Consumer Credit Expansion**

  To serve the evolving needs of consumers, the Bank is exploring the **launch of Buy Now, Pay Later (BNPL)** and **Earn Wage Access** loans through **strategic partnerships and platforms**. This will allow Sun Savings Bank to expand its lending footprint and offer flexible credit options to a broader segment of the market.

- **ESG Initiatives**

Sun Savings Bank recognizes the importance of environmental, social, and governance (ESG) principles in driving sustainable development and long-term stakeholder value. In line with this, the Bank has initiated and continues to strengthen the following programs:

- **Environmental Stewardship**

  Paperless Banking

  Sun Savings Bank has taken initial steps toward more sustainable operations through the implementation of paperless loan releases, particularly for DepEd salary loans. This initiative contributes to reducing paper usage and environmental impact while streamlining processes for greater efficiency. The Bank continues to explore digital solutions that support its broader sustainability goals.

- **Social Responsibility**

  Employee Wellness Programs
  Sun Savings Bank supports the holistic well-being of its employees through wellness activities,

including physical and mental health programs. These initiatives promote work-life balance, increase productivity, and contribute to a more resilient workplace culture.

Community Engagement

Staying true to its commitment to serve and uplift communities, the Bank partners with the Department of Education (DepEd) to support public school initiatives such as Brigada Eskwela and youth sports programs like Futsal tournaments. These efforts reflect the Bank's dedication to education, youth development, and social inclusion.

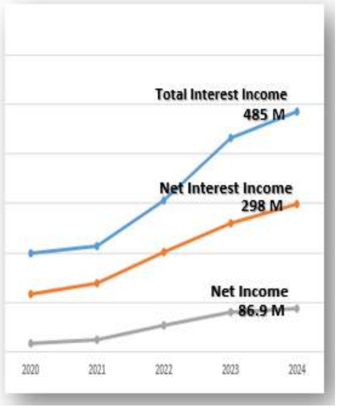
- **Good Governance**

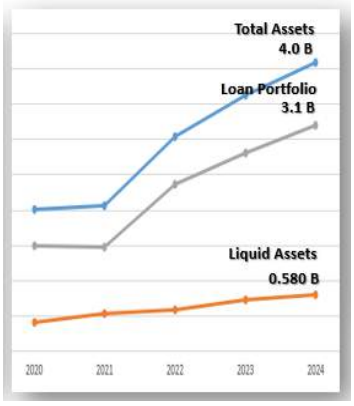
  The Bank continuously strengthens its governance framework through robust internal controls, enhanced fraud prevention mechanisms, and transparent policies in loan approvals, investments, and financial reporting. These practices ensure integrity, accountability, and regulatory compliance across all levels of the organization.

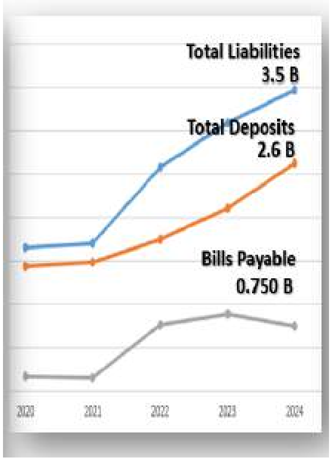
Financial Highlights

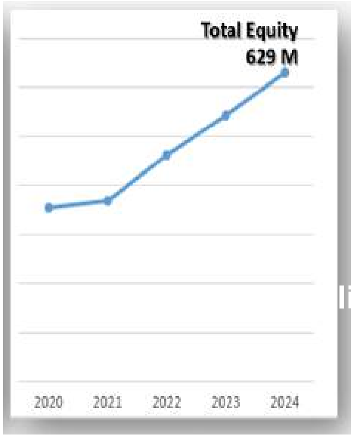
In Million Pesos	2024	2023	2022
Profitability			
Total Interest Income	485.5	432.6	305.2
Total Interest Expense	187.5	172.0	103.3
Net Interest Income	298.0	260.6	201.9
Net Income	86.9	79.1	53.6
Balance Sheet			
Total Assets	4,090.4	3,636.3	3,048.1
Total Liquid Assets	808.0	735.6	583.1
Gross Loans	3,196.3	2,809.6	2,368.2
Provision for Credit Loss	66.9	61.6	40.1
Total Liabilities	3,461.0	3,094.0	2,585.7
Deposits	2,629.0	2,116.9	1,755.7
Bills Payable	749.9	894.4	760.6
Total Equity	629.4	542.3	462.4
Key Ratios*			
	2024	2023	2022
Return on Assets (ROA)	2.25%	2.37%	2.09%
Return on Equity (ROE)	14.83%	15.75%	12.89%
Net Interest Margin	8.08%	8.21%	8.39%
NPL Ratio	2.76%	3.76%	2.79%
Loan Coverage Ratio	68.56%	57.62%	60.03%
MLR	23.92%	32.08%	20.74%
Capital Adequacy Ratio	16.27%	16.02%	16.96%
Cost to Income Ratio	62%	61%	64%

*Audited









Bank Employees Headcount

As of December 31, 2024, Sun Savings Bank has a total of **98 employees**, distributed across head office and branch operations. The Bank continues to align its workforce size and capabilities with its strategic objectives and operational needs.

Staff

2024: 55
2023: 49
2022: 43

Officers

2024: 43
2023: 40
2022: 37

Enterprise Risk Management Framework

Overall Risk Management Culture and Philosophy

Bank-Wide Risk Governance Structure and Risk Management Process

Sun Savings Bank recognizes that risk-taking is integral to achieving its strategic goals. However, risks must be prudently identified, assessed, monitored, and managed in line with the Bank's risk appetite, which serves as a cornerstone of its Risk Management Framework.

Risk Appetite

The Bank's risk appetite defines the types and levels of risk it is willing to accept in pursuit of its business objectives, while maintaining financial soundness, regulatory compliance, and stakeholder confidence. It is reviewed periodically and approved by the Board of Directors. In setting the risk appetite, the Bank considers a range of factors, including capital adequacy, earnings targets, liquidity profile, market conditions, and internal risk capacity. The risk appetite is translated into operational limits and thresholds covering various risk categories such as credit, liquidity, market, operational, compliance, IT, legal, and reputational risks. These parameters serve to guide management in strategic decision-making, business planning, and daily operations.

Governance Structure and Roles & Responsibilities

The Board of Directors (BOD) holds ultimate accountability for risk oversight and sets the tone at the top. It is responsible for approving the Bank's overall risk appetite, risk management policies, and strategic direction. The BOD is supported by several board-level committees and senior management as follows:

- **Board of Directors (as a whole):** Assumes primary responsibility for risk oversight, including review of the Bank's overall risk profile, significant risk exposures, and the adequacy of risk mitigation strategies.
- **Audit Committee:** Supports the BOD by overseeing internal control systems, audit findings, and risk issues raised in internal and external audit reports.
- **Executive Committee (ExCom):** Reviews and approves large exposures, strategic business initiatives, and capital expenditures with significant risk implications.
- **Information Technology (IT) Committee:** Provides governance over technology and cybersecurity risks, ensuring alignment with IT strategies and digital resilience frameworks.
- **Related Party Transactions Management Committee (RPTC)**: Ensures related party transactions are conducted on an arm's length basis, safeguarding the Bank from governance and reputational risks.
- **Compliance and Risk Management Department (CRMD)**: Operates as an independent second line of defense. It is responsible for the day-to-day implementation and monitoring of risk management policies and processes.
- **Chief Compliance and Risk Officer (CCRO):** Leads the CRMU and is responsible for executing the risk management strategy. The CCRO reports functionally to the Board (through direct presentation of risk reports) and administratively to the President & CEO. The CCRO ensures independent risk assessments and timely escalation of material risk issues.

Reporting Lines and Risk Communication

Each business unit is responsible for identifying and managing risks within its respective operations. All risk-related matters are reported directly to the **Compliance and Risk Management Department (CRMD)**, which serves as the central unit for consolidating, monitoring, and reporting risk information.

The CRMD provides regular updates to senior management and the Board on key risk exposures, compliance issues, and notable incidents. Risk reporting includes relevant data and insights to support informed decision-making and ensure alignment with the Bank's risk management objectives.

Scope and Nature of Risk Reporting Systems

The Bank employs a combination of qualitative and quantitative methods to monitor and assess various types of risks, including credit, market, operational, liquidity, compliance, IT/cybersecurity, and reputational risks. Risk exposures are regularly monitored to ensure they remain within acceptable levels and are aligned with the Bank's overall risk appetite. Consolidated risk information is reported to senior management and the Board to support timely and informed decision-making.

1. Credit Risk

Credit Risk refers to the potential that a borrower or counterparty may fail to meet obligations as per agreements. The bank's lending operations adhere strictly to board-approved policies. These policies include setting approval and exposure limits across loan types, borrowers, industries, and securities. Oversight of these limits rests with the President or Treasurer, the Executive Committee (ExCom), and the Board.

A credit risk rating model assesses borrower capacity and determines loan eligibility and provisions. Non-performing and past due loans are monitored monthly. The bank employs a loan review mechanism to enhance credit quality through compliance assessments, risk rating reviews, and timely corrective actions.

Regulatory compliance, including limits on single borrowers and accommodations for directors, officers, stockholders, and related interests (DOSRI), are strictly observed.

2. Market Risk

Market Risk refers to the potential impact on earnings or capital arising from adverse movements in factors affecting the market value of both on and off-balance sheet instruments, products, and transactions. This includes movements in interest rates, foreign exchange rates, credit spreads, equities, and commodities.

Sun Savings Bank effectively manages Market Risk by adhering to investment policies that define volume limits (as a percentage of capital and deposits) and quality thresholds (e.g., credit ratings). Investment decisions are approved by the ExCom and the Board, and are regularly reported to ensure performance aligns with business objectives. The bank's market risk exposure is continuously assessed through regular portfolio reviews.

3. Interest Rate Risk

Interest Rate Risk is the risk to earnings and capital from changes in interest rates that affect the bank's assets and liabilities.

The bank's Interest Rate Risk management strategy focuses on ensuring stable earnings and safeguarding capital from fluctuations in interest rates. The bank monitors changes in Net Interest Income (NII) resulting from interest rate movements, ensuring that any impact remains within acceptable limits relative to total capital. During periods of unusual market conditions, the bank allows temporary deviations in NII, with corrective actions implemented as necessary, subject to senior management approval. This approach ensures effective oversight and the protection of the bank's financial stability amidst interest rate fluctuations.

4. Liquidity Risk

Liquidity Risk pertains to potential earnings or capital impacts from the bank's inability to meet obligations without significant losses. It encompasses managing unplanned funding decreases and market changes affecting asset liquidation.

Sun Savings Bank adheres to stringent liquidity risk management outlined in its Business Continuity and Contingency Manual. Cash flow analysis, forecasting, and compliance monitoring of reserve requirements and liquidity ratios (1%[1] and minimum 20%) are overseen by the accountant and reported to the Treasurer.

5. Operational Risk

Operational Risk refers to potential losses to earnings or capital resulting from fraud, errors, service disruptions, or failures in internal processes. This includes risks arising from inadequate information systems, technology failures, internal control breaches, and unforeseen events.

The bank aims to minimize operational losses by implementing robust internal controls and effective risk mitigation strategies. To ensure this, the bank has set limits where annual operational losses must not exceed 1% of gross income, and system downtime must be kept near zero. The bank also maintains a system availability of 99.5%, ensuring minimal disruption to operations.

To manage Operational Risk, the bank fosters continuous communication and consistency across all business units, ensuring alignment in risk mitigation efforts. Policies and procedures are meticulously defined to address risks related to the bank's operational complexity and diverse product range. The bank's internal audit function actively monitors compliance with these standards. Furthermore, a performance-based compensation scheme is in place to encourage operational excellence and support the bank's overall risk management strategy.

8. Compliance Risk

Compliance Risk arises from violations or non-conformance with laws, rules, regulations, and internal policies. This risk may expose the bank to legal penalties, regulatory sanctions, and reputational harm.

Sun Savings Bank integrates Compliance Risk Management into its daily operations by ensuring that all employees are trained and made aware of relevant legal, regulatory, and ethical standards. The Board oversees annual Compliance Programs designed to promote awareness and compliance across the bank's operations. Regular audits and updates ensure the bank remains compliant with applicable laws.

[1] Reduction in the reserve requirement from 1% to 0% for Time Deposits (TBs), as per BSP Circular No. 1211 dated May 11, 2025.

9. Strategic Risk

Strategic Risk refers to potential losses due to poor business decisions, ineffective strategy implementation, or failure to adapt to industry changes. Sun Savings Bank ensures that its strategic goals align with its resources and market conditions. The bank's leadership works to deploy both tangible and intangible resources efficiently, avoiding overextension or misalignment with the market. By focusing on responsible growth, the bank reduces the risk of overcommitting to high-risk opportunities. Regular monitoring and adjustments allow the bank to stay agile and responsive to changes in the economy, technology, and regulations, ensuring growth is both sustainable and aligned with long-term objectives.

6. Reputation Risk

Reputational Risk arises from negative public opinion, which can significantly affect the bank's ability to establish and maintain relationships with customers, partners, and stakeholders. This type of risk may expose the bank to legal claims, financial losses, and a potential decline in its customer base.

Sun Savings Bank's approach to Reputational Risk Management involves maintaining high ethical standards and transparency in all dealings. The bank places great importance on fostering strong and lasting customer relationships, implementing effective crisis management plans, and proactively engaging with stakeholders to protect its reputation. By consistently monitoring compliance with internal policies and addressing potential concerns before they escalate, the bank ensures that reputational risks are identified and mitigated early. The bank aims to minimize adverse publicity, focusing on protecting customer trust and maintaining strong regulatory relationships. Additionally, the bank's internal processes ensure that customer complaints are managed promptly, and any unresolved issues are addressed with appropriate communication, reinforcing its commitment to excellent customer service and operational transparency.

7. Technology Risk

Technology Risk is closely tied to the efficiency, security, and reliability of the bank's IT infrastructure. To effectively mitigate these risks, the bank adopts a proactive approach, ensuring secure and seamless operations. This includes the use of dedicated data centers that provide offsite backups for core banking systems, safeguarding critical data from potential disruptions. Network security is a top priority, with stringent protocols in place—such as firewalls and password policies—to defend against cyber threats. Additionally, the bank's Internal Audit function conducts regular audits, while the Compliance teams continuously monitor IT operations to ensure full adherence to security standards. This comprehensive framework effectively manages technology risks, ensuring both operational resilience and the protection of customer data.

Bank-wide Governance and Risk Management

The bank's governance framework supports comprehensive risk management that aligns with its business complexity and strategic goals. Clear policies and limits are communicated throughout all levels of the organization to ensure effective risk identification and assessment. Sun Savings Bank is committed to continuously improving its risk management practices, maintaining a flexible approach to risk mitigation that supports both business objectives and long-term sustainability.

Anti-Money Laundering (AML) Framework

Sun Savings Bank prioritizes strong governance and compliance to prevent Money Laundering (ML) and Terrorist Financing (TF). The bank follows international standards and local laws to maintain a secure financial system.

The Board of Directors leads the Anti-Money Laundering (AML) strategy, supported by the Anti-Money Laundering Compliance Officer, who manages the AML program. The bank fosters a culture of compliance by educating staff on their role in preventing financial crime, with regular training and a system for reporting suspicious activity.

The bank’s AML Risk Management Framework includes:

1. **Customer Due Diligence (CDD)**: The bank verifies clients' identities and business activities. Higher-risk customers face more scrutiny.
2. **Transaction Monitoring:** Transactions are closely monitored, and any suspicious activity is flagged for further investigation. This includes tracking Covered Transactions (CTR) and Suspicious Transaction Reports (STR).
3. **Record-Keeping and Reporting**: The bank keeps detailed records and submits required reports to regulators like the AMLC and BSP.
4. **Ongoing Monitoring**: The bank regularly reviews its AML efforts to address emerging risks and regulatory changes.
5. **Internal Audits**: Regular audits assess the AML program’s effectiveness and make improvements where needed.
6. **Collaboration with Authorities**: The bank works with regulatory bodies like the BSP and AMLC to stay up to date on regulations and assist with investigations.

Corporate Governance

The Board of Directors of Sun Savings Bank is committed to achieving long-term success by upholding effective governance practices that promote continuity, accountability, and strategic oversight. The Bank operates within a sound corporate governance framework that ensures transparency, integrity, and the protection of stakeholder interests.

Sun Savings Bank is governed by a seven-member Board of Directors, three (3) of whom are independent directors, duly re-elected by the stockholders during the Annual Stockholders' Meeting held on April 26, 2024. The Board is responsible for establishing the Bank's strategic direction, ensuring effective supervision of management, and maintaining adequate control mechanisms, with the overarching goal of enhancing shareholder value and ensuring institutional sustainability.

The Bank promotes a culture of ethical conduct and responsibility, guided by its Board-approved Code of Conduct. All directors are expected to perform their fiduciary duties with integrity, diligence, and independence of judgment.

Board and Senior Management Selection Process

The Bank has established a structured process for identifying, assessing, and appointing members of the Board of Directors and Senior Management. This process ensures the consistent application of the "fit and proper" standards in line with the provisions of RA 8791, the Manual of Regulations for Banks (MORB), and relevant BSP circulars.

1. **Identification and Nomination**

   The nomination of directors is coordinated by the Board of Directors in consultation with the Corporate Secretary and relevant officers, based on pre-established qualification standards. These include academic credentials, leadership experience, industry expertise, and familiarity with banking, finance, risk management, or corporate governance.

   For senior management positions, the President/CEO, in coordination with the Human Resources and Compliance Department, identifies qualified candidates through internal promotions, succession planning, or external recruitment, subject to the fit and proper criteria prescribed by regulations.

2. **Fit and Proper Standards Assessment**

   All candidates for the Board and senior management roles are subject to a rigorous assessment of their "fit and proper" qualifications. These include:
   - Integrity, probity, and good moral character
   - Physical and mental fitness
   - Relevant educational background, financial literacy, and specialized training
   - Professional competence, including experience, leadership ability, and independence of mind
   - Commitment of sufficient time and attention to perform responsibilities effectively

3. **Due Diligence and Background Checks**

   The Bank undertakes background investigations and reference checks to verify the professional history and reputation of the candidates. This includes screening for any history of administrative, criminal, or civil liability, especially in relation to regulatory compliance or governance breaches.

4. **Approval and Appointment**

   The final list of nominees for the Board of Directors is prepared in coordination with the Corporate Secretary and relevant officers, and is submitted to the Board for review. Where applicable, the nominees are presented to the stockholders for election during the Annual Stockholders' Meeting. Appointments to senior management positions are reviewed and endorsed by the President/CEO and are subject to the approval of the Board of Directors.

5. **Ongoing Evaluation and Governance Training**

   Directors and senior management are required to attend corporate governance training programs in accordance with BSP regulations. The Bank also conducts regular performance assessments and compliance monitoring to ensure that appointed individuals continue to meet fit and proper standards throughout their tenure.

Board Qualification

In compliance with Republic Act No. 8791 and the Manual of Regulations for Banks, Sun Savings Bank evaluates its Board of Directors and senior management according to the minimum qualifications set by the BSP and applicable laws. These standards are periodically reviewed and enhanced to reflect changes in regulatory expectations and the evolving needs of the institution.

Chairman of the Board

The Chairman of the Board plays a vital role in ensuring the overall effectiveness, unity, and strategic focus of the Board of Directors. He leads the Board in defining the Bank's long-term direction while upholding the principles of sound corporate governance. The Chairman is responsible for setting the agenda of Board meetings, ensuring that strategic issues and governance priorities are adequately addressed. He facilitates active participation and meaningful engagement among directors, fostering an environment of open and constructive dialogue. The Chairman also ensures that all Board members receive accurate, timely, and relevant information to support informed decision-making. He promotes the consideration of diverse perspectives, including dissenting views, to enhance the quality of deliberations. Additionally, the Chairman oversees the orientation program for newly elected directors and supports continuous governance training to strengthen Board competence. He also leads the conduct of the annual performance evaluation of the Board, ensuring a process of continuous improvement and accountability.

Board Level Committees

To support the effective discharge of its oversight functions and enhance governance efficiency, the Board of Directors of Sun Savings Bank has constituted several specialized committees. Each committee operates under a formal charter approved by the Board, with clearly defined mandates, responsibilities, and authority. These committees provide focused attention to specific areas of governance and play a critical role in upholding the Bank's sound corporate governance practices.

Each Board-level committee is composed of qualified directors with the necessary expertise and experience to competently perform their oversight responsibilities. The committees convene regularly and submit reports and recommendations to the full Board, thereby enabling timely, well-informed decision-making and reinforcing the Bank's commitment to effective governance.

Executive Committee

FRANCISCO A. DIZON
Chairman

CATALINO S. ABACAN
Member

AUGUSTO S. GONZALEZ
Member

The Executive Committee acts on behalf of the Board during the interim periods between regular Board meetings. It exercises authority delegated by the Board to manage and oversee the Bank's affairs in accordance with the Bank's By-laws and within the limits prescribed by law and applicable regulations. The Committee is tasked with addressing significant matters, including key operational policies and major credit exposures, subject to subsequent ratification by the full Board.

Audit Committee

CATHERINE M. CHEUNG
Chairman

CATALINO S. ABACAN
Member

RENATO S. GONZALEZ, JR.
Member

The Audit Committee is composed of three (3) members of the Board of Directors, all of whom are non-executive directors.

The primary functions of the Audit Committee are guided by Section 133 of the Manual of Regulations for Banks (MORB) and include the following:

1. **Oversee the Financial Reporting Framework:**
   The Committee supervises the financial reporting process, practices, and controls to ensure that the Bank's reporting framework facilitates the preparation of accurate, timely, and comprehensive financial information.

2. **Monitor Internal Controls:**
   It evaluates the adequacy and effectiveness of the Bank's internal control systems to safeguard assets and ensure compliance with policies and regulations.

3. **Oversee the Internal Audit Function:**

   The Committee is responsible for the appointment, remuneration, and dismissal of the internal auditor. It reviews and approves the audit scope, frequency, and plans to ensure thorough coverage of the Bank's operations.

4. **Oversee Implementation of Corrective Actions:**

   Upon receiving key audit reports, the Committee ensures that senior management takes prompt and appropriate corrective actions to address identified weaknesses, non-compliance issues, and other audit findings.

5. **Investigate Significant Issues:**

   The Committee has explicit authority to investigate any matter within its terms of reference. It has full access to and cooperation from management and may invite any director or executive officer to attend its meetings as necessary.

6. **Establish Whistleblowing Mechanism:**

   The Committee establishes and maintains confidential channels through which officers and staff can report concerns about potential improprieties or malpractices related to financial reporting, internal controls, auditing, or other issues. It ensures that these concerns are independently investigated, with appropriate follow-up and resolution.

IT Committee

The IT Committee plays a crucial role in several key areas. It assists in developing and reviewing the bank's IT strategy to ensure alignment with business goals and effective support from IT investments. The committee oversees governance frameworks, ensuring robust policies, procedures, and controls are in place to manage IT risks, including cybersecurity and data privacy. It actively manages IT-related risks and monitors performance through KPIs, ensuring IT systems and projects operate effectively. Compliance with laws and regulations is rigorously maintained, with regular audits and reviews conducted. Additionally, the committee reviews and approves major IT investments and budgets, aligning resources with strategic priorities. It also guides digital transformation initiatives, leveraging new technologies to enhance operational efficiency and customer experience. Finally, the committee provides transparent and accountable reporting to the Board on significant IT projects, risks, and compliance matters.

Related Party Transaction (RPT) Management Committee

Sun Savings Bank adheres to a policy ensuring that related party transactions (RPTs) are conducted transparently and on an arm's length basis, free from abuse and disadvantageous outcomes for the Bank, its depositors, creditors, and stakeholders. The Management RPT Committee oversees and implements effective control systems to manage these transactions.

Transactions below the materiality threshold, excluding Directors, Officers, Stockholders, Related Interests (DOSRI) transactions, are approved by the Management RPT Committee, subject to confirmation by the Board of Directors. Transactions exceeding the materiality threshold require direct Board approval.

Responsibilities of the Management RPT Committee include:

- Continuously evaluating existing relationships among businesses and counterparties to identify related parties, monitor RPTs, and capture changes in counterpart relationships (from non-related to related and vice versa). These details are reflected in relevant reports to the Board and regulatory bodies.
- Evaluating all significant RPTs to ensure they do not favor related parties economically more than transactions with non-related parties under similar circumstances. This evaluation ensures no misappropriation or misapplication of the Bank's corporate resources and identifies potential reputational risks associated with these transactions.
- Ensuring appropriate disclosure and providing information to regulatory and supervisory authorities regarding the Bank's RPT exposures and policies on conflicts of interest. This includes managing conflicts inconsistent with policies and those arising from the Bank's affiliations or transactions with related parties.
- Regularly reporting to the Board of Directors on the status and aggregate exposures to each related party, as well as the total exposures to all related parties.
- Ensuring RPT transactions are included in the Internal Auditor's periodic reviews.
- Verifying the implementation of systems for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

Committee composition:

Chairman:	Francisco A. Dizon
Members:	Augusto S. Gonzalez
	Metchell C. Abarquez, Accounting Manager

Board of Directors

CATALINO S. ABACAN, Chairman of the Board | FRANCISCO A. DIZON, Director | AUGUSTO S. GONZALEZ, Director | CARISSA ANNA G. DIZON, Director | RENATO S. GONZALEZ, JR., Director | CATHERINE M. CHEUNG, Independent Director | NOEL A. SANTIAGO, Independent Director

CATALINO S. ABACAN
Chairman of the Board

Mr. Catalino S. Abacan was appointed as a director of Sun Savings Bank in December 2019, and subsequently elected Chairman of the Board on January 2, 2020. He previously served as an Independent Director on the Board of Robinsons Bank Corporation, a commercial bank within the Gokongwei Group. He held key positions on several committees there, including Chairperson of the Audit Committee, Vice-Chairperson of the Risk Oversight Committee, and Member of the Related Party Committee.

Before joining Sun Savings Bank, Mr. Abacan served as the former President & CEO of City Savings Bank, a thrift bank subsidiary of Union Bank of the Philippines (UBP) and a member of the Aboitiz Group.

Mr. Abacan began his career in 1975 at the Philippine Banking Corporation (PhilBank), starting as a Credit Investigator/Appraiser and progressing to Head of the Credit Investigation & Appraisal Unit. He later moved into Branch Operations as Manager and then became an Area Manager for Manila branches. His final position at PhilBank was Vice-President & Group Head for Operations of Transaction Banking (Loans & International), Foreign Currency Deposit Unit, and Treasury.

In 1994, Mr. Abacan joined Lippo Bank of Indonesia as Vice President for Operations of their Manila Offshore Banking Unit and played a significant role in establishing a Lippo Bank branch in Cambodia.

In 1997, he joined Union Bank of the Philippines (UBP) as VP/Region Service and Operations Head of North Luzon branches. He subsequently held various senior positions at UBP, including VP/Operations Head of UBP Visa Credit Card Unit, Head of Liabilities Products, Branches Operations & Credit Card Operations, and Executive Vice-President of the Channel Management Center until 2014.

In 2013, Mr. Abacan was appointed Vice Chairman of the Board of City Savings Bank, and later became its President/CEO in 2014. He was then transferred as President/CEO of PR Savings Bank in 2018 to oversee its merger with City Savings. After the merger was completed in February 2019, he served as Senior Adviser to the Board of City Savings Bank until his retirement on October 31, 2019.

Mr. Abacan graduated with Latin honors from the University of the East with a degree in Bachelor of Science in Business Administration (BSBA) Major in Accounting, and passed the CPA Board in 1975. He also completed the academic requirements for a Masters in Business Administration at the Ateneo Graduate School of Business in 1978.

FRANCISCO A. DIZON
Director
President & CEO

Mr. Francisco A. Dizon currently serves as the President and CEO of Sun Savings Bank. Concurrently, he holds the positions of Chairman and President at Pacific Northstar Inc. (PNI) and Project Quest Corp., the investment fund organized by PNI. Additionally, Mr. Dizon is Chairman of BPO International and Phoenix One Knowledge Solutions. He also serve as an Independent Director of Makati Medical Center and Semirara Mining and Power Corp.

Mr. Dizon's extensive banking career includes significant leadership roles. In the year 2000, he was elected as a Director of the Philippine National Bank and later appointed Chairman of the Board, serving from 2001 to 2005. Prior to this, he served as the President and CEO of Rizal Commercial Banking Corporation from 1997 to 2000. Before his tenure at RCBC, he was President and CEO of Asian Bank Corporation.

Mr. Dizon also played a pivotal role as Vice-Chairman and President of AB Capital Investment Corporation, which he helped establish in 1980. During the 1980s and 1990s, AB Capital Investment Corporation and its subsidiary Anscor Hagedorn Securities were prominent Philippine investment banks and stock brokerage firms. He also served as a Director of Ayala Property Ventures Corp. in 1987 and of Cebu Holdings Inc. from 1988 to 1994, the developer of Cebu Business Park.

Mr. Dizon holds a Master's in Business Administration (MBA) from the Asian Institute of Management and earned his Bachelor's degree from the Ateneo de Manila University.

AUGUSTO S. GONZALEZ
Director
Executive Vice President & Treasurer

Mr. Augusto Gonzalez holds the positions of Executive Vice President, Treasurer, and Director at Sun Savings Bank. Additionally, he serves as Vice President of PNI and is involved in significant advisory transactions, including the sale of Prudential Bank and Citytrust Banking Corporation. Mr. Gonzalez also holds directorships at Project Quest Corp., Pointwest Technologies, and Phoenix One Knowledge Solutions.

Before joining PNI, Mr. Gonzalez held the role of Senior Manager at AB Capital and Investment Corporation, where he managed various debt and equity underwriting transactions. Prior to that, he worked as a Corporate Finance Analyst at SGV & Company.

Mr. Gonzalez obtained his MBA from Northwestern University and earned his Bachelor's degree from the Ateneo de Manila University.

The Santos family, of which Mr. Gonzalez is a member, formerly owned Prudential Bank, which was acquired by the Bank of the Philippine Islands (BPI) in 2005. Additionally, the Santos Family co-owned the former Pilipinas Bank building on 111 Paseo de Roxas with BPI; however, the family bought out BPI's share in 2012.

CARISSA ANNA G. DIZON
Director

Ms. Carissa G. Dizon was elected as Director on October 21, 2021, after previously serving as Senior Adviser to the Board. Her extensive experience in marketing and technology will be instrumental as Sun Savings Bank aims to expand its digital banking offerings and scale its customer base.

Ms. Dizon joined Google in 2012, where she led product marketing for Hardware, Android, Retail, and Chrome OS across Asia Pacific, and also served in Strategy & Operations for the marketing function. Recently, she held the position of Director of Business & Operations for the Next Billion Users team, overseeing Google's business strategy in Africa. Prior to Google, Ms. Dizon held marketing leadership roles at Procter & Gamble in Singapore and Nokia in Singapore, Bangkok, and Sydney.

Ms. Dizon holds a bachelor's degree from Yale University and a Master of International Affairs from Columbia University's School of International and Public Affairs.

RENATO S. GONZALEZ, JR.
Director

Mr. Renato S. Gonzalez was appointed Senior Adviser to the Board on April 29, 2021, and elected Director of the bank on October 21, 2021. He graduated from Ateneo De Manila University with a degree in Legal Management and brings extensive experience in retail, consumer behavior, and retail operations.

Before joining Sun Savings Bank, Mr. Gonzalez served as a Supervisor at Landco Pacific Corporation and an Account Officer at All Asia Capital. Currently, he holds the position of Purchasing and Leasing Manager at Grand Union Supermarket, Inc. His deep understanding of consumer behavior, particularly in the Philippine middle-class market, is invaluable as the Bank expands its reach through initiatives such as its mobile app, SME loans, and private sector salary loans.

Mr. Gonzalez possesses expertise in retail payments and has experience with various payment platforms used by consumers for purchasing goods and services. His insights will significantly contribute to the Bank's strategies involving Instapay and other upcoming digital platforms.

With substantial experience and established relationships in the real estate industry, Mr. Gonzalez played a pivotal role in expanding the branch network of Grand Union Supermarkets. He is well-versed in the market potential of locations in the NCR Plus areas (Laguna, Batangas, Bulacan, Cavite), which collectively contribute 60% to the country's GDP.

CATHERINE M. CHEUNG
Independent Director

Ms. Catherine M. Cheung was appointed as an Independent Director of Sun Savings Bank, Inc. in August 2022. A Certified Public Accountant, she graduated cum laude with a Bachelor's Degree in Accountancy from the University of San Carlos – Cebu in 1982.

With nearly four decades of experience in banking, Ms. Cheung has held leadership roles in sales, operations, and loans across major financial institutions. Before joining Sun Savings, she served as Senior Vice President and Salary Loans Business Head at City Savings Bank, where she led core sales activities for the public school teachers' loan market across Luzon, Visayas, and Mindanao.

Prior to her tenure at City Savings, Ms. Cheung spent 30 years at Union Bank of the Philippines, holding key positions including First Vice President, Team Head for Visayas, and concurrent Sales Director for Metro Cebu (Retail Banking). She also served as Regional Service Operations Officer for Cebu and Visayas and Senior Commercial Loans Officer for the region.

Her extensive expertise and leadership contribute to the growth and strategic direction of the bank.

NOEL A. SANTIAGO
Independent Director

Mr. Noel A. Santiago assumed the role of Independent Director at Sun Savings Bank, Inc. in February 2023. He is also the Executive Vice Chairman of Zip Technologies, a Fintech company that focuses of digital and payment solutions for the financial services sector.

He was the Chief of Party of USAID (United States Agency for International Development) leading a national digital transformation program for the Small Medium Enterprise industry. He was also previously the Chief Executive Officer (CEO) of SXI Solutions Exchange, Inc., overseeing the Philippines and ASEAN operations.

Prior to that, Mr. Santiago held the position of Senior Vice President and Chief Digital Officer at (BPI) Bank of the Philippine Islands, where he spearheaded the bank's Digital Transformation and Payments Strategies.

Mr. Santiago has also contributed his expertise as a Member of the Board of Directors for several companies, including Bancnet, HCX Technologies, and Cartera. He notably served as the Risk Committee Chairman at Bancnet.

In addition, Mr. Santiago played a crucial role as a member of the Leadership Committee for the country's Automated Clearing Houses (ACH), namely Instapay and Pesonet. His leadership was instrumental in driving the implementation of the National Retail Payment System roadmap, a significant initiative of the Bangko Sentral ng Pilipinas. Concurrently, he chaired the Operations Committee at Instapay ACH.

With extensive regional experience, Mr. Santiago has held key positions at two of Asia's largest regional banks, Development Bank of Singapore and United Overseas Bank, based in Singapore. His contributions were pivotal in advancing digital innovations in the banking sector, including direct debit payments, multi-factor security authentication, and mobile banking solutions. He has also authored position papers on Electronic Banking and Payment Services, the Basic Banking Act, Multi-Purpose Card Payments, Shared ATM and Payment Services for Qualifying Foreign Banks, and National Chip Card conversion, contributing to regulatory discussions.

Mr. Santiago is a sought-after speaker and resource person at industry conferences and publications, leveraging his deep insights and experience.

He has completed Executive Leadership Programs at INSEAD (Institut Européen d'Administration des Affaires), Harvard Business School Executive Program, and Macquarie Graduate School of Management. Mr. Santiago earned his Bachelor's Degree in History and Political Science from De La Salle University in 1986.

Board Composition, Representation, and Meeting Attendance

As of December 31, 2024, the Board of Directors of Sun Savings Bank was composed of seven members, including executive, non-executive, and independent directors. The Bank confirms that the following directors represent principal stockholders as nominees:

- **Mr. Francisco A. Dizon** – Nominee of **Fleetwood Holdings Inc.** and **Project Quest Corp.**, principal stockholders of the Bank.
- **Mr. Augusto S. Gonzalez** – Nominee of **Santos Gonzalez Hijos, Inc.** and **Navion Capital Resources, Corp.**, also principal stockholders of the Bank.

Board Composition

Director	Type of Directorship	Stockholdings (No. of Shares)	Years of Service
Catalino S. Abacan	Independent Director	1	5
Francisco A. Dizon	Executive Director	1	13
Augusto S. Gonzalez	Executive Director	1	13
Carissa Anna G. Dizon	Non-Executive Director	1	3
Renato S. Gonzalez, Jr.	Non-Executive Director	1	3
Catherine M. Cheung	Independent Director	1	3
Noel A. Santiago	Independent Director	1	2

Board Meeting Attendance

Director	Number of Regular Meetings Attended	Attendance Rate	Number of Special Meetings Attended	Attendance Rate
Catalino S. Abacan	6 out of 6	100%	1 out of 1	100%
Francisco A. Dizon	6 out of 6	100%	1 out of 1	100%
Augusto S. Gonzalez	6 out of 6	100%	1 out of 1	100%
Carissa Anna G. Dizon	6 out of 6	100%	1 out of 1	100%
Renato S. Gonzalez, Jr.	6 out of 6	100%	1 out of 1	100%
Catherine M. Cheung	6 out of 6	100%	1 out of 1	100%
Noel A. Santiago	6 out of 6	100%	1 out of 1	100%

Board Committee Attendance

Director	Audit Committee		Executive Committee		IT Committee	
	Attendance	%	Attendance	%	Attendance	%
Catalino S. Abacan	7	100%	11	100%	6	100%
Francisco A. Dizon			11	100%	6	100%
Augusto S. Gonzalez			11	100%	4	67%
Carissa Anna G. Dizon						
Renato S. Gonzalez, Jr.	7	100%				
Catherine M. Cheung	7	100%				
Noel A. Santiago					5	83%

Performance Assessment Program

Sun Savings Bank conducts an annual performance evaluation of its Board of Directors, Senior Management, and all employees to ensure alignment with the Bank's strategic objectives, risk posture, and overall organizational effectiveness. This structured evaluation process reflects the Bank's commitment to sound corporate governance, accountability, and continuous improvement.

The assessment process is guided by the Bank's strategic priorities, which focus on four core dimensions: Financial performance, Customer satisfaction, Operational efficiency, and Employee development. These priorities serve as the basis for translating the Bank's vision and mission into actionable goals and measurable outcomes.

- **For the Board and Senior Management**, the evaluation considers their contributions to strategic oversight, governance functions, and risk management. Assessments are facilitated by the Corporate Secretary and include self-evaluations.
- **For employees**, performance is reviewed annually by direct supervisors based on key performance indicators (KPIs) tied to individual responsibilities, departmental targets, and the Bank's broader strategic direction. Both quantitative results and qualitative competencies are considered to foster a balanced performance culture.

Evaluation outcomes are used to support employee development, succession planning, and performance-based rewards, reinforcing alignment with the Bank's long-term goals and commitment to responsible banking.

Orientation and Education Program:

The bank provides comprehensive orientation and ongoing training for new employees to equip them with necessary knowledge and skills for their roles. Training programs are regularly updated to keep employees informed about changes in banking regulations.

Retirement and Succession Policy

Retirement Policy:

Sun Savings Bank adheres to a retirement age requirement of sixty-five (65) years old, extendable with board approval. The bank's succession plan anticipates the retirement of critical officers by preparing a pool of employees to fill these vacancies.

Succession Policy

Sun Savings Bank implements a succession management planning process to ensure organizational capability and uninterrupted business continuity. The objective is to develop a robust leadership pipeline comprising current and prospective talents.

Vacancies - Board of Directors:

Any vacancy in the Board of Directors may be filed by the majority vote of all remaining members, if still constituting a quorum. If the vote of the remaining members shall result in a tie, the vote of the Chairman of the Board shall cany to break the tie. A director elected to fill such vacancy shall be elected for the unexpired term of his predecessor in office.

Any vacancy in the Board of Directors by reason of removal or increase in the number of directors constituting the Board of Directors shall be filled by election at a regular meeting of the stockholders called for that purpose.

Senior Management and Officers:

Critical positions and key officers at Sun Savings Bank, including potential successors, are carefully identified to ensure operational continuity and sustained business success.

Remuneration Policy

Sun Savings Bank offers competitive compensation packages designed to retain, motivate, and attract highly qualified officers. Salaries are determined based on position, rank, and outcomes of annual performance evaluations. Performance bonuses, including a 13th-month pay, are awarded in compliance with legal regulations. Additionally, directors receive per diems for attending board and committee meetings.

Policy on Related Party Transactions (RPT)

Sun Savings Bank ensures that all Related Party Transactions (RPTs) are conducted in a fair, transparent manner and on an arm’s length basis to protect the interest of the Bank and its stakeholders.

Transactions below the materiality threshold—except those involving Directors, Officers, Stockholders, and Related Interests (DOSRI)—are reviewed and approved by the RPT Management Committee and subsequently confirmed by the Board. Transactions that meet or exceed the materiality threshold are subject to prior review and approval by the Board of Directors.

RPT Materiality Thresholds:

Materiality thresholds are defined and approved by the Board, in accordance with regulatory guidelines. Certain transactions such as deposit relationships, regular trade dealings, and loans granted under BSP-approved fringe benefit programs are considered exempt from regular board-level reporting and approval.

Material RPTs for the Year:

For the year 2024, the Bank did not grant any material Related Party Transactions as defined under applicable regulations. All RPTs conducted during the year were within approved limits and complied with internal policies and regulatory requirements.

Self-Assessment Function

The Board of Directors and Senior Management of Sun Savings Bank regularly conduct self-assessment reviews to evaluate the effectiveness of the Bank's internal control systems, risk management processes, and governance policies. These reviews are performed at scheduled intervals and as needed to identify potential weaknesses and areas for improvement. Management promptly acts on the findings by implementing recommended corrective actions to strengthen controls and mitigate risks.

Compliance and Internal Audit

Compliance oversight is spearheaded by the Chief Compliance and Risk Officer (CCRO), who manages the Bank's compliance program, ensuring adherence to applicable laws, rules, and regulations. The Compliance Office reports regularly to the Board of Directors and the Compliance Committee on the status of compliance activities, findings from monitoring efforts, and implementation of corrective measures. Reporting occurs on a quarterly basis, or more frequently if necessary.

The Internal Audit function operates independently to provide assurance on the adequacy and effectiveness of internal controls, governance, and risk management processes. Internal Audit conducts periodic audits and special reviews in accordance with an annual audit plan approved by the Audit Committee. The Internal Audit Office reports directly to the Audit Committee to maintain independence and objectivity. Audit reports, including findings, recommendations, and management's corrective action plans, are submitted periodically to the Audit Committee with urgent issues reported promptly as needed.

The Audit Committee oversees the review of Internal Audit's work, ensuring that internal control systems are adequate, effective, and aligned with regulatory requirements and best practices.

Dividend Declaration

Sun Savings Bank's dividend policy is guided by applicable provisions of Section 57 of Republic Act No. 8791 (The General Banking Law) and relevant regulations of the Securities and Exchange Commission (SEC) and Bangko Sentral ng Pilipinas (BSP). The Bank may declare dividends in the form of cash, property, or stock, sourced from its unrestricted retained earnings, and distribute them proportionately to all shareholders based on their shareholdings.

Cash dividends due on delinquent stock shall first be applied to unpaid subscription balances and any associated interest and costs. Stock dividends, on the other hand, may be withheld from delinquent shareholders until their subscriptions are fully settled. The issuance of stock dividends requires approval from shareholders representing at least two-thirds (2/3) of the outstanding capital stock, during a regular or specially called meeting.

Pursuant to Section 124 of the Manual of Regulations for Banks (MORB), Sun Savings Bank shall ensure compliance with all regulatory requirements prior to the declaration of any type of dividend. The amount eligible for declaration is based on the Bank's unrestricted retained earnings and undivided profits as reflected in the latest year-end Financial Reporting Package (FRP) submitted to the BSP.

Following the declaration of any dividend—whether cash, property, or stock—the Bank shall submit the corresponding report to the appropriate supervisory department of the Bangko Sentral ng Pilipinas within ten (10) business days from declaration, in line with prescribed BSP reporting procedures.

Corporate Social Responsibility (CSR)

Sun Savings Bank remains steadfast in its commitment to uplifting the communities it serves, with a strong focus on education as a key pillar of nation-building and sustainable development. Over the years, the Bank has actively supported *Brigada Eskw ela*, a nationwide initiative led by the Department of Education that brings together educators, parents, community volunteers, and partner organizations to prepare public schools for the new academic year.

Sun Savings Bank sustained its meaningful participation in *Brigada Eskwela* by providing both material assistance and volunteer support to selected public schools within its areas of operation. This annual initiative continues to be a vital platform for community engagement, enabling the Bank to directly contribute to the preparation and improvement of educational facilities.

The Bank's involvement not only reinforces its close partnership with the education sector—its primary market—but also embodies its broader commitment to corporate social responsibility and inclusive development. Through its support, Sun Savings Bank helps cultivate a conducive learning environment that empowers students, supports educators, and promotes stronger, more resilient communities.

Consumer Protection Practices

Sun Savings Bank fully adheres to the provisions of the Financial Products and Services Consumer Protection Act (FCPA) under Republic Act No. 11765 and BSP Circular No. 1160, by establishing a comprehensive Consumer Protection Risk Management System (CPRMS). This system integrates consumer protection into the Bank's overall risk management framework, ensuring that consumer risks are identified, assessed, monitored, and controlled throughout the product and service lifecycle.

The Board of Directors exercises active oversight by formulating and approving the Consumer Protection Policy, which outlines the Bank's commitment to fair treatment, transparency, privacy protection, and equitable handling of consumer concerns. The Board ensures that consumer protection objectives are embedded in the Bank's governance, strategy, and operations.

To ensure responsive and effective resolution of customer concerns, the Bank has implemented well-defined consumer assistance policies and procedures, including the designation of a Consumer Assistance Group. This group is composed of:

- Branch Consumer Assistance Officers (BCAOs) – primarily the Branch Managers and Assistant Branch Managers who handle consumer complaints at the branch level; and
- Head Consumer Assistance Officers (HCAOs) – designated Group Heads who oversee complaint resolution and policy implementation across branches.

The Bank's complaint handling process includes clearly defined procedures, turnaround times, documentation standards, and escalation mechanisms to ensure prompt, fair, and consistent handling of all consumer concerns.

In line with BSP Circular No. 1160, the Bank is finalizing and will publish its Financial Consumer Protection Assistance Mechanism (FCPAM). The FCPAM will outline all available consumer assistance channels (in-branch, phone, online, and written communications), response timelines, escalation steps, and consumer rights. It will also include guidance on how financial consumers can seek further recourse through the Bangko Sentral ng Pilipinas if needed.

Capability-building programs for staff, especially those in frontline roles, are conducted regularly to ensure awareness and compliance with the Bank's consumer protection policies and regulatory standards.

Through these measures, Sun Savings Bank promotes a strong consumer-centric culture, upholding the rights of financial consumers and reinforcing public trust in the banking system.

Sustainable Finance Framework

Sun Savings Bank has adopted a Board-approved Sustainable Finance Framework (SFF) in line with Section 153 of the Manual of Regulations for Banks (MORB), as amended. This framework is designed to embed environmental, social, and governance (ESG) principles into the Bank's strategic direction, governance structure, risk management systems, and product offerings.

The Board of Directors provides oversight on the implementation of the framework, while Senior Management ensures its operational integration, particularly in credit decision-making and risk assessments. ESG considerations are now a key part of the Bank's policies for evaluating creditworthiness, financing decisions, and portfolio management.

Environmental Responsibility

As part of our environmental commitment, the Bank has deliberately excluded from its lending activities sectors and industries with direct, significant negative impacts on the environment and climate, such as coal-powered energy generation, extractive industries, and businesses that engage in unsustainable resource consumption. The Bank recognizes that climate change poses a systemic risk to the financial system and is therefore aligning its credit portfolio to support low-carbon, climate-resilient development.

Sun Savings Bank also ensures that future lending to micro, small, and medium enterprises (MSMEs) prioritizes businesses that incorporate ESG principles in their operations, including those that adopt clean technologies, sustainable sourcing, and waste reduction initiatives.

In support of its Environmental Sustainability Program (ESP), the Bank is gradually transitioning to paperless operations, starting with the digitalization of loan releases for DepEd salary loans. This move not only reduces paper consumption and waste but also improves efficiency, security, and customer convenience.

Social Responsibility

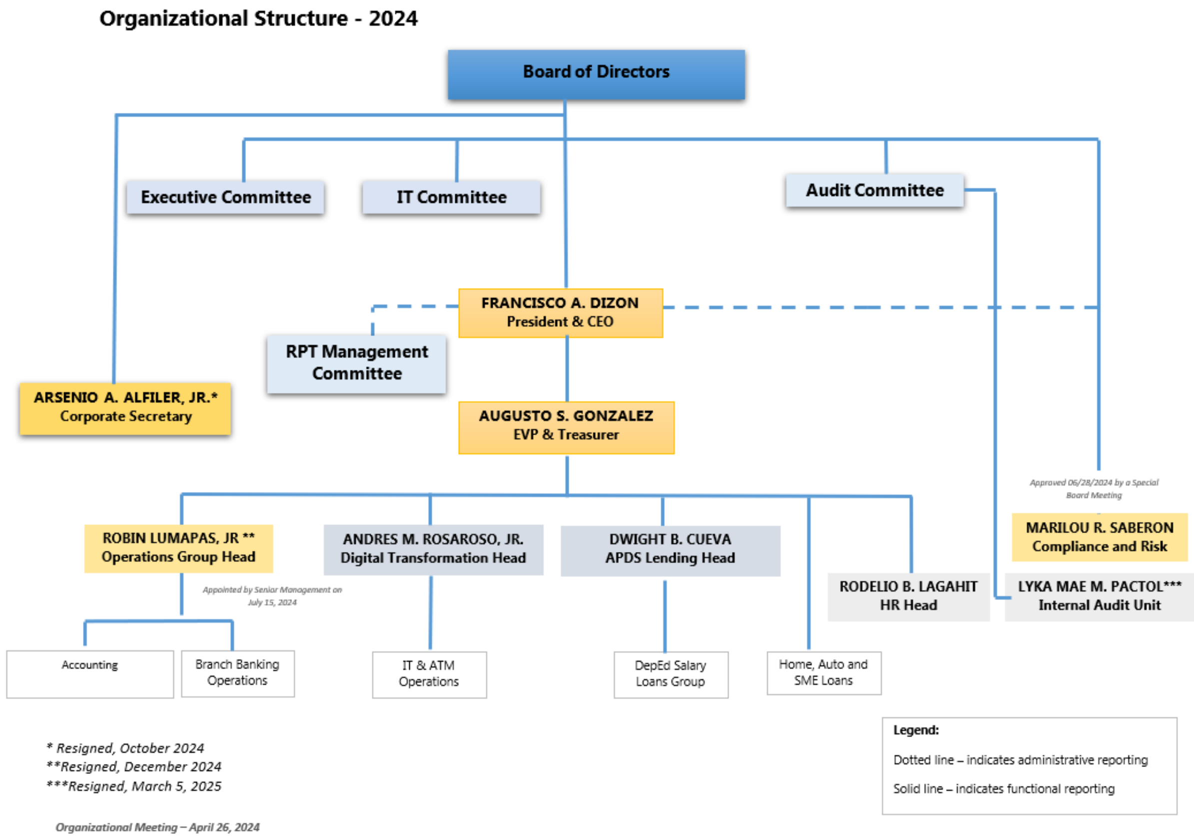
The Bank's business model—focused primarily on salary loans to public school teachers—underscores its long-standing commitment to social inclusion and national development. By providing accessible and affordable credit to educators, Sun Savings Bank contributes to the empowerment of public servants who play a vital role in shaping future generations. This focus aligns strongly with the "Social" pillar of ESG, as it promotes financial access, education, and equitable economic participation.

In line with its commitment to social responsibility, the Bank invests in the well-being of its employees by providing wellness trainings and seminars that promote physical health, mental well-being, and work-life balance. Additionally, the Bank organizes summer outing activities to foster team bonding and relaxation. These initiatives enhance employee engagement, boost productivity, and cultivate a supportive and resilient workplace culture.

Governance and ESG Integration

The Bank has begun developing internal controls and compliance mechanisms to support its ESG objectives. Staff capacity-building and periodic reviews are underway to ensure progress in implementation. A dedicated team is tasked with assessing ESG risks in the Bank's credit portfolio and aligning practices with regulatory and international sustainability standards. Moving forward, Sun Savings Bank aims to improve its sustainability reporting and increase transparency on ESG risks and opportunities. The Bank is committed to gradually embedding ESG principles into its operations to become a responsible steward of capital and contribute to a sustainable future.

2024 Approved Organizational Structure



Corporate Information

Major Stockholders

	Stockholders	Nationality	% of Stockholdings	Voting Status
1	Fleetwood Holdings, Inc.	Filipino	39.50%	Voting
2	Project Quest Corp.	Filipino	30.25%	Voting
3	Santos Gonzalez Hijos, Inc.	Filipino	25.25%	Voting
4	Navion Capital Resources Corp.	Filipino	5.00%	Voting
			100.00%	

2024 Key Officers and Department Heads

Executive Officers	
President & CEO	Francisco A. Dizon
Executive Vice President& Treasurer	Augusto S. Gonzalez
Compliance & Audit	
Compliance & Risk	Marilou R. Saberon
Internal Audit	Lyka Mae M. Pactol *(Resigned, effective March 5, 2025)*
Support & Admin	
IT Department	Andres M. Rosaroso, Jr.
Human Resource	Rodelio B. Lagahit
Accounting Department	Metchell C. Abarquez
Lending Group	
APDS Salary Loan	Dwight B. Cuevas
Home Loans, Auto Loan & SMe (HAS) Department	Philip A. Beltran
Credit & Collection	John Jezreel O. Flores
Branch Banking Group	
Branch Operations & Support	Jonas O. Villocido
Branch Banking	Rafael C. Castillo
Branch Banking	Ginalyn C. Nero
Branch Banking	Maria Luna M. Yangyang

Products and Services

1. Deposits

Savings Deposit Accounts
- Regular Passbook Savings
- Passbook with ATM
- Payroll ATM
- ATM for DepEd Teachers
- Basic Deposit Account

Checking Accounts
- Regular Checking Account
- Automatic Transfer Account

Time Deposit Accounts
- Short Term Time Deposits (Terms from 30 to 90 days)
- Regular One-Year TD
- Five Years and One Month Time Deposit (Tax Free)

2. Consumer Loans

- **Salary Loans**
  - Salary Loan for DepEd Teachers and Employees under the Automatic Payroll Deduction Scheme (APDS)
  - Start-up Loans for newly hired teachers and employees of DepEd
  - Inflation Assistance Loan for DepEd employees
  - Salary Loans for Private Employees in the BPOs

- **Auto Loan Product (Brand New and Pre-owned)**

Sun Savings Bank offers a competitive **Auto Loan product** designed to support clients in acquiring both brand-new and pre-owned vehicles. With affordable interest rates, flexible payment terms, and fast processing, the Auto Loan responds to the growing demand for convenient and accessible vehicle financing. The Bank ensures a seamless borrower experience through simplified documentation and responsive customer service, making it easier for clients to purchase their desired vehicle—whether for personal use or business needs.

- **Business Loan Products**

Sun Savings Bank provides a range of Business Loan solutions tailored to meet the financing needs of micro, small, and medium enterprises (MSMEs). These products are designed to support business growth, manage cash flow, and provide working capital through accessible and secure credit facilities.

The Bank offers the following business loan products:

- **Factoring of Receivables / Discounting Lines**
  – Enables businesses to convert accounts receivable into immediate cash to improve liquidity and sustain operations.
- **Post-Dated Check (PDC) Discounting**
  – Provides early access to funds by allowing businesses to discount future-dated checks issued by their customers.
- **Hold-Out Deposit / Back-to-Back Loans**
  – Offers financing secured by the borrower's deposit with the Bank, providing a low-risk, quick-access loan facility.
- **Secured Business Loans**
  – Loans backed by Real Estate Mortgage (REM) or Chattel Mortgage, ideal for businesses seeking larger credit lines with competitive terms.
- **Loans Secured by Postdated Checks and Suretyship**
  – Business loans supported by the borrower's issued PDCs and a continuing suretyship by the principals, enhancing credit security and enabling flexible loan structuring.

Our website

Our Branches

Capitol Head Office

Capitol Head Office
Capitol West Building, No. 45 Don Gil Garcia corner Escario Street, Capitol Site, Cebu City

Talisay Branch
Door 8, GF, Rosalie Building, Gaisano Fiesta Mall, Hi-way Tabunok, Talisay City, Cebu

Talisay Branch

Mandaue Branch
Carlos Perez Building, A.C. Cortes Ave., Alang-Alang, Mandaue City, Cebu

Mandaue Branch

Branch-Lite Units

Carcar Branch-Lite Unit
A-10, Ground Floor, Carlos Perez Building, A.C. Cortes Avenue, Mandaue City

Carcar

Danao Branch-Lite Unit
G/F Space #7, Sands Gateway Mall, National Hi-way, Poblacion, Danao City, Cebu

Danao

Carbon Branch-Lite Unit
Plaridel corner Progreso St., Bgy Ermita, Cebu City

Carbon Public Market

Ayala-Solinea Branch-Lite Unit
Retail No. 8, G/F Tower 2, Solinea Condominium Complex, corner Cardinal Rosales 3, Luzon Avenues, Cebu Business Park, Bgy Hipodromo, Cebu City

Ayala-Solinea

Bogo Branch Lite-Unit
Unit 12, 2F, Building 1, Bogo City Centrum, Taytayan, Bogo City, Cebu

Bogo

Moalboal Branch-Lite Unit
G/F Unit 2, Gaisano Town Center, Población East, Moalboal, Cebu

Moalboal

Capital Structure and Capital Adequacy

	2024	2023
Authorized Capital Stock	1,000,000,000	1,000,000,000
Subscribed	391,700,000	391,700,000
Paid-Up	391,700,000	391,700,000

..

1-Deposit for stock subscription of P41.7M, pending approval of the Bank's request to increase the authorized capital stock to hpP1.0B in 2018

Bank's regulatory capital position as at December 2023 and December 2024

	BSP Report		Audited FS	
	2024	2023	2024	2023
Common Stock	391,700,000	391,700,000	391,700,000	391,700,000
Retained Earnings	146,038,271	60,945,263	134,171,696	59,206,179
Undivided Profits	83,642,226	79,210,860	86,882,145	79,115,673
Other Comprehensive Income	(5,815,750)	(4,023,027)	(5,879,835)	(6,075,259)
Total Capital	**615,564,748**	**527,833,096**	**606,874,007**	**523,946,592**
Less:				
Deferred Income Tax	17,292,708	11,284,221	18,980,981	17,292,708
DOSRI-Unsecured				
Other intabgibles-Net				
Goodwill				
Unbooked valuation reserves and other capital adjustments[1]				
Other equity investments				
Total Tier 1 Capital	**598,272,040**	**516,548,875**	**587,893,026**	**506,653,884**
Add:				
Unrealized gains on AFS				
General loan loss provision	19,695,361	9,978,521	8,121,556	8,175,904
Total Qualifying Capital	**617,967,401**	**526,527,396**	**596,014,582**	**514,829,788**
Total Credit Risk-Weighted Assets	3,367,585,038	2,992,838,170	3,355,729,042	2,979,300,648
Add: Total Operation Risk Weighted Assets	307,534,854	234,464,502	307,534,854	234,385,963
Total Risk Weighted Assets	**3,675,119,891**	**3,227,302,672**	**3,663,263,896**	**3,213,686,611**
Risk Based Capital Adequacy Ratio				
Total CAR	16.81%	16.31%	16.27%	16.02%
Tier 1 CAR	16.28%	16.01%	16.05%	15.77%
	ok	ok		

[1] *based on tha latest examination as approved by the Monetary Board*

Computation of the Bank's Credit Risk Weighted Assets

		Audited			
		2024		2023	
	Risk	Principal Amount	Risk Weighted Amount	Principal Amount	Risk Weighted Amount
Cash on Hand	0%	19,351,770	-	27,744,104	-
Due from BSP, RRP,AFS, Loans covered by Hold-outs	0%	690,799,341	-	619,715,715	-
COCI	20%	6,000,000	1,200,000	533,908	106,782
Corporate Private Bonds	20%	4,841,456	968,291	4,743,934	948,787
REM (mortgaged and current)	50%	34,166,785	17,083,393	39,734,367	19,867,184
MSME (Current)	75%	27,109,324	20,331,993	41,108,198	30,831,149
REM (NPL)	100%	4,977,278	4,977,278	6,531,482	6,531,482
NPL	150%	33,706,125	50,559,188	64,846,981	97,270,471
ROPA	150%	4,134,200	6,201,300	3,963,197	5,944,796
Other Assets	100%	3,254,407,600	3,254,407,600	2,817,799,998	2,817,799,998
Total Credit Risk Weighted Assets			3,355,729,042		2,979,300,648

Based on Audited FS

Computation of Operational Risk Weighted Assets-2024

		2024 Gross Income (Audited)			
		2021	2022	2023	Average
A.	**Net interest income**				
A.1	Interest income	214,974,541	304,507,236	433,300,650	
A.2	Interest expense	75,973,146	103,191,459	171,841,256	
A.3	Subtotal (A.1 minus A.2)	**139,001,395**	**201,315,777**	**261,459,394**	
B	**Other non-interest income**				
B.1	Dividend Income				
B.2	Fees and Commissions Income	3,335,700	3,421,154	3,359,125	
B.3	Net Gain/loss on Financial Assets and Liabilities Held for Trading				
B.4	Net Gain/loss on Financial Assets and Liabilities Designated at Fair Value Profit or Loss				
B.5	Net Profit/loss on Foreign Exchange				
B.6	Net Gain/loss on Fair Value Adjustment in Hedge Accounting				
B.7	Other Income	-	1,484,436.04	1,692,727	
B.8	Sub-total (sum of B.1 to B.7)	3,335,700	4,905,590	5,051,852	
C.	**Gross Income (A.3 plus B.8) (to Part V. Item A.)**	**142,337,095**	**206,221,367**	**266,511,246**	**205,023,236**
D.	Capital Charge multiply by capital charge factor 12%				24,602,788
E.	Adjusted Capital Charge (multiply by 125%)				30,753,485
F.	**Total Operational Risk-weighted Amount (multiply by 10)**				**307,534,854**

Computation of Operational Risk Weighted Assets-2023

		2023 Gross Income (Audited)			
		2019	2020	2021	Average
A.	**Net interest income**				
A.1	Interest income	198,574,836	214,478,927	305,161,905	
A.2	Interest expense	81,156,165	75,985,246	103,278,080	
A.3	Subtotal (A.1 minus A.2)	**117,418,671**	**138,493,681**	**201,883,824**	
B	**Other non-interest income**				
B.1	Dividend Income				
B.2	Fees and Commissions Income	1,678,659	2,988,979	3,421,154	
B.3	Net Gain/loss on Financial Assets and Liabilities Held for Trading				
B.4	Net Gain/loss on Financial Assets and Liabilities Designated at Fair Value Profit or Loss				
B.5	Net Profit/loss on Foreign Exchange				
B.6	Net Gain/loss on Fair Value Adjustment in Hedge Accounting				
B.7	Other Income	1,055,801	346,720	1,484,436	
B.8	Sub-total (sum of B.1 to B.7)	2,734,460	3,335,700	4,905,590	
C.	**Gross Income (A.3 plus B.8) (to Part V. Item A.)**	**120,153,132**	**141,829,381**	**206,789,414**	**156,257,309**
D.	Capital Charge multiply by capital charge factor 12%				18,750,877
E.	Adjusted Capital Charge (multiply by 125%)				23,438,596
F.	**Total Operational Risk-weighted Amount (multiply by 10)**				**234,385,963**

The capital requirements as of December 31, 2024 and 2023 are shown below:

	2024	2023
Credit risk weighted assets	3,355,729,042	2,979,300,648
Operational risk weighted assets	307,534,854	234,385,963
Total Risk Weighted Assets	**3,663,263,896**	**3,213,686,611**

Independent Auditor's Report

Sun Savings Bank, Inc.

Financial Statements
December 31, 2024 and 2023

and

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

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Industry Classification: J65932
Company Type: Stock Corporation

Document Information

Document ID: OST10430202583241227
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2024
Submission Type: Annual
Remarks: None

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SUN SAVINGS BANK, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended December 31, 2024 and 2023 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company'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 Company or to cease operations, or has to realistic alternative but to do so.

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

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

SGV & Co., the independent auditor appointed by the stockholders, has audited the financial statement of the company in accordance with the Philippines Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

CATALINO S. ABACAN
Chairman of the Board

FRANCISCO A. DIZON
President & Chief Executive Officer

AUGUSTO S. GONZALEZ
Executive Vice Pres. & Treasurer

SUBSCRIBED AND SWORN TO, before me this ____ day of APR 2 8 2025, at CEBU CITY, exhibiting to me their respective identification documents:

NAME	PASSPORT NO	PLACE OF ISSUE	DATE OF ISSUE
Francisco A. Dizon	P9902221B	DFA NCR Central	05/03/2022
Augusto S. Gonzalez	P7930823B	DFA Manila	10/20/2021
Catalino S. Abacan	UMID 0003-3535377-6	RP-SSS	

Doc. No. 198
Page No. 99
Book No. 83
Series of 2025

Notary Public

FRANKLIN S. MANCHING
NOTARY PBLIC
NOTARIAL COMMISSION NO. 25-08 / 2-15-08
FOR THE CITY OF CEBU UNDER THE JURISDICTION OF RTC - CEBU
UNTIL DECEMBER 31, 2025
PARAY BLDG. OSMEÑA BLVD., CEBU CITY
PTR # 2748585 / 1-2-2025 / CC
IBP OR. 492000 / 1-2-2025 / CC
ATTORNEY'S ROLL NO. 48755
MCLE COMP. VII-0009380 / valid until 4.14.25

DSK2022
18729846

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **SUN SAVINGS BANK, INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2024. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2024 and the accompanying Annual Income Tax Return are in accordance with the books and records of **SUN SAVINGS BANK, INC.,** complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Bank's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **SUN SAVINGS BANK, INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

FRANCISCO A. DIZON
President & Chief Executive Officer

AUGUSTO S. GONZALEZ
Executive Vice President & Treasurer

SUBSCRIBED AND SWORN TO, before me this ____ day of APR 28 2025, at CEBU CITY, exhibiting to me their respective identification documents:

NAME	PASSPORT NO	PLACE OF ISSUE	DATE OF ISSUE
Francisco A. Dizon	P9902221B	DFA NCR Central	05/03/2022
Augusto S. Gonzalez	P7930823B	DFA Manila	10/20/2021

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FOR THE CITY OF CEBU UNDER THE
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UNTIL DECEMBER 31, 2025
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ATTORNEY'S ROLL NO. 48755
MCLE COMP. VII-0009980 / valid until 4.14.25

DSK2022 18729844

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Sun Savings Bank, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sun Savings Bank, Inc. (the Bank), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the 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.

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Sun Savings Bank, Inc.
Capitol West Building, No.
45 Don Gil Garcia Street corner Escario Street,
Capitol Site, Cebu City

We have audited the financial statements of Sun Savings Bank, Inc. (the Bank) as of and for the years ended December 31, 2024 and 2023, on which we have rendered the attached report dated April 28, 2025.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Bank has a total of four (4) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
Tax Identification No. 900-322-673
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-069-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10465353, January 2, 2025, Makati City

April 28, 2025

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.

Reports on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB) and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the MORB in Note 22 and Revenue Regulations 15-2010 in Note 21 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas 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 of Sun 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.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
Tax Identification No. 900-322-673
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BIR Accreditation No. 08-001998-069-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10465353, January 2, 2025, Makati City

April 28, 2025

SUN SAVINGS BANK, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Cash on Hand	**₱25,351,770**	₱28,278,012
Due from Bangko Sentral ng Pilipinas (Notes 6 and 11)	**389,523,639**	329,098,288
Due from Other Banks (Note 6)	**88,816,261**	83,754,682
Investment Securities at Fair Value through Other Comprehensive Income (Note 7)	**73,501,870**	63,154,947
Investment Securities at Amortized Cost (Note 7)	**230,841,676**	231,326,414
Loans and Receivables (Note 8)	**3,129,377,069**	2,748,024,632
Property and Equipment (Note 9)	**25,361,638**	30,403,722
Deferred Tax Asset - net (Note 19)	**18,980,981**	17,292,708
Other Assets (Note 10)	**108,598,399**	104,978,993
	₱4,090,353,303	₱3,636,312,398
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities (Notes 11 and 20)		
Current	**₱10,510,166**	₱7,051,176
Savings	**241,768,030**	202,782,162
Time	**2,376,676,693**	1,907,115,222
	2,628,954,889	2,116,948,560
Bills Payable (Note 12)	**749,855,542**	894,352,800
Income Tax Payable	**5,752,950**	10,720,744
Accrued Expenses and Other Liabilities (Note 13)	**76,391,491**	71,969,432
	3,460,954,872	3,093,991,536
Equity		
Common Stock (Note 15)	**391,700,000**	391,700,000
Surplus	**243,578,266**	156,696,121
Fair Value Reserves on Investment Securities at Fair Value through Other Comprehensive Income (Note 7)	**(3,590,113)**	(3,849,622)
Remeasurement Loss on Retirement Liability (Note 16)	**(2,289,722)**	(2,225,637)
	629,398,431	542,320,862
	₱4,090,353,303	₱3,636,312,398

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2024	2023
INTEREST INCOME		
Loans and receivables (Note 8)	**₱460,745,117**	₱407,213,619
Investment securities (Note 7)	**11,382,757**	10,880,550
Due from Bangko Sentral ng Pilipinas and other banks (Note 6)	**13,370,549**	14,475,551
Others	**2,136,116**	1,590,520
	487,634,539	434,160,240
INTEREST EXPENSE		
Deposit liabilities (Notes 11 and 20)	**132,431,886**	106,603,675
Bills payable (Note 12)	**54,549,694**	64,831,651
Lease liabilities (Note 17)	**555,726**	539,015
	187,537,306	171,974,341
NET INTEREST INCOME	**300,097,233**	262,185,899
Service charges and fees	**3,151,434**	3,359,125
Miscellaneous (Note 18)	**121,508**	14,638,701
TOTAL OPERATING INCOME	**303,370,175**	280,183,725
OPERATING EXPENSES		
Compensation and fringe benefits (Notes 16 and 20)	**48,713,693**	44,710,076
Taxes and licenses	**39,505,804**	32,888,450
Provision for impairment and credit losses (Notes 8 and 10)	**14,311,656**	22,116,299
Depreciation and amortization (Note 9)	**13,550,557**	13,902,936
Professional fees	**8,783,655**	5,295,487
Collection fees	**8,302,751**	7,845,266
Security, messengerial and janitorial	**6,617,401**	5,959,185
Communication, light and water	**5,802,408**	6,071,324
Insurance expense	**5,236,967**	4,292,556
Transportation and travel	**3,694,587**	2,296,670
Advertising and publicity	**2,237,083**	1,606,732
Rent (Note 17)	**1,989,982**	1,450,649
Repairs and maintenance	**1,624,382**	964,543
Bancnet outsourcing fees	**1,468,104**	1,572,369
Stationeries and supplies used	**1,106,286**	1,376,031
Membership fees and dues	**1,011,304**	385,788
Miscellaneous (Note 18)	**25,102,746**	17,413,098
	189,059,366	170,147,459
INCOME BEFORE INCOME TAX	**114,310,809**	110,036,266
PROVISION FOR INCOME TAX (Note 19)	**27,428,664**	30,920,593
NET INCOME	**₱86,882,145**	₱79,115,673

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2024	2023
NET INCOME	**₱86,882,145**	₱79,115,673
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that recycles to the statements of income in subsequent periods:		
Changes in fair value reserves on investments securities at fair value through other comprehensive income (Note 7)	**259,509**	2,896,602
Item that do not recycle to the statements of income in subsequent periods:		
Remeasurement gains (losses) on retirement plan, net of tax (Note 16)	**(64,085)**	(2,052,232)
OTHER COMPREHENSIVE INCOME	**195,424**	844,370
TOTAL COMPREHENSIVE INCOME	**₱87,077,569**	₱79,960,043

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 15)	**Surplus**	**Fair Value Reserves on Investment Securities at Fair Value through Other Comprehensive Income** (Note 7)	**Remeasurement Loss on Retirement Liability** (Note 16)	**Total Equity**
Balances at January 1, 2024	**₱391,700,000**	**₱156,696,121**	**(₱3,849,622)**	**(₱2,225,637)**	**₱542,320,862**
Total comprehensive income for the year	**–**	**86,882,145**	**259,509**	**(64,085)**	**87,077,569**
Balances at December 31, 2024	**₱391,700,000**	**₱243,578,266**	**(₱3,590,113)**	**(₱2,289,722)**	**₱629,398,431**
Balances at January 1, 2023	₱391,700,000	₱77,580,448	(₱6,746,224)	(₱173,405)	₱462,360,819
Total comprehensive income for the year	–	79,115,673	2,896,602	(2,052,232)	79,960,043
Balances at December 31, 2023	₱391,700,000	₱156,696,121	(₱3,849,622)	(₱2,225,637)	₱542,320,862

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱ 114,310,809**	₱110,036,266
Adjustments for:		
Depreciation and amortization (Note 9)	**13,550,557**	13,902,936
Provision for impairment and credit losses (Notes 8 and 10)	**14,311,656**	22,116,299
Loss (gain) on sale of investment securities at fair value through other comprehensive income (Note 7)	**–**	–
Amortization of transaction costs on bills payable (Note 12)	**(1,389,904)**	(82,860)
Retirement expense (Note 16)	**1,496,100**	1,024,969
Accretion of interest on lease liability (Note 17)	**555,726**	539,015
Gain on sale of chattel mortgage properties (Note 18)	**13,732**	(576,923)
Amortization of premium (discount) on investment securities	**(484,738)**	(568,068)
Gain on disposal of property and equipment (Note 9)	**(620)**	–
Changes in operating assets and liabilities:		
Decreases (Increases) in:		
Loans and receivables	**(399,418,164)**	(446,522,152)
Other assets	**(2,347,004)**	(3,673,675)
Increases (Decreases) in:		
Deposit liabilities	**512,006,329**	361,239,715
Accrued expenses and other liabilities	**10,440,451**	3,453,272
Net cash generated from (used in) operations	**263,044,929**	60,888,794
Income taxes paid (Note 19)	**(34,063,370)**	(31,267,501)
Net cash provided by (used in) operating activities	**228,981,559**	29,621,293
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment securities at fair value through other comprehensive income (Note 7)	**(10,000,000)**	(9,000,000)
Property and equipment (Note 9)	**(7,656,507)**	(13,323,212)
Proceeds from disposal of:		
Investment securities at fair value through other comprehensive income (Note 7)	**–**	12,712,911
Chattel mortgage (Note 18)	**3,350,000**	5,161,219
Property and equipment (Note 9)	**620**	–
Net cash provided by (used in) investing activities	**(14,305,887)**	(4,449,082)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of bills payable (Note 12)	**255,000,000**	488,880,000
Payments of:		
Bills payable (Note 12)	**(400,887,162)**	(355,200,716)
Lease liabilities (Note 17)	**(6,227,822)**	(6,112,289)
Net cash provided by (used in) financing activities	**(152,114,984)**	127,566,995
NET DECREASE IN CASH AND CASH EQUIVALENTS	**62,560,688**	152,739,206

(Forward)

	Years Ended December 31	
	2024	2023
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash on hand	**₱28,278,012**	₱24,791,109
Due from Bangko Sentral ng Pilipinas	**329,098,288**	157,018,040
Due from other banks	**83,754,682**	106,582,627
	441,130,982	288,391,776
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash on hand	**25,351,770**	28,278,012
Due from Bangko Sentral ng Pilipinas (Note 6)	**389,523,639**	329,098,288
Due from other banks (Note 6)	**88,816,261**	83,754,682
	₱503,691,670	₱441,130,982
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received (Note 8)	**₱486,278,925**	₱431,759,786
Interest paid (Note 13)	**184,717,601**	167,781,443

See accompanying Notes to Financial Statements.

1. General Information

Sun Savings Bank, Inc. (the Bank) was incorporated in the Philippines on September 15, 1997 to carry on and engage in the business of thrift banking, with prior approval of the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP), and to have and exercise all powers of a thrift bank and a corporation in general, as provided under Republic Act (RA) No. 7906 for thrift banks, under the General Banking Act, as amended, and other applicable laws and the rules and regulations of the BSP.

The Bank's principal place of business is at Capitol West Building, No. 45 Don Gil Garcia Street corner Escario Street, Capitol Site, Cebu City.

Fleetwood Holdings, Inc. (FHI) owns 39.50% of the Bank. The controlling shareholder of FHI is an experienced commercial and investment banker who had previously held various senior positions, including those of president, chairman and chief executive officer (CEO), in different universal banks. Santos Gonzalez Hijos Inc. (SGHI) and Navion Capital Resources Corporation (NCRC) own 25.25% and 5.00%, respectively, of the Bank. The controlling shareholders of SGHI and NCRC have previously been long-term major shareholders of a universal bank established in the 1950s and held a board seat in that universal bank until 2005. Project Quest Corporation (PQC) owns 30.25% of the Bank. PQC is an investment holding company managed by the controlling shareholder of FHI and the controlling shareholder of NCRC.

2. Material Accounting Policy Information

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for investment securities at fair value through other comprehensive income (FVOCI) which have been measured at fair value. These financial statements are presented in Philippine Peso, the Bank's functional currency, and all values are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Presentation of Financial Statements

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 14.

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

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

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have a significant impact on the interim financial statements of the Bank.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Standards and Interpretations Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Bank does not expect that the future adoption of the said pronouncements will have a significant impact on the financial Statements of the Bank. The Bank intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2025
- Amendments to PAS 21, *Lack of exchangeability*

Effective beginning on or after January 1, 2026
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards—Volume 11
  - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
  - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
  - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
  - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027
- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*

Deferred effectivity

- *Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Material Accounting Policy Information

Fair Value Measurement

The Bank measures financial assets at fair value through other comprehensive income (FVOCI) at fair value at each reporting date. The fair values of financial instruments measured at amortized cost (or cost) and nonfinancial assets are disclosed in Note 5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions (i.e., an exit price) at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participant would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If a financial instrument measured at fair value has a bid price and an ask price (e.g., an input from a dealer market), the price within the bid-ask price spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every reporting date.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, due from BSP and due from other banks with original maturities of three (3) months or less from the dates of placements and with insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents wherein withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

Securities purchased under resale agreement (SPURA)

Securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The corresponding cash paid including accrued interest, is recognized in the statement of financial position as SPURA under 'Due from BSP', and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank recognizes a financial asset or financial liability in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Bank. Any change in fair value of unrecognized financial asset is recognized in the statement of income for assets classified as financial assets at FVTPL, and in equity for assets classified as financial assets at FVOCI. Deposits, amounts due from banks and customers and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Initial recognition of financial instruments

Financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs.

'Day 1' difference

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

Classification, Reclassification and Impairment of Financial Assets

Classification and measurement

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

SPPI test

As part of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test.

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Bank assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

'Principal' for the purpose of the SPPI test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount). In making the assessment of 'interest', the Bank determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Instruments with cash flows that do not represent such are classified at FVTPL.

Business model test

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel
- The risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

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

The Bank's measurement categories are described below:

Financial asset at amortized cost
Financial assets are measured at amortized cost if both of the following conditions are met:

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

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for credit losses, with the interest calculated recognized as 'Interest income' in the statement of income. Gains and losses are recognized in the statement of income when the financial assets are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such assets are recognized in the statement of income under 'Provision for credit and impairment losses - net'.

The Bank classified 'Cash and other cash items', 'Due from BSP', 'Due from other banks', 'Loans and receivables', 'Investment securities at amortized cost' and certain financial assets under 'Other assets' as financial assets at amortized cost.

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

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

Financial Assets at FVOCI
Financial assets at FVOCI include debt and equity securities.

1. *Debt Instruments at FVOCI*
   The Bank applies the category of debt instruments measured at FVOCI when both the following conditions are met:
   - The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
   - The contractual terms of the financial asset meet the SPPI test.

   Subsequently, these are measured at fair value with gains or losses arising due to changes in fair value recognized in OCI under 'Fair value reserves on investment securities at fair value through other comprehensive income'. Interest income and foreign exchange gains and losses are recognized in the statement of income in the same manner as for financial assets measured at amortized cost. When the Bank holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. On derecognition, cumulative gains or losses recognized in OCI are reclassified from OCI to the statement of income.

2. *Equity Instruments at FVOCI*
   At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity instruments at FVOCI. Designation at FVOCI is not permitted if the investment in equity instrument is held for trading.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in 'Unrealized gain on financial assets carried at FVOCI' in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Unrealized gain on financial assets carried at fair value through OCI' is not reclassified to the statement of income, but is reclassified to 'Surplus'.

Dividends earned on these investments in equity instruments are recognized in the statement of income when the Bank's right to receive the dividends is established in accordance with PFRS 9, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized in the statement of income, under 'Miscellaneous income'.

Equity instruments at FVOCI of the Bank include investments in non-marketable equity investments that do not have a quoted market price in an active market, and whose fair market value cannot be reliably measured.

Financial asset measured at FVTPL
Financial assets at FVTPL are those non-derivative investments which are designated as such or do not qualify to be classified or designated as financial assets at amortize cost investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

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

Reclassification of financial assets
The Bank can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Bank is required to reclassify as follows:

- From amortized cost or FVOCI to FVTPL, if the objective of the business model changes so that the amortized cost or FVOCI criteria are no longer met;
- From FVTPL to amortized cost or FVOCI, if the objective of the business model changes so that the amortized cost or FVOCI criteria start to be met and the characteristics of the instrument's contractual cash flows are SPPI; and
- From amortized cost to FVOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVOCI at initial recognition is not permitted.

A change in the objective of the Bank's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Impairment of Financial Assets
ECL represents credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced an SICR since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced an SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from

default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default event over the expected life of a financial instrument.

Both the 12-month ECL and lifetime ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

Financial liabilities at amortized cost
Issued financial instruments or their components which are not designated at FVTPL are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity instrument elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR amortization method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This category includes 'Deposit liabilities', 'Bills payable', and other financial liabilities under 'Accrued expenses and other liabilities'.

<u>Derecognition of Financial Instruments</u>
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Bank retains the right to receive cash flows from the 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 rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control over the asset.

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

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

Write-offs
Financial assets are written off either partially or in their entirety when the Bank no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

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

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

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

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

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

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

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

Exchange or modification of financial liabilities
The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability, where the modification of the financial liability is so fundamental, immediate derecognition of the original financial liability (e.g., restructuring a financial liability to include an embedded equity component) and the recognition of a new liability are appropriate. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Bank recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Property and Equipment
Property and equipment consisting of furniture, fixtures and equipment, computer and office equipment, and leasehold improvements are stated at cost less accumulated depreciation and amortization, and accumulated impairment losses, if any. The initial cost of property and equipment consists of its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally recognized in the statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful life (EUL) of the asset as follows:

	EUL
Leasehold improvements	3 years or over the remaining lease term, whichever is shorter
Furniture, fixtures and equipment	5 years
Office equipment	3 years
Computer equipment	5 years
Transportation equipment	3 years

The EUL and the depreciation and amortization method are reviewed at least at each reporting date to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Right of Use Assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its EUL and the lease term of the assets.

Chattel Mortgage (Other Properties Acquired)

These include chattel mortgage properties acquired in settlement of loans and receivables. These are carried at fair value as at date of reclassification.

The Bank applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the EUL of three (3) years. The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts.

If the Bank decides to use an item under chattel mortgage property as property and equipment, the related asset is reclassified to property and equipment. Upon reclassification, the Bank measures a chattel mortgage property that ceases to be classified as other properties acquired at its carrying amount.

Impairment of Property and Equipment and Chattel (Other Property Acquired)

At each reporting date, the Bank assesses whether there is any indication that its property and equipment and chattel may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit (CGU) to which it belongs.

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

An impairment loss is charged against the statement of income in the year in which it arises.

At each reporting date, an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized as a credit in 'Provision for impairment and credit losses' in the statement of income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Equity
Capital stock is measured at par value for all shares issued. When the Bank issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Surplus represents accumulated earnings of the Bank less dividends declared.

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

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

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

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

Short-term leases and leases of low-value assets
The Bank applies the short-term lease recognition exemption to its short-term leases of commercial spaces and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of various equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as 'Rent' on a straight-line basis over the lease term.

Revenue Recognition
Revenues within the scope of PFRS 15, Revenue from Contracts with Customers
Revenue from contract with customers is recognized upon transfer of promised goods or services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Bank exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the five-step model to contracts with customers.

The following specific recognition criteria must be met before revenue is recognized for contracts within the scope of PFRS 15:

Service charges and fees
Fees earned for the provision of services are recognized once services are rendered. These include charges from usage of ATM, charges for returned checks, charges for below minimum maintaining balance and commission income.

Miscellaneous income
Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process, transfer of control of property to buyer, and when the collectability of the sales price is reasonably assured.

Revenues outside the scope of PFRS 15
The following specific recognition criteria must be met before revenue is recognized for contracts outside the scope of PFRS 15:

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

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Dividend income
Dividend income are recognized when the Bank's right to receive payment is established, which is generally when the shareholders approve the dividend declarations.

Expense Recognition
Expenses are recognized when it is probable that decrease in future economic benefits related to the decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses are recognized when incurred.

Interest expense
Interest expense for all interest-bearing financial liabilities are recognized in 'Interest expense' in the statement of income using the EIR of the financial liabilities to which they relate.

Taxes and licenses
These include all other taxes, local and national, including gross receipts tax (GRT), real estate taxes and licenses and permit fees which are recognized when incurred.

Operating expenses
Operating expenses constitute costs which arise in the normal business operations and are recognized when incurred.

Retirement Benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates on government bonds that have terms to maturity approximating the terms of the related retirement liability.

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

Defined benefit costs comprise the following:
- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

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

Provisions and Contingencies

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

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

Income Taxes

Income tax comprises current and deferred taxes. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statement of income, except to the extent that it relates to OCI items recognized directly in OCI.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the reporting date.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of the minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from the excess of the MCIT over the RCIT and unused NOLCO can be utilized. Deferred tax assets and liabilities, however, are not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Current tax and deferred tax relating to items recognized directly in OCI are also recognized in OCI.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Events after the Reporting Period
Any post year-end event that provides additional information about the Bank's position at the reporting date (adjusting events) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS Accounting Standards requires the Bank to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities, if any, at the reporting date. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments

a. *Evaluation of business model in managing financial assets (PFRS 9)*
   The Bank manages its financial assets based on business models that maintain adequate liquidity level and preserve capital requirements, while maintaining a strategic portfolio of financial assets for accrual income consistent with its risk appetite.

   In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank. The Bank also considers the frequency, value, reasons and timing of past sales and expectation of future sales activity in this evaluation.

   In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

   In making this judgment, the Bank considers certain circumstances to assess that an increase in the frequency or value of sale of financial instrument in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sale and why the sale do not reflect a change in the Bank's objective for the business model.

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

b. *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities disclosed in the notes to the financial statements cannot be derived from active markets, they are determined using variety of valuation techniques acceptable to the market such as alternative valuation approaches that include the use of mathematical 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.

The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in Note 5.

c. *Extension and termination options*
The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

<u>Estimates</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next period, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

a. *ECL on financial assets*
The measurement of credit losses under PFRS 9 requires significant judgment, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of an SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In particular, judgments and estimates by management are required in determining the following:
- segmenting the Bank's credit risk exposures;
- the Bank's definition of default;
- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

The related allowance for credit losses of financial assets are disclosed in Note 8.

b. *Recognition of deferred taxes*
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the forecasted level of future taxable profits and the related future tax planning strategies.

The carrying value of the Bank's deferred tax assets is disclosed in Note 19.

4. Financial Risk Management Policies and Objectives

By their nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at fixed rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank operates an integrated risk management system to address the risks it faces in its banking activities, including liquidity, credit and market risks. The Bank's risk management objective is to adequately and consistently evaluate, manage, control, and monitor the risk profile of the Bank's statement of financial position to optimize the risk-reward balance and maximize the return on the Bank's capital. The Bank's BOD has overall responsibility for the Bank's risk management system and sets risk management policies across the full range of risks to which the Bank is exposed.

Credit Risk
Credit risk is the risk of financial loss to the Bank if the counterparty to a financial instrument fails to meet its contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. The Bank also monitors credit exposures, and continually assesses the credit worthiness of counterparties. In addition, the Bank obtains security where appropriate, enters into collateral arrangement with counterparties, and limits the duration of exposures.

Maximum exposure to credit risk
The table below provides the analysis of the maximum exposure to credit risk of the Bank's financial instruments, excluding those which carrying values as reflected in the statements of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held and other credit enhancements.

	2024			
	Maximum exposure to credit risk	**Fair value of collateral and credit enhancements**	**Financial effect of collateral or credit enhancements**	**Net exposure to credit risk**
SPURA	**₱362,000,000**	**₱362,000,000**	**₱362,000,000**	**₱–**
Loans receivable				
Salary Loans	**2,991,924,693**	**–**	**–**	**2,991,924,693**
Car loans	**59,096,612**	**139,365,626**	**58,642,294**	**454,318**
Real estate loans	**45,563,922**	**112,267,317**	**45,442,027**	**121,895**
SME loans	**15,994,747**	**10,204,000**	**1,835,496**	**14,159,251**
Others	**23,039**	**–**	**–**	**23,039**

	2023			
	Maximum exposure to credit risk	Fair value of collateral and credit enhancements	Financial effect of collateral or credit enhancements	Net exposure to credit risk
SPURA	P49,925,969	P49,925,969	P49,925,969	P–
Loans receivable				
Salary loans	2,603,782,675	–	–	2,603,782,675
Car loans	56,118,667	123,887,700	50,256,407	5,862,260
Real estate loans	57,803,750	129,167,908	57,803,750	–
SME loans	14,353,954	9,710,200	1,751,240	12,062,714
Others	23,532	–	–	23,532

Collateral and other credit enhancements
The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The fair value of collateral is generally assessed, at a minimum, at inception. The amount and type of collateral required depends on the assessment of the credit risk of the counterparty. The Bank implements certain requirements regarding the acceptability of types of collateral and valuation parameters.

For consumer lending, the Bank obtains physical collateral (e.g., chattel properties). As a general policy, the loan value of the collateral is 70.00% of the appraised value.

It is the Bank's policy to dispose assets acquired either through redemption or sale. The proceeds on the sale of foreclosed assets (classified as 'Other Assets' in the statement of financial position) are used to reduce or repay the outstanding claims.

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

The Bank considers risk concentration to be present in financial assets when the total exposure to a particular industry or sector exceeds 30.00% of the total financial assets, similar to BSP requirements.

The table below shows the distribution of the Bank's financial assets subject to credit risk exposure by industry sector as of December 31, 2024 and 2023, before taking into account any collateral held or other credit enhancements:

	2024						
	Loans and receivables	**%**	**Other financial assets***	**%**	**Investment Securities**	**%**	**Total**
Personal service activities	**₱3,051,450,755**	**95.46**	**₱–**	–	**₱–**	–	**₱3,051,450,755**
Government	**2,266,778**	**0.07**	**389,523,639**	**68.55**	**299,387,090**	**98.41**	**691,177,507**
Financial intermediaries	**51,638**	**0.00**	**173,678,720**	**30.56**	–	–	**173,730,358**
Real estate, renting & business activities	**51,619,793**	**1.62**	**5,046,544**	**0.89**	**4,841,456**	**1.59**	**61,507,793**
Personal and household goods	**23,242,845**	**0.73**	–	–	–	–	**23,242,845**
Auto loans	**44,798,390**	**1.40**	–	–	–	–	**44,798,390**
Agriculture, hunting and forestry	**16,783,556**	**0.53**	–	–	–	–	**16,783,556**
Transportation and storage	**4,131,762**	**0.13**	–	–	–	–	**4,131,762**
Construction	**206,261**	**0.01**	–	–	–	–	**206,261**
Other community, social work activities	**851,459**	**0.07**	–	–	–	–	**851,459**
Wholesale and retail	**751,020**	**0.03**	–	–	–	–	**751,020**
Manufacturing	**135,965**	**0.00**	–	–	–	–	**135,965**
	3,196,290,222	**100.00**	**568,248,903**	**100.00**	**304,228,546**	**100.00**	**4,068,767,671**
Allowance for credit losses	**(66,913,153)**	–	–	–	–	–	**(66,913,153)**
	₱3,129,377,069	**100.00**	**₱568,248,903**	**100.00**	**₱ 304,228,546**	**100.00**	**₱4,001,854,518**

**Comprised of 'Due from BSP', 'Due from other banks', 'Accounts receivable', 'Security deposits' and 'Short-term investments'.*

	2023						
	Loans and receivables	%	Other financial assets*	%	Investment Securities	%	Total
Personal service activities	₱2,653,435,627	94.44	₱–	–	₱–	–	₱ 2,653,435,627
Government	2,267,613	0.08	402,314,817	81.61	289,622,427	98.39	694,204,857
Financial intermediaries	33,280	0.00	86,026,866	17.45	–	–	86,060,146
Real estate, renting & business activities	60,067,339	2.14	4,657,930	0.94	4,743,934	1.61	69,469,203
Personal and household goods	36,041,982	1.28	–	–	–	–	36,041,982
Auto loans	35,026,211	1.25	–	–	–	–	35,026,211
Agriculture, hunting and forestry	14,174,055	0.51	–	–	–	–	14,174,055
Transportation and storage	3,963,517	0.14	–	–	–	–	3,963,517
Construction	2,020,460	0.07	–	–	–	–	2,020,460
Other community, social work activities	1,116,959	0.04	–	–	–	–	1,116,959
Wholesale and retail	1,103,910	0.04	–	–	–	–	1,103,910
Manufacturing	337,822	0.01	–	–	–	–	337,822
	2,809,588,775	100.00	492,999,613	100.00	294,366,361	100.00	3,596,954,749
Allowance for credit losses	(61,564,143)	–	–	–	–	–	(61,564,143)
	₱2,748,024,632	100.00	₱492,999,613	100.00	₱294,366,361	100.00	₱3,535,390,606

Comprised of 'Due from BSP', 'Due from other banks', 'Accounts receivable', 'Security deposits' and 'Short-term investments'.

For loans and receivables under 'Personal services activities', concentration risk is actively managed by the Bank with collections reasonably assured as they are mainly coursed through the Department of Education.

Credit quality per class of financial assets
Due from BSP, due from other banks, financial assets at FVOCI, investment securities at amortized cost, and short-term investments and security deposits presented under 'other assets' are with the government, reputable financial institutions and private entities and are deemed to be of high grade.

The rating categories are further described below.

<u>Loans and receivable</u>

High Grade
This includes unclassified loans which may include technical past-due accounts, which under BSP regulations are not considered as outright past-due.

Standard Grade
This is comprised of loans that have loan classification of miscellaneous exception and loans especially mentioned. Standard grade may also include matured loans subject to renewal. This category is comprised of receivables that are technically past due, with period of default of 1 to 30 days, but are still regarded as good credit quality since the counterparties have the apparent ability to satisfy their obligations in full.

Substandard Grade
These are accounts that are watch listed based on internal credit assessment and accounts that have the tendency to turn past due or non-performing. This includes loans with period of default of 31 to 90 days.

Past Due and Impaired
This comprised of receivables which are classified as non-performing, with period of default of more than 90 days.

Loans with classification of doubtful and loss are included under past-due or individually impaired.

The financial assets are also grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date. The Bank defines a loan as in default, which is fully aligned with the definition of non-performing loans, that is, credit impaired, in all cases when the borrower becomes more than ninety (90) days past due on its contractual payments.

The table below shows the credit quality (classified by staging based on delinquency) per class of loans and receivables (gross of allowance for credit losses and unearned interest and discount) as of December 31, 2024 and 2023:

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Salary Loans				
Standard Grade	**₱3,062,755,781**	**₱–**	**₱–**	**₱3,062,755,781**
Substandard Grade	–	**48,290,040**	–	**48,290,040**
Past Due and Impaired	–	–	**89,154,372**	**89,154,372**
	3,062,755,781	**48,290,040**	**89,154,372**	**3,200,200,193**
Car Loans				
Standard Grade	**48,175,851**	–	–	**48,175,851**
Substandard Grade	–	**3,067,901**	–	**3,067,901**
Past Due and Impaired	–	–	**7,960,417**	**7,960,417**
	48,175,851	**3,067,901**	**7,960,417**	**59,204,169**
Real Estate Loans				
Standard Grade	**35,281,311**	–	–	**35,281,311**
Substandard Grade	–	**5,053,591**	–	**5,053,591**
Past Due and Impaired	–	–	**6,490,673**	**6,490,673**
	35,281,311	**5,053,591**	**6,490,673**	**46,825,575**
SME Loans				
Standard Grade	**16,136,299**	–	–	**16,136,299**
Substandard Grade	–	**195,902**	–	**195,902**
Past Due and Impaired	–	–	**745,462**	**745,462**
	16,136,299	**195,902**	**745,462**	**17,077,663**
Others				
Standard Grade	–	–	–	–
Substandard Grade	–	–	–	–
Past Due and Impaired	–	–	**32,912**	**32,912**
	–	–	**32,912**	**32,912**
Accrued interest receivables				
Standard Grade	**16,552,880**	–	–	**16,552,880**
Substandard Grade	–	**163,657**	–	**163,657**
Past Due and Impaired	–	–	**343,668**	**343,668**
	16,552,880	**163,657**	**343,668**	**17,060,205**
Total Loans and Receivables				
Standard Grade	**3,178,902,122**	–	–	**3,178,902,122**
Substandard Grade	–	**56,771,091**	–	**56,771,091**
Past Due and Impaired	–	–	**104,727,504**	**104,727,504**
	₱3,178,902,122	**₱56,771,091**	**₱P104,727,504**	**₱3,340,400,717**

	2023			
	Stage 1	Stage 2	Stage 3	Total
Salary Loans				
Standard Grade	₱2,636,428,894	₱–	₱–	₱2,636,428,894
Substandard Grade	–	71,364,414	–	71,364,414
Past Due and Impaired	–	–	91,779,112	91,779,112
	2,636,428,894	71,364,414	91,779,112	2,799,572,420
Car Loans				
Standard Grade	44,814,068	–	–	44,814,068
Substandard Grade	–	2,800,885	–	2,800,885
Past Due and Impaired	–	–	9,056,019	9,056,019
	44,814,068	2,800,885	9,056,019	56,670,972
Real Estate Loans				
Standard Grade	35,645,422	–	–	35,645,422
Substandard Grade	–	11,765,334	–	11,765,334
Past Due and Impaired	–	–	12,535,746	12,535,746
	35,645,422	11,765,334	12,535,746	59,946,502
SME Loans				
Standard Grade	14,697,701	–	–	14,697,701
Substandard Grade	–	–	–	–
Past Due and Impaired	–	–	745,462	745,462
	14,697,701	–	745,462	15,443,163
Others				
Standard Grade	–	–	–	–
Substandard Grade	–	–	–	–
Past Due and Impaired	–	–	32,912	32,912
	–	–	32,912	32,912
Accrued Interest Receivables				
Standard Grade	15,596,599	–	–	15,596,599
Substandard Grade	–	310,222	–	310,222
Past Due and Impaired	–	–	369,922	369,922
	15,596,599	310,222	369,922	16,276,743
Total Loans and Receivables				
Standard Grade	2,747,182,684	–	–	2,747,182,684
Substandard Grade	–	86,240,855	–	86,240,855
Past Due and Impaired	–	–	114,519,174	114,519,174
	₱2,747,182,684	₱86,240,855	₱114,519,174	₱2,947,942,713

Impairment assessment

Assessment of SICR/Staging assessment

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the instrument. Based on this process, the Bank categorizes its credit exposures into Stage 1, Stage 2 and Stage 3, as described below:

Stage	Category	Description
Stage 1	Credit risk has not increased significantly since initial recognition	12 month expected credit losses: Expected credit loss resulting from potential default of financial instruments occurring over 12 months from the end of reporting period and if current and contractual payments are less than or equal to thirty (30) days past due.

Stage	Category	Description
Stage 2	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses: Expected credit loss resulting from all potential default of financial instruments occurring over the expected life and if contractual payments are more than thirty (30) days and less than or equal to ninety (90) days past due or if the account is considered "watchlist"
Stage 3		Credit-impaired financial assets

For other credit risk exposures such as due from other banks, due from BSP, and debt securities at amortized cost, the Bank applies the low credit risk simplification. The Bank considers a debt financial asset to have low risk when its credit rating is equivalent to the definition of investment grade. The Bank evaluates whether the debt financial asset, on an individual basis, is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

The Bank determines a material increase in credit risk and estimates the expected credit loss on a forward-looking basis. The measuring factors of the expected credit loss are assumed to have certain relationship with the economic cycle. Through relationship analysis between the macroeconomic variables and the credit risk measuring factors, the forward-looking information is reflected in the expected credit loss estimation.

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

Definition of 'default' and 'cure'
The Bank defines a financial instrument as in default based on the following:
- Loans and receivables which are past due for more than 90 days;
- Loans and receivable with non-collection of full amount at maturity;
- Likelihood of non-payment when an account is under litigation;
- There is a breach of any key covenants/agreements that will adversely affect the borrower's capacity to pay;
- Weak financial condition and results of operations that leads to the borrower's inability to generate sufficient cash flow for debt servicing; or
- Restructuring of principal and interest or any concession granted by the Bank relating to the borrower's difficulty.

When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., cured) when it no longer meets any of the default criteria and there is sufficient evidence to support full collection through payments received for at least 6 consecutive payments.

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

Restructuring
In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the

borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are moved to Stage 3.

Assessment of ECL on a collective basis
The Bank calculates ECL either on an individual or collective basis. The Bank performs collective impairment by grouping financial assets on the basis of similar credit risk characteristics such as industry, collateral type, past-due status and other relevant factors. Accounts with similar attributes (i.e., type of facility) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD). These variables have been estimated from historical experience data by using the statistical techniques developed internally by the Bank and have been adjusted to reflect forward-looking information using statistical techniques and experienced credit judgment.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or within the remaining life of the exposure for Stage 2. The PD for each individual instrument is modelled based on historical data and is adjusted for current market conditions and reasonable and supportable information about future economic conditions. The Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristics of the portfolio, behavior of the accounts and materiality of the portfolio as compared to the total portfolio.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. LGD is the amount that may not be recovered in the event of default and is modelled based on historical net cash flow recoveries from collections and the sale of foreclosed assets.

Economic overlays
The Bank incorporates economic overlays into its assessment of SICR and its measurement of ECL. A broad range of economic overlays are considered as economic inputs, such as inflation rates, exchange rates and savings deposit rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect these, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Bank's loans and receivables consists of different portfolios, such as personal salary loans, car loans, real estate loans; and small and medium enterprise (SME) loans. In compliance with PFRS 9, the Bank has developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

<u>Market Risk</u>
Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of the financial instruments. The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

The following table sets forth the sensitivity to a reasonably possible change in the interest rates of the Bank's investments in bonds included under investment securities at FVOCI and bills payable, with all other variables held constant:

	2024		2023	
Changes in interest rates (in basis points)	**+100**	**-100**	+100	-100
Effect on equity				
Investment securities at FVOCI	**(₱2,372,148)**	**₱2,492,157**	(₱2,731,068)	₱2,732,437
Effect on net income				
Bills payable	**(5,977,286)**	**5,980,524**	(3,288,566)	3,351,617

As at December 31, 2024 and 2023, the Bank does not hold floating-rate financial assets.

Liquidity Risk

Liquidity risk is the risk that sufficient funds may not be available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquid financial resources to meet obligations when they fall due, under both normal and stressed conditions, without incurring unacceptable losses that would be detrimental to the Bank's operations.

The Bank maintains a portfolio of highly marketable assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains a liquidity and statutory reserve to BSP equivalent to 3.00% of deposit liabilities in 2024 and 2023, respectively. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of net liquid asset to deposit liabilities, set to reflect market conditions.

The tables below summarize the maturity profile of the financial assets and financial liabilities of the Bank based on undiscounted contractual cash flows:

	2024					
	On demand	**Due within 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
Financial assets						
Cash on hand	**₱25,351,770**	**₱–**	**₱–**	**₱–**	**₱–**	**₱25,351,770**
Due from BSP	**17,523,639**	**372,325,500**	**–**	**–**	**–**	**389,849,139**
Due from other banks	**66,409,447**	**–**	**–**	**20,218,667**	**–**	**86,628,114**
Investment securities at FVOCI	**–**	**1,152,506**	**–**	**20,152,506**	**73,357,519**	**94,662,531**
Investment securities at amortized cost			**575,000**	**7,713,542**	**245,822,083**	**254,110,625**
Loans and receivables	**150,207,677**	**110,682,173**	**182,673,677**	**832,723,384**	**2,641,292,007**	**3,917,578,918**
Other assets*	**–**	**84,862,459**	**–**	**5,046,544**	**–**	**89,909,003**
	259,492,533	**569,022,638**	**183,248,677**	**885,854,643**	**2,960,471,609**	**4,858,090,100**
Financial liabilities						
Deposit liabilities	**252,278,196**	**328,857,016**	**350,749,499**	**490,524,116**	**1,663,950,574**	**3,086,359,401**
Bills payable	**–**	**192,286,000**	**20,000,000**	**37,142,111**	**510,401,307**	**759,829,418**
Accrued expenses and other liabilities	**–**	**58,677,412**	**–**	**–**	**–**	**58,677,412**
	252,278,196	**579,820,428**	**370,749,499**	**527,666,227**	**2,174,351,881**	**3,904,866,231**
	₱7,214,337	**(₱10,797,790)**	**(₱187,500,822)**	**₱358,188,416**	**₱786,119,728**	**₱953,223,869**

**Includes 'Accounts receivable', 'Security deposits' and 'Short-term investments'*

	2023					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial assets						
Cash on hand	₱28,278,012	₱–	₱–	₱–	₱–	₱28,278,012
Due from BSP	23,213,055	306,375,715	–	–	–	329,588,770
Due from other banks	63,536,015	–	–	20,218,667	–	83,754,682
Investment securities at FVOCI	–	1,152,506	–	10,100,000	75,767,544	87,020,050
Investment securities at amortized cost	–	–	575,000	7,736,250	254,110,625	262,421,875
Loans and receivables	193,142,551	88,424,984	152,377,579	361,150,013	2,667,215,467	3,462,310,594
Other assets*	–	73,216,529	–	2,272,184	4,657,930	80,146,643
	308,169,633	469,169,734	152,952,579	401,477,114	3,001,751,566	4,333,520,626

(Forward)

	2023					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial liabilities						
Deposit liabilities	₱209,833,338	₱354,930,941	₱346,374,978	₱392,637,788	₱1,043,973,284	₱2,347,750,329
Bills payable	−	391,527,365	25,934,963	88,384,212	520,924,156	1,026,770,696
Accrued expenses and other liabilities	−	33,918,557	−	−	−	33,918,557
	209,833,338	780,376,863	372,309,941	481,022,000	1,564,897,440	3,408,439,582
	₱98,336,295	(₱311,207,129)	(₱219,357,362)	(₱79,544,886)	₱1,436,854,126	₱925,081,044

**Includes 'Accounts receivable', 'Security deposits' and 'Short-term investments'*

Offsetting of Financial Assets and Liabilities
The Bank is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The effects of these arrangements to the Bank's financial statements are disclosed in the succeeding tables.

Financial assets recognized at end of reporting period by type	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in the statements of financial position	Effect of remaining rights to set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Effect of remaining rights to set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral	Net exposure
	[a]	[b]	[c]	[d]		[e]
December 31, 2024						
Securities held under agreements to resell (Note 6)	**₱362,000,000**	**₱–**	**₱362,000,000**	**₱–**	**₱362,000,000**	**₱–**
December 31, 2023						
Securities held under agreements to resell (Note 6)	₱49,925,969	₱–	₱49,925,969	₱–	₱49,925,969	₱–

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

5. Fair Value of Financial Assets and Financial Liabilities

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

Due from BSP, due from other banks and short-term investments under 'Other assets'
The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

Investments in government securities and private bonds
Fair values are based on quoted market prices published in active markets.

Equity securities
Fair values of unquoted equity securities are estimated using the guideline publicly-traded company method, which utilizes publicly available information from publicly-traded comparable companies that are the same or similar to the unlisted company being valued.

Loans and receivables
Fair values of receivable from customers are estimated by discounting expected future cash flows using current market lending. The discount rates used in estimating the fair value of loans and receivables are the incremental lending rates ranging from 6.50% to 48.60% and from 6.50% to 45.64% in 2024 and 2023, respectively

Deposit liabilities
Fair values of time deposits are estimated using the discounted cash flow methodology, using the Bank's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable. The discount rates used in estimating the fair value of time deposits as of December 31, 2024 and 2023 range from 1.50% to 7.50% and from 1.50% to 7.00%, respectively.

Financial assets and liabilities at amortized cost except for loans and receivables and deposit liabilities
Carrying value approximates fair value due to either the demand nature or the relatively short-term maturities of these financial instruments.

Bills payable
Fair value is computed using the discounted cash flow methodology. The discount rates used in estimating the fair value of bills payable are from 4.00% to 9.99% and from 4.00% to 9.98% in 2024 and 2023, respectively, which are based on the Bank's incremental borrowing rates.

As at December 31, 2024 and 2023, the carrying values of the Bank's financial assets and financial liabilities approximate their fair values as reflected in the statements of financial position and related notes, except for the following financial instruments:

	2024				
		Fair Value			
	Carrying value	Quoted prices (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value					
Investment securities at FVOCI					
Government securities	**₱68,545,414**	**₱68,545,414**	**₱–**	**₱–**	**₱68,545,414**
Private bonds	**4,841,456**	**4,841,456**	–	–	**4,841,456**
Equity securities	**115,000**	–	**115,000**	–	**115,000**
	₱73,501,870	**₱73,386,870**	**₱115,000**	**₱–**	**₱73,501,870**
Assets for which fair values are disclosed					
Investment securities at amortized cost	**₱230,841,676**	**₱218,827,404**	**₱–**	**₱–**	**₱218,827,404**
Loans and receivables					
Salary loans	**3,005,325,634**	–	–	**3,074,518,101**	**3,074,518,101**
Car loans	**59,464,622**	–	–	**53,531,352**	**53,531,352**
Real estate loans	**45,834,363**	–	–	**47,520,565**	**47,520,565**
SME loans	**16,028,146**	–	–	**16,419,705**	**16,419,705**
Others	**23,213**	–	–	**12,459**	**12,459**
	3,126,675,978	–	–	**3,192,002,182**	**3,192,002,182**
	₱3,357,517,654	**₱218,827,404**	**₱–**	**₱3,192,002,182**	**₱3,410,829,586**
Liabilities for which fair values are disclosed					
Time deposits	**₱2,376,676,693**	**₱–**	**₱–**	**₱2,400,306,338**	**₱2,400,306,338**
Bills payable	**749,855,542**	–	–	**759,829,418**	**759,829,418**
	₱3,126,532,235	**₱–**	**₱–**	**₱3,160,135,756**	**₱3,160,135,756**

	2023				
		Fair Value			
	Carrying value	Quoted prices (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value					
Investment securities at FVOCI					
Government securities	₱58,296,013	₱58,296,013	₱–	₱–	₱58,296,013
Private bonds	4,743,934	4,743,934	–	–	4,743,934
Equity securities	115,000	–	115,000	–	115,000
	₱63,154,947	₱63,039,947	₱115,000	₱–	₱63,154,947
Assets for which fair values are disclosed					
Investment securities at amortized cost	₱231,326,414	₱215,830,998	₱–	₱–	₱215,830,998
Loans and receivables					
Salary loans	2,616,465,069	–	–	2,694,785,119	2,694,785,119
Car loans	56,619,292	–	–	56,062,328	56,062,328
Real estate loans	58,153,626	–	–	61,193,671	61,193,671
SME loans	14,432,175	–	–	14,813,163	14,813,163
Others	2,354,470	–	–	2,354,294	2,354,294
	2,748,024,632	–	–	2,829,208,575	2,829,208,575
	₱2,979,351,046	₱215,830,998	₱–	₱2,829,208,575	₱3,045,039,573
Liabilities for which fair values are disclosed					
Time deposits	₱1,907,115,222	₱–	₱–	₱1,925,153,311	₱1,925,153,311
Bills payable	894,352,800	–	–	906,253,371	906,253,371
	₱2,801,468,022	₱–	₱–	₱2,831,406,682	₱2,831,406,682

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

6. Due from BSP and Other Banks

Due from BSP

This account consists of:

	2024	2023
Overnight deposit facility	**₱10,000,000**	₱142,000,000
SPURA	**362,000,000**	49,925,969
Demand deposit account (Note 11)	**17,023,639**	22,713,055
Special deposit account	**500,000**	500,000
Term deposit facility	–	113,959,264
	₱389,523,639	₱329,098,288

Annual interest rates on the Bank's 'Due from BSP' are as follows:

	2024	2023
Overnight deposit facility	**5.25% - 6.00%**	5.00% - 6.00%
Term deposit facility	**5.99% - 6.63%**	6.30% - 6.70%
SPURA	**5.75% - 6.60%**	5.50% - 6.45%

Special deposit accounts are non-interest-bearing short term placements. As of December 31, 2024 and 2023, the SPURA is collateralized by government securities amounting to ₱362.0 million and ₱49.93 million, respectively. The Bank is not permitted to sell or re-pledge the related collateral in the absence of default by the counterparty.

Interest income earned on Due from BSP amounted to ₱12.43 million and ₱14.04 million in 2024 and 2023, respectively.

Due from Other Banks
This account consists of:

	2024	2023
Demand deposit	**₱56,764,295**	₱57,302,360
Time deposit	**21,095,742**	20,218,667
Savings deposit	**10,956,224**	6,233,655
	₱88,816,261	₱83,754,682

Due from other banks bear annual interest rates ranging from 0.05% to 5.00 in 2024 and 2023. Interest income on due from other banks amounted to ₱0.94 million and ₱0.43 million in 2024 and 2023, respectively.

7. Investment Securities

Investment Securities at FVOCI
This account consists of investment securities at FVOCI as of December 31, 2024 and 2023:

	2024	2023
Government securities	**₱68,545,414**	₱58,296,013
Private bonds	**4,841,456**	4,743,934
Unquoted equity securities	**115,000**	115,000
	₱73,501,870	₱63,154,947

As of December 31, 2024 and 2023, government bonds have effective interest rates ranging from 4.0% to 6.15% with maturities ranging from 2025 to 2031 and from 4.00% to 5.30% with maturities ranging from 2024 to 2031, respectively.

As of December 31, 2024 and 2023, there are no government bonds assigned as collateral for borrowings of the Bank (Note 12).

The movements in fair value reserves on debt instruments at FVOCI of the Bank follows:

	2024	2023
Balance at beginning of year	**(₱3,849,622)**	(₱6,746,224)
Movements in fair values during the year	**259,509**	2,896,602
Net loss realized in profit or loss	**–**	–
Net change during the year	**259,509**	2,896,602
Balance at end of year	**(₱3,590,113)**	(₱3,849,622)

Unquoted equity securities
As of December 31, 2024 and 2023, the Bank has equity investments in Bankers Association of the Philippines (BAP) and classified as investment securities at FVOCI with carrying amount of ₱0.12 million. The Bank intends to hold these securities as long-term investments as they relate to participation in banking operations.

Investment securities at amortized cost
As of December 31, 2024 and 2023, this account consists of government securities, which have effective interest rates ranging from 2.74% to 3.77% and maturities ranging from 2026 to 2028.

As of December 31, 2024, government bonds with fair value of ₱130.58 million are assigned as collateral for borrowings of the Bank (Note 12). As of December 31, 2023, there are no government bonds assigned as collateral.

Interest Income on Investment Securities
Interest income on investment securities follows:

	2024	2023
Financial assets at FVOCI	**₱3,692,494**	₱3,179,259
Investment securities and amortized cost	**7,690,263**	7,701,291
	₱11,382,757	₱10,880,550

8. Loans and Receivables

This account consists of:

	2024	2023
Loans and receivables		
Salary loans (Note 12)	**₱3,200,200,193**	₱2,799,572,420
Car loans	**59,204,169**	56,670,972
Real estate loans	**46,825,575**	59,946,503
SME loans	**17,077,663**	15,443,163
Others	**32,912**	32,912
	3,323,340,512	2,931,665,970
Net unearned interest and discount	**(144,110,494)**	(138,353,938)
Loans and receivables, net of unearned interest and discount	**3,179,230,018**	2,793,312,032
Accrued interest receivable	**17,060,205**	16,276,743
Loans and receivables, before allowance for credit losses	**3,196,290,222**	2,809,588,775
Allowance for credit losses	**(66,913,153)**	(61,564,143)
	₱3,129,377,069	₱2,748,024,632

Loans and receivables, with terms normally ranging from less than 1 year to 20 years in 2024 and 2023, earn annual interest rates as follows:

	2024	2023
Salary loans	**5.07% - 41.86%**	5.07% - 41.86%
Car loans	**7.08% - 45.64%**	7.94% - 57.21%
SME loans	**14.24% - 48.60%**	16.65% - 47.28%
Real estate loans	**6.75% - 10.50%**	6.75% - 10.50%
Others	**23.00% - 42.57%**	22.99% - 42.57%

Interest Income on Loans and Receivables
Interest income on loans and receivables consist of interest income on:

	2024	2023
Salary loans	**₱441,042,319**	₱386,627,290
Car loans	**12,691,750**	11,209,388
Real estate loans	**5,661,057**	6,632,205
SME loans	**1,173,012**	2,587,650
Others	**176,979**	157,086
	₱460,745,117	₱407,213,619

As of December 31, 2024 and 2023, salary loans with carrying values of ₱800.30 million and ₱1.32 billion, respectively are assigned as collateral for borrowings of the Bank (Note 12).

Allowance for Credit Losses
The changes in allowance for credit and impairment losses follow:

	2024	2023
Balance at beginning of year	**₱61,564,143**	₱40,058,518
Movements during the year:		
Provision for credit and impairment losses	**13,052,523**	21,505,625
Write-off	**(7,703,512)**	–
	5,349,010	21,505,625
Balance at end of year	**₱66,913,153**	₱61,564,143

The tables below illustrate the movements of the gross carrying amounts and the allowance for impairment and credit losses of the financial assets for the year ended December 31, 2024 and 2023 (effect of movements in ECL due to transfers between stages are shown in the total column):

	ECL Staging			
Salary Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2024	**₱2,636,428,894**	**₱71,364,414**	**₱91,779,112**	**₱2,799,572,420**
New financial assets purchased or originated	**2,346,728,261**	**13,860,052**	**4,983,026**	**2,365,571,339**
Transfers:				
Transfers to (from) Stage 1	**(49,599,560)**	**28,229,064**	**21,370,496**	–
Transfers to (from) Stage 2	**2,648,698**	**(15,126,898)**	**12,478,200**	–
Transfers to (from) Stage 3	–	**1,152,675**	**(1,152,675)**	–
Assets derecognized or repaid	**(1,873,450,512)**	**(51,189,267)**	**(32,600,277)**	**(1,957,240,054)**
Write-offs	–	–	**(7,703,512)**	**(7,703,512)**
Gross carrying amount as at December 31, 2024	**₱3,062,755,781**	**₱48,290,040**	**₱89,154,372**	**₱3,200,200,193**
Allowance for credit losses as at January 1, 2024	**₱6,870,322**	**₱248,902**	**₱49,211,521**	**₱56,330,745**
New financial assets purchased or originated	**920,583**	**5,844**	**1,950,818**	**2,877,245**
Transfers:				
Transfers to (from) Stage 1	**(9,677,745)**	**234,824**	**9,442,921**	–
Transfers to (from) Stage 2	**21,347**	**(7,002,522)**	**6,981,174**	–
Transfers to (from) Stage 3	–	**14,995**	**(14,995)**	–
Changes in PDs/LGDs/EADs	**9,012,967**	**6,795,675**	**(4,091,902)**	**11,716,739**
Write-offs	–	–	**(7,703,512)**	**(7,703,512)**
Allowance for credit losses as at December 31, 2024	**₱7,147,474**	**₱297,719**	**₱55,776,024**	**₱63,221,217**

	ECL Staging			
Salary Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2023	₱2,191,885,569	₱63,422,810	₱47,472,745	₱2,302,781,124
New financial assets purchased or originated	2,147,871,972	56,064,134	30,882,984	2,234,819,090
Transfers:				
Transfers to (from) Stage 1	(1,207,830)	1,207,830	–	–
Transfers to (from) Stage 2	10,761,825	(10,772,801)	10,976	–
Transfers to (from) Stage 3	25,176,725	7,602,937	(32,779,662)	–
Assets derecognized or repaid	(1,738,059,367)	(46,160,496)	46,192,069	(1,738,027,794)
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2023	₱2,636,428,894	₱71,364,414	₱91,779,112	₱2,799,572,420
Allowance for credit losses as at January 1, 2023	₱13,918,259	₱606,005	₱18,807,676	₱33,331,940
New financial assets purchased or originated	3,610,258	88,549	12,142,475	15,841,282
Transfers:				
Transfers to (from) Stage 1	(9,516)	9,516	–	–
Transfers to (from) Stage 2	116,898	(116,928)	30	–
Transfers to (from) Stage 3	11,435,061	4,448,757	(15,883,818)	–
Changes in PDs/LGDs/EADs	(22,200,638)	(4,786,997)	34,145,158	7,157,523
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2023	₱6,870,322	₱248,902	₱49,211,521	₱56,330,745

Car Loans	**ECL Staging** **Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2024	**₱44,814,068**	**₱2,800,885**	**₱9,056,019**	**₱56,670,972**
New financial assets purchased or originated	**22,798,120**	**2,011,820**	**–**	**24,809,941**
Transfers:				
Transfers to (from) Stage 1	**(366,760)**	**366,760**	**–**	**–**
Transfers to (from) Stage 2	**507,373**	**(813,686)**	**306,313**	**–**
Transfers to (from) Stage 3	**–**	**–**	**–**	**–**
Assets derecognized or repaid	**(19,576,950)**	**(1,297,879)**	**(1,401,915)**	**(22,276,744)**
Write-offs	**–**	**–**	**–**	**–**
Gross carrying amount as at December 31, 2024	**₱48,175,851**	**₱3,067,901**	**₱7,960,417**	**₱59,204,169**
Allowance for credit losses as at January 1, 2024	**₱137,284**	**₱17,130**	**₱2,189,107**	**₱2,343,521**
New financial assets purchased or originated	**6,161**	**374**	**–**	**6,535**
Transfers:				
Transfers to (from) Stage 1	**(9,455)**	**9,455**	**–**	**–**
Transfers to (from) Stage 2	**737**	**(80,595)**	**79,858**	**–**
Transfers to (from) Stage 3	**–**	**–**	**–**	**–**
Changes in PDs/LGDs/EADs	**11,993**	**63,626**	**(726,163)**	**(650,544)**
Write-offs	**–**	**–**	**–**	**–**
Allowance for credit losses as at December 31, 2024	**₱146,720**	**₱9,990**	**₱1,542,802**	**₱1,699,511**

Car Loans	ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2023	₱62,176,557	₱3,487,341	₱11,689,472	₱77,353,370
New financial assets purchased or originated	12,387,532	–	–	12,387,532
Transfers:				
Transfers to (from) Stage 1	–	–	–	–
Transfers to (from) Stage 2	1,959,525	(1,959,525)	–	–
Transfers to (from) Stage 3	1,725,336	1,155,576	(2,880,912)	–
Assets derecognized or repaid	(33,434,882)	117,493	247,459	(33,069,930)
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2023	₱44,814,068	₱2,800,885	₱9,056,019	₱56,670,972
Allowance for credit losses as at January 1, 2023	₱818,162	₱87,495	₱3,371,986	₱4,277,643
New financial assets purchased or originated	2,694	–	–	2,694
Transfers:				
Transfers to (from) Stage 1	–	–	–	–
Transfers to (from) Stage 2	2,729	(2,729)	–	–
Transfers to (from) Stage 3	418,187	285,315	(703,502)	–
Changes in PDs/LGDs/EADs	(1,104,488)	(352,951)	(479,377)	(1,936,816)
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2023	₱137,284	₱17,130	₱2,189,107	₱2,343,521

Real Estate Loans	**ECL Staging** **Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2024	**₱35,645,423**	**₱11,765,334**	**₱12,535,746**	**₱59,946,503**
New financial assets purchased or originated	**–**	**–**	**–**	**–**
Transfers:				
Transfers to (from) Stage 1	**(884,248)**	**–**	**884,248**	**–**
Transfers to (from) Stage 2	**6,297,606**	**(6,297,606)**	**–**	**–**
Transfers to (from) Stage 3	**–**	**2,087,068**	**(2,087,068)**	**–**
Assets derecognized or repaid	**(5,777,470)**	**(2,501,205)**	**(4,842,253)**	**(13,120,928)**
Write-offs	**–**	**–**	**–**	**–**
Gross carrying amount as at December 31, 2024	**₱35,281,311**	**₱5,053,591**	**₱6,490,673**	**₱46,825,575**
Allowance for credit losses as at January 1, 2024	**₱528,334**	**₱174,569**	**₱1,169,169**	**₱1,872,072**
New financial assets purchased or originated	**–**	**–**	**–**	**–**
Transfers:				
Transfers to (from) Stage 1	**(87,099)**	**–**	**87,099**	**–**
Transfers to (from) Stage 2	**61,706**	**(61,706)**	**–**	**–**
Transfers to (from) Stage 3	**–**	**20,434**	**(20,434)**	**–**
Changes in PDs/LGDs/EADs	**(157,294)**	**(83,815)**	**(605,954)**	**(847,063)**
Write-offs	**–**	**–**	**–**	**–**
Allowance for credit losses as at December 31, 2024	**₱345,646**	**₱49,483**	**₱629,880**	**₱1,025,009**

Real Estate Loans	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2023	₱56,304,176	₱7,965,923	₱10,360,080	₱74,630,179
New financial assets purchased or originated	–	–	–	–
Transfers:				
Transfers to (from) Stage 1	(1,759,052)	1,425,376	333,676	–
Transfers to (from) Stage 2	8,186,703	(8,186,703)	–	–
Transfers to (from) Stage 3	5,076,866	1,523,409	(6,600,275)	–
Assets derecognized or repaid	(32,163,270)	9,037,329	8,442,265	(14,683,676)
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2023	₱35,645,423	₱11,765,334	₱12,535,746	₱59,946,503
Allowance for credit losses as at January 1, 2023	₱995,912	₱139,891	₱180,524	₱1,316,327
New financial assets purchased or originated	–	–	–	–
Transfers:				
Transfers to (from) Stage 1	(25,923)	21,183	4,740	–
Transfers to (from) Stage 2	121,369	(121,369)	–	–
Transfers to (from) Stage 3	446,825	146,468	(593,293)	–
Changes in PDs/LGDs/EADs	(1,009,849)	(11,604)	1,577,198	555,745
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2023	₱528,334	₱174,569	₱1,169,169	₱1,872,072

SME Loans	**ECL Staging** **Stage 1** **12-month ECL**	 **Stage 2** **Lifetime ECL**	 **Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2024	**₱14,697,701**	**₱–**	**₱745,462**	**₱15,443,163**
New financial assets purchased or originated	**8,580,007**	**195,902**	**–**	**8,775,909**
Transfers:				
Transfers to (from) Stage 1	**–**	**–**	**–**	**–**
Transfers to (from) Stage 2	**–**	**–**	**–**	**–**
Transfers to (from) Stage 3	**–**	**–**	**–**	**–**
Assets derecognized or repaid	**(7,141,409)**	**–**	**–**	**(7,141,409)**
Write-offs	**–**	**–**	**–**	**–**
Gross carrying amount as at December 31, 2024	**₱16,136,299**	**₱195,902**	**₱745,462**	**₱17,077,663**
Allowance for credit losses as at January 1, 2024	**₱463,959**	**₱–**	**₱209,281**	**₱673,240**
New financial assets purchased or originated	**234,697**	**5,437**	**–**	**240,134**
Transfers:				
Transfers to (from) Stage 1	**–**	**–**	**–**	**–**
Transfers to (from) Stage 2	**–**	**–**	**–**	**–**
Transfers to (from) Stage 3	**–**	**–**	**–**	**–**
Changes in PDs/LGDs/EADs	**(256,339)**	**–**	**14,358**	**(241,981)**
Write-offs	**–**	**–**	**–**	**–**
Allowance for credit losses as at December 31, 2024	**₱442,317**	**₱5,437**	**₱223,639**	**₱671,393**

SME Loans	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2023	₱11,645,769	₱–	₱745,462	₱12,391,231
New financial assets purchased or originated	9,477,152	–	–	9,477,152
Transfers:				
Transfers to (from) Stage 1	–	–	–	–
Transfers to (from) Stage 2	–	–	–	–
Transfers to (from) Stage 3	–	–	–	–
Assets derecognized or repaid	(6,425,220)	–	–	(6,425,220)
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2023	₱14,697,701	₱–	₱745,462	₱15,443,163
Allowance for credit losses as at January 1, 2023	₱200,623	₱–	₱752,862	₱953,485
New financial assets purchased or originated	302,571	–	–	302,571
Transfers:				
Transfers to (from) Stage 1	–	–	–	–
Transfers to (from) Stage 2	–	–	–	–
Transfers to (from) Stage 3	–	–	–	–
Changes in PDs/LGDs/EADs	(39,235)	–	(543,581)	(582,816)
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2023	₱463,959	₱–	₱209,281	₱673,240

Others	ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2024	**₱–**	**₱–**	**₱32,912**	**₱32,912**
New financial assets purchased or originated	–	–	–	–
Transfers:				
Transfers to (from) Stage 1	–	–	–	–
Transfers to (from) Stage 2	–	–	–	–
Transfers to (from) Stage 3	–	–	–	–
Assets derecognized or repaid	–	–	–	–
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2024	**₱–**	**₱–**	**₱32,912**	**₱32,912**
Allowance for credit losses as at January 1, 2024	**₱–**	**₱–**	**₱9,876**	**₱9,876**
New financial assets purchased or originated	–	–	–	–
Transfers:				
Transfers to (from) Stage 1	–	–	–	–
Transfers to (from) Stage 2	–	–	–	–
Transfers to (from) Stage 3	–	–	–	–
Changes in PDs/LGDs/EADs	–	–	**(2)**	**(2)**
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2024	**₱–**	**₱–**	**₱9,874**	**₱9,874**

Others	ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2023	₱–	₱–	₱17,927	₱17,927
New financial assets purchased or originated	–	–	–	–
Transfers:				
Transfers to (from) Stage 1	–	–	–	–
Transfers to (from) Stage 2	–	–	–	–
Transfers to (from) Stage 3	–	–	–	–
Assets derecognized or repaid	–	–	14,985	14,985
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2023	₱–	₱–	₱32,912	₱32,912
Allowance for credit losses as at January 1, 2023	₱–	₱–	₱316	₱316
New financial assets purchased or originated	–	–	–	–
Transfers:				
Transfers to (from) Stage 1	–	–	–	–
Transfers to (from) Stage 2	–	–	–	–
Transfers to (from) Stage 3	–	–	–	–
Changes in PDs/LGDs/EADs	–	–	9,560	9,560
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2023	₱–	₱–	₱9,876	₱9,876

Accrued Interest Receivable	ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2024	**₱15,949,405**	**₱310,222**	**₱369,922**	**₱16,629,549**
New financial assets purchased or originated	**9,951,480**	**59,316**	**31,409**	**10,042,205**
Transfers:				
Transfers to (from) Stage 1	**(124,210)**	**53,237**	**70,973**	–
Transfers to (from) Stage 2	**44,263**	**(80,514)**	**36,250**	–
Transfers to (from) Stage 3	–	**13,124**	**(13,124)**	–
Assets derecognized or repaid	**(9,268,059)**	**(191,728)**	**(151,762)**	**(9,611,550)**
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2024	**₱16,552,880**	**₱163,657**	**₱343,668**	**₱17,060,205**
Allowance for credit losses as at January 1, 2024	**₱39,713**	**₱2,221**	**₱292,755**	**₱334,689**
New financial assets purchased or originated	**4,609**	**119**	**13,203**	**17,931**
Transfers:				
Transfers to (from) Stage 1	**(33,562)**	**448**	**33,114**	–
Transfers to (from) Stage 2	**383**	**(34,109)**	**33,726**	–
Transfers to (from) Stage 3	–	**128**	**(128)**	–
Changes in PDs/LGDs/EADs	**28,255**	**32,241**	**(126,968)**	**(66,471)**
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2024	**₱39,399**	**₱1,048**	**₱245,702**	**₱286,149**

Accrued Interest Receivable	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2023	₱13,648,799	₱325,791	₱243,202	₱14,217,792
New financial assets purchased or originated	12,865,287	310,222	369,922	13,545,431
Transfers:				
Transfers to (from) Stage 1	(136)	133	3	–
Transfers to (from) Stage 2	838	(838)	–	–
Transfers to (from) Stage 3	77,099	9,935	(87,034)	–
Assets derecognized or repaid	(10,995,288)	(335,021)	(156,170)	(11,486,480)
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2023	₱15,596,599	₱310,222	₱369,922	₱16,276,743
Allowance for credit losses as at January 1, 2023	₱79,210	₱4,051	₱95,546	₱178,807
New financial assets purchased or originated	39,713	2,221	292,755	334,689
Transfers:				
Transfers to (from) Stage 1	(11,693)	11,523	170	–
Transfers to (from) Stage 2	62,123	(62,123)	–	–
Transfers to (from) Stage 3	77,099	9,935	(87,034)	–
Changes in PDs/LGDs/EADs	(206,739)	36,614	(8,682)	(178,807)
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2023	₱39,713	₱2,221	₱292,755	₱334,689

Total Loans	**ECL Staging** **Stage 1** **12-month ECL**	 **Stage 2** **Lifetime ECL**	 **Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2024	**₱2,747,535,491**	**₱86,240,855**	**₱114,519,173**	**₱2,948,295,519**
New financial assets purchased or originated	**2,388,057,868**	**16,127,091**	**5,014,434**	**2,409,199,393**
Transfers:				
Transfers to (from) Stage 1	**(50,974,778)**	**28,649,061**	**22,325,717**	–
Transfers to (from) Stage 2	**9,497,941**	**(22,318,704)**	**12,820,764**	–
Transfers to (from) Stage 3	**–**	**3,252,867**	**(3,252,867)**	–
Assets derecognized or repaid	**(1,915,214,400)**	**(55,180,079)**	**(38,996,204)**	**(2,009,390,683)**
Write-offs	–	–	**(7,703,512)**	**(7,703,512)**
Gross carrying amount as at December 31, 2024	**₱3,178,902,122**	**₱56,771,091**	**₱104,727,505**	**₱3,340,400,717**
Allowance for credit losses as at January 1, 2024	**₱8,039,612**	**₱442,822**	**₱ 53,081,709**	**₱61,564,143**
New financial assets purchased or originated	**1,166,050**	**11,774**	**1,964,020**	**3,141,845**
Transfers:				
Transfers to (from) Stage 1	**(9,807,861)**	**244,727**	**9,563,134**	–
Transfers to (from) Stage 2	**84,173**	**(7,178,931)**	**7,094,758**	–
Transfers to (from) Stage 3	–	**35,557**	**(35,557)**	–
Changes in PDs/LGDs/EADs	**8,639,582**	**6,807,728**	**(5,536,632)**	**9,910,677**
Write-offs	–	–	**(7,703,512)**	**(7,703,512)**
Allowance for credit losses as at December 31, 2024	**₱8,121,556**	**₱363,677**	**₱58,427,920**	**₱66,913,153**

Total Loans	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2023	₱2,335,660,870	₱75,201,865	₱70,528,888	₱2,481,391,623
New financial assets purchased or originated	2,182,601,942	56,374,356	31,252,906	2,270,229,204
Transfers:				
Transfers to (from) Stage 1	(2,967,018)	2,633,339	333,679	–
Transfers to (from) Stage 2	20,908,891	(20,919,867)	10,976	–
Transfers to (from) Stage 3	32,056,026	10,291,856	(42,347,882)	–
Assets derecognized or repaid	(1,821,078,027)	(37,340,694)	54,740,607	(1,803,678,114)
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2023	₱2,747,182,684	₱86,240,855	₱114,519,174	₱2,947,942,713
Allowance for credit losses as at January 1, 2023	₱16,012,166	₱837,442	₱23,208,910	₱40,058,518
New financial assets purchased or originated	3,955,235	90,770	12,435,230	16,481,235
Transfers:				
Transfers to (from) Stage 1	(47,132)	42,222	4,910	–
Transfers to (from) Stage 2	303,120	(303,150)	30	–
Transfers to (from) Stage 3	12,377,172	4,890,476	(17,267,648)	–
Changes in PDs/LGDs/EADs	(24,560,949)	(5,114,938)	34,700,277	5,024,390
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2023	₱8,039,612	₱442,822	₱53,081,709	₱61,564,143

9. Property and Equipment

The composition of and movements in this account follow:

	2024						
	Furniture, Fixtures and Equipment	**Leasehold Improvement**	**Office Equipment**	**Computer Equipment**	**Transportation Equipment**	**Right-of-Use Asset**	**Total**
Cost							
Balances at beginning of year	**₱3,224,173**	**₱19,116,214**	**₱3,349,499**	**₱40,492,987**	**₱5,687,657**	**₱22,158,182**	**₱94,028,712**
Additions	**376,343**	**1,081,490**	**2,337,738**	**4,143,634**	**–**	**851,966**	**8,791,171**
Disposals/Adjustments	**(6,331)**	**–**	**(12,600)**	**(416,559)**	**–**	**(1,390,178)**	**(1,825,668)**
Balances at end of year	**3,594,184**	**20,197,704**	**5,674,637**	**44,220,062**	**5,687,658**	**21,619,970**	**100,994,215**
Accumulated Depreciation and Amortization							
Balances at beginning of year	**2,826,534**	**15,973,870**	**2,513,185**	**26,459,947**	**3,400,738**	**12,450,716**	**63,624,990**
Depreciation and amortization	**260,696**	**1,990,256**	**435,073**	**5,059,401**	**306,532**	**5,498,599**	**13,550,557**
Disposals/Adjustments	**(18,024)**	**(60,292)**	**(12,600)**	**(57,913)**	**–**	**(1,394,141)**	**(1,542,970)**
Balances at end of year	**3,069,206**	**17,903,834**	**2,935,658**	**31,461,435**	**3,707,270**	**16,555,174**	**75,632,577**
Net Book Values	**₱524,978**	**₱2,293,870**	**₱2,738,979**	**₱12,758,627**	**₱1,980,388**	**₱5,064,796**	**₱25,361,638**

	2023						
	Furniture, Fixtures and Equipment	Leasehold Improvement	Office Equipment	Computer Equipment	Transportation Equipment	Right-of-Use Asset	Total
Cost							
Balances at beginning of year	₱2,869,099	₱16,732,720	₱2,955,306	₱33,924,593	₱2,065,600	₱19,280,307	₱77,827,625
Additions	355,074	2,383,494	394,193	6,568,394	3,622,057	6,845,061	20,168,273
Disposals/Adjustments	–	–	–	–	–	(3,967,186)	(3,967,186)
Balances at end of year	3,224,173	19,116,214	3,349,499	40,492,987	5,687,657	22,158,182	94,028,712
Accumulated Depreciation and Amortization							
Balances at beginning of year	2,578,936	13,420,090	2,235,698	21,782,610	2,065,600	11,053,990	53,136,924
Depreciation and amortization	247,598	2,582,342	277,487	4,677,337	754,260	5,363,912	13,902,936
Disposals/Adjustments	–	(28,562)	–	–	580,878	(3,967,186)	(3,414,870)
Balances at end of year	2,826,534	15,973,870	2,513,185	26,459,947	3,400,738	12,450,716	63,624,990
Net Book Values	₱397,639	₱3,142,344	₱836,314	₱14,033,040	₱2,286,919	₱9,707,466	₱30,403,722

As of December 31, 2024 and 2023, the cost of the Bank's fully depreciated property and equipment still in use amounted to ₱53,278,797 and ₱51,177,259, respectively.

10. **Other Assets**

	2024	2023
Financial assets		
Accounts receivable - others	**₱82,540,333**	₱73,216,529
Security deposits	**5,046,544**	4,657,930
Short-term investment	**2,322,126**	2,272,184
	89,909,003	80,146,643
Non-financial assets		
Advance interest	**2,820,582**	16,013,944
Chattel mortgage	**4,134,200**	3,963,197
Prepaid documentary stamp taxes	**5,150,829**	3,232,718
Prepaid expenses	**6,029,701**	1,019,070
Prepaid supplies	**546,509**	595,946
Others	**7,575**	7,475
	18,689,397	24,832,350
	₱108,598,399	₱104,978,993

Accounts receivable - others represent amounts due from DepEd for loan collections at year-end, creditable withholding tax, BancNet intraday settlements, travel advances made by the Bank to its employees.

Short-term investment refers to time deposit with a local thrift bank and corporate security with interest rates of 4.5% and 2.75% in 2024 and 2023, respectively, with original term of twelve (12) months.

Advance interest pertains to unamortized prepaid interest on time deposits with interest rates ranging from 3.5% to 5.0% in 2024 and 3.5% to 7.0% in 2023, respectively, and terms ranging from one to five years.

Allowance for impairment losses on chattel mortgage amounted to ₱0.56 million and ₱0.12 million as of December 31, 2024 and 2023, respectively. In 2024 and 2023, provision for impairment losses recognized in the statement of income amounted to ₱1.26 million and ₱0.61 million, respectively.

Gain (loss) on sale of chattel mortgage properties amounted to (₱0.013 million) and ₱0.58 million for the years ended December 31, 2024 and 2023, respectively, and are presented as part of 'Miscellaneous' in the statements of income.

Others include subscriptions for electricity and telecommunication services.

11. **Deposit Liabilities**

BSP Circular No. 1175 prescribes 2.00% reserve requirement on deposit liabilities for thrift banks. On September 2024, the BSP issued BSP Circular No. 1201, reducing the reserve requirement ratios of thrift banks to 1.00%.

As of December 31, 2024 and 2023, demand deposit account with BSP amounting to ₱17.02 million and ₱22.71 million, respectively, were set aside as reserves for deposit liabilities (Note 6).

On May 27, 2020, BSP issued Circular No. 1087 on alternative compliance with required reserve requirements for banks. One of the alternative modes of compliance with the required reserves against deposit and deposit substitute liabilities shall be allowed are MSME loan granted, renewed or restructured after March 15, 2020.

As of December 31, 2024 and 2023, the Bank is in compliance with the reserve requirements.

Deposit liabilities bear annual interest rates ranging from 1.5% to 7.5% in 2024 and 1.00% to 7.50% in 2023, respectively.

Interest expense on deposit liabilities consists of:

	2024	2023
Time	**₱131,040,419**	₱104,430,645
Savings	**1,222,371**	2,005,585
Current	**169,096**	167,445
	₱132,431,886	₱106,603,675

12. Bills Payable

This account consists of borrowings from:

	2024	2023
Local banks	**₱700,355,542**	₱844,352,800
Others	**49,500,000**	50,000,000
	₱749,855,542	₱894,352,800

The Bank's borrowings' tenors and annual interest rates (gross of Philippine withholding tax) as of December 31, 2024 and 2023 are presented as follows:

	2024	2023
Tenor	**1 month to 10 years**	6 months to 10 years
Annual interest rates	**4.00% - 9.99%**	4.00% - 9.98%

Interest expense on bills payable amounted to ₱54.55 million and ₱64.83 million in 2024 and 2023, respectively.

These borrowings are secured by salary loans, presented under loans and receivables, with carrying values of ₱800.30 million and ₱1.32 billion as of December 31, 2024 and 2023, respectively (Note 8) and by government securities with fair values of ₱130.58 million as of December 31, 2024 (Note 7). As of December 31, 2023, there are no government bonds assigned as collateral.

13. Accrued Expenses and Other Liabilities

This account consists of:

	2024	2023
Financial liabilities		
Accounts payable	**₱19,905,896**	₱11,933,799
Accrued expenses	**18,397,952**	21,984,758
Accrued interest payable	**20,373,564**	17,749,145
	58,677,412	51,667,702
(Forward)		
Non-financial liabilities		
Lease liabilities (Note 17)	**₱5,457,509**	₱10,277,639
Retirement liability (Note 16)	**8,618,061**	7,036,515
Withholding and other taxes payable	**2,133,815**	1,769,835
Others	**1,504,693**	1,217,741
	17,714,079	20,301,730
	₱76,391,491	₱71,969,432

Accounts payable includes documentary stamps payable, payable to Bancnet for ATM withdrawal and advance payments from borrowers for processing of chattel mortgages and notarial fees.

Accrued expenses include accruals of Philippine Deposit Insurance Corporation assessment fees, professional fees, utilities and BSP penalties for non-compliance with Agri-Agra credits under R.A. No. 11901. Accrued interest payable pertains to interest accrued from time deposits and bills payable.

14. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2024			2023		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Cash on hand	**₱25,351,770**	**₱–**	**₱25,351,770**	₱28,278,012	₱–	₱28,278,012
Due from BSP	**389,523,639**	**–**	**389,523,639**	329,098,288	–	329,098,288
Due from other banks	**88,816,261**	**–**	**88,816,261**	83,754,682	–	83,754,682
Investment securities at FVOCI	**18,640,720**	**54,861,150**	**73,501,870**	8,772,128	54,382,819	63,154,947
Investment securities at amortized cost	**–**	**230,841,676**	**230,841,676**	–	231,326,414	231,326,414
Loans and receivables						
Salary loans	**304,701,319**	**2,895,498,874**	**3,200,200,193**	212,337,380	2,587,235,040	2,799,572,420
Car loans	**14,799,664**	**44,404,504**	**59,204,169**	18,301,690	38,369,282	56,670,972
Real estate loans	**6,308,209**	**40,517,366**	**46,825,575**	19,790,673	40,155,830	59,946,503
SME loans	**16,066,048**	**1,011,615**	**17,077,663**	13,987,847	1,455,316	15,443,163
Others	**32,912**	**–**	**32,912**	32,912	–	32,912
Accrued interest receivable	**17,060,205**	**–**	**17,060,205**	16,276,743	–	16,276,743
Other assets	**84,862,459**	**5,046,544**	**89,909,003**	75,488,713	4,657,930	80,146,643
Subtotal	**966,163,207**	**3,272,181,729**	**4,238,344,936**	806,119,068	2,957,582,631	3,763,701,699
Nonfinancial Assets						
Property and equipment		**100,994,215**	**100,994,215**	6,867,886	87,160,826	94,028,712
Other assets	**13,996,607**	**4,692,790**	**18,689,397**	20,273,207	4,559,143	24,832,350
Deferred tax asset	**–**	**18,980,981**	**18,980,981**	–	17,292,708	17,292,708
Subtotal	**13,996,607**	**124,667,986**	**138,664,593**	27,141,093	109,012,677	136,153,770
	₱980,159,814	**₱3,396,849,715**	**4,377,009,529**	₱833,260,161	₱3,066,595,308	3,899,855,469

(Forward)

	2024			2023		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Less:						
Accumulated depreciation	**₱–**	**₱–**	**(₱75,632,578)**	**₱–**	**₱–**	(₱63,624,990)
Net unearned interest discount			**(144,110,494)**			(138,353,938)
Allowance for credit losses			**(66,913,153)**			(61,564,143)
Total assets			**₱4,090,353,303**			₱3,636,312,398
Financial liabilities						
Deposit liabilities	**₱1,272,128,250**	**₱1,356,826,639**	**₱2,628,954,889**	₱1,230,736,922	₱886,211,638	₱2,116,948,560
Bills payable	**249,305,610**	**500,549,932**	**749,855,542**	454,755,882	439,596,918	894,352,800
Accrued expenses and other liabilities	**58,677,412**	–	**58,677,412**	51,667,703	–	51,667,703
Subtotal	**1,580,111,272**	**1,857,376,571**	**3,437,487,843**	1,737,160,507	1,325,808,556	3,062,969,063
Nonfinancial liabilities						
Income tax payable	**5,752,950**	–	**5,752,950**	10,720,744	–	10,720,744
Accrued expenses and other liabilities	**17,714,080**	–	**17,714,080**	9,033,476	11,268,253	20,301,729
Subtotal	**23,467,030**	–	**23,467,030**	19,754,220	11,268,253	31,022,473
Total liabilities	**₱1,603,578,302**	**₱1,857,376,571**	**₱3,460,954,873**	₱1,756,914,727	₱1,337,076,809	₱3,093,991,536

15. Equity

The Bank's capital stock as of December 31, 2024 and 2023 consists of:

	2024		2023	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized capital				
Preferred stock - 100 par value	**2,000,000**	**₱200,000,000**	2,000,000	₱200,000,000
Common stock - 100 par value	**8,000,000**	**800,000,000**	8,000,000	800,000,000
	10,000,000	**₱1,000,000,000**	10,000,000	₱1,000,000,000
Common stock issued and outstanding				
Balances at beginning of year	**3,917,000**	**₱391,700,000**	3,917,000	₱391,700,000
Issuance of shares	–	–	–	–
Balances at end of year	**3,917,000**	**₱391,700,000**	3,917,000	₱391,700,000

Preferred Stock

The Bank's preferred stock has the following features: (a) cumulative and (b) nonparticipating. Dividends shall be declared from the surplus or undivided profits of the Bank, including stock dividends from paid-in surplus, at such time and in such amounts as the BOD may determine. As of December 31, 2024 and 2023, there is no outstanding preferred stock.

Dividend Declaration and Capital Infusion

The Bank did not declare cash dividends for the year 2024 and 2023 nor were there share issuances.

Surplus reserves

In compliance with BSP Circular 1011under Section 11 (c), in cases when the computed allowance for credit losses on Stage 1 accounts is less than the required one percent (1%) general provision, the deficiency shall be recognized by appropriating the surplus reserves. As of December 31, 2024 and 2023, the Bank appropriated ₱22.52 million and ₱11.90 million, respectively, from its free surplus to comply with the general loan loss provision required BSP.

Capital Management

BSP sets and monitors capital requirements for the Bank. In implementing current capital requirement, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk weighted assets.

The Bank's policy is to maintain a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with gearing and the advantages and security afforded by a sound capital position. There have been no material changes in the Bank's capital management in 2024 and 2023.

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

In addition, the risk-based capital adequacy ratio (CAR) of the Bank with quasi-banking operations, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00%. Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Risk-weighted assets consist of total assets less cash on hand, amounts due from BSP, loans covered by hold-out or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. Under BSP Circular No. 360, effective July 1, 2003, the CAR is to be inclusive of a market risk charge.

On May 13, 2010, the BSP issued Circular No. 688, *Revised Risk-Based Capital Adequacy Framework For Stand-Alone Thrift Banks, Rural Banks and Cooperative Banks*. The framework is a simplified version of Basel II in view of the simple operations of these covered banks.

The following table sets the regulatory capital, as reported to BSP, as of December 31, 2024 and 2023 (amounts in millions except for ratio):

	2024	2023
Tier 1/CET 1 Capital	**₱617.97**	₱516.55
Tier 2 Capital	**19.70**	9.98
Total Qualifying Capital	**₱637.67**	₱526.53
Risk weighted assets	**₱3,675.12**	₱2,992.84
Tier 1/CET 1 capital ratio	**16.28%**	16.01%
Total capital ratio	**16.81%**	16.31%

Regulatory capital consists of Tier 1 capital, which comprises share capital and surplus including current year profit. Certain adjustments are made in PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 capital, which includes general loan loss provision (limited to 1.00% of credit risk weighted assets).

In 2024 and 2023, the Bank met and complied with the CAR requirement set by the BSP.

Minimum Liquidity Ratio (MLR)
On March 15, 2019, the BSP issued Circular No.1035 which provides the minimum liquidity ratio for stand-alone thrift banks, rural banks, cooperative banks and quasi-banks. Banks are required to maintain a prudent MLR of 20.00%, a liquidity ratio which is expressed as a percentage of the Bank's eligible stock of liquid assets to its qualifying liabilities.

As of December 31, 2024 and 2023, the MLR of the Bank as reported to the BSP is 23.92% and 32.10%, respectively.

16. **Retirement Benefits**

The Bank accrues retirement benefits in accordance with Republic Act (RA) No. 7641, *Retirement Pay Law*, which requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Future contributions will be made once a retirement plan is established. The Bank's retirement plan provides a retirement benefit equal to one-half month's salary for every year of service, with six months or more of service considered as one year. The present value of the defined benefit obligation and the related service cost were measured using the projected unit credit method. As of December 31, 2024 and 2023 the Bank does not have a retirement plan. The date of the latest actuarial valuation is December 31, 2024.

The cost of defined benefit retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension for the defined benefit plans as of December 31 are shown below:

	2024	2023
Discount rate	**6.10%**	6.12%
Salary increase rate	**6.00%**	6.00%

Changes in the defined benefit liability in 2024 and 2023 are as follows:

	2024	2023
Balance at beginning of year	**₱7,036,515**	₱4,298,829
Net benefit cost in statements of income*		
Current service cost	**1,065,465**	712,874
Net interest	**430,635**	312,095
Benefits Paid	**--**	(793,989)
	1,496,100	230,980
Remeasurements in OCI		
Actuarial changes arising from:		
Experience adjustments	**844,526**	1,214,287
Changes in demographic assumptions	**(770,243)**	232,517
Changes in financial assumptions	**11,163**	1,059,902
	85,446	2,506,706
Balance at end of year	**₱8,618,061**	₱7,036,515

**Presented under 'Compensation and fringe benefits' in the statements of income*

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2024 and 2023, assuming all other assumptions were held constant. There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

	Increase (Decrease)	
	2024	2023
Discount rates		
+1.00%	**(₱518,897)**	(₱533,450)
-1.00%	**604,295**	624,558
Future salary increases		
+1.00%	**598,813**	619,000
-1.00%	**(523,936)**	(538,708)

The average duration of the defined benefit obligation as of December 31, 2024 and 2023 is 6.5 years and 8.20 years, respectively.

The Bank does not expect to contribute to the Plan in 2025.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2024 and 2023:

	2024	2023
Within 1 year	**₱4,310,690**	₱375,190
More than 1 year to 5 years	**2,612,990**	5,567,736
More than 5 years to 10 years	**--**	892,275

17. **Lease Agreement**

The Bank entered into various lease contracts for the premises occupied by its branches. These contracts have an average term of one to five years, with renewal option included in the contracts. There are no restrictions placed upon the Bank by entering to these leases. Lease payments for Mandaue, Talisay, and Capitol branches are subject to 3.00% to 10.00% escalation rates.

The following are the amounts recognized in the statement of income:

	2024	2023
Depreciation expense of right-of-use assets (Note 9)	**₱5,498,599**	₱5,363,912
Interest expense on lease liabilities	**555,726**	539,015
Expenses relating to short-term leases (included in 'Rent')	**1,989,982**	1,450,649
	₱8,044,308	₱7,353,576

The rollforward analysis of lease liabilities as of December 31, 2024 and 2023 follows:

	2024	2023
Balance at beginning of year	**₱10,277,639**	₱9,005,852
Additions	**851,966**	6,845,061
Interest Expense	**555,726**	539,015
Payments	**(6,227,822)**	(6,112,289)
	₱5,457,509	₱10,277,639

Future minimum lease payments under non-cancellable leases follow:

	2024	2023
Within one year	**₱3,681,012**	₱6,129,823
Beyond one year but not more than five years	**2,207,777**	4,938,639
	₱5,888,789	₱11,068,462

18. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	2024	2023
Gain (loss) on sale of chattel mortgage properties (Note 10)	**(₱13,732)**	₱576,923
Others	**135,240**	14,061,778
	₱121,508	₱14,638,701

In 2023, other miscellaneous income includes the reversal of accounts payable for unremitted documentary stamp taxes (DST) from prior years amounting to ₱13.94 million.

Miscellaneous Expenses
This account consists of:

	2024	2023
Supervision and examination fees	**₱1,012,289**	₱861,237
Banking fees	**115,707**	137,186
Fines, penalties and other charges	**105,176**	1,901,373
Representation and entertainment (Note 19)	**56,265**	10,246
Arrangement fees	–	25,000
Others	**23,813,310**	14,478,056
	₱25,102,746	₱17,413,098

Others include expenditures made by the Bank for its household agents, medicine supplies, employees' identification cards and accessories, Christmas giveaways and year end outing expenses.

19. Income and Other Taxes

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

Income taxes include corporate income tax and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was approved into law. CREATE provides that regular corporate income tax (RCIT) rate shall be reduced from 30.00% to 25.00% for domestic and foreign corporations effective July 1, 2020. Moreover, interest expense allowed as a deductible expense shall be reduced by 20% of interest income subject to final tax under the CREATE Act, while by 33% prior to the CREATE Act.

The regulations also provide for MCIT of 1.00% from July 1, 2020 to June 30, 2023, before reverting to 2.00% on modified gross income. Any excess of MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next 5 consecutive taxable years, pursuant to Section 4 (bbbb) of Bayanihan II and as implemented under RR No. 25-2020.

Current tax regulations also provide for the ceiling on the amount of EAR expenses that can be claimed as a deduction against taxable income. Under the regulation, EAR expenses allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. EAR expenses amounted to ₱0.05 million and ₱0.01 million in 2024 and 2023, respectively.

Provision for (benefit from) income tax consists of:

	2024	2023
Current		
Regular	**₱24,086,285**	₱31,356,442
Final	**5,009,291**	5,118,164
	29,095,576	36,474,606
Deferred	**(1,666,912)**	(5,554,013)
	₱27,428,664	₱30,920,593

Components of deferred tax asset - net are as follows:

	2024	2023
Deferred tax assets on:		
Allowance for credit losses	**₱16,728,288**	₱15,391,036
Retirement liability	**2,154,515**	1,759,129
PFRS 16 adjustment	**98,178**	142,543
	₱18,980,981	₱17,292,708

In 2024 and 2023, provision for deferred tax on retirement liability pertaining to 'Remeasurement gain on retirement liability' charged directly to OCI amounted to ₱0.02 million and ₱0.46 million, respectively.

The reconciliation between the statutory income tax and effective income tax follow:

	2024	2023
Statutory income tax at 25.00%	**₱28,577,702**	₱27,509,067
Income tax effects of:		
Nondeductible expenses	**2,732,400**	4,185,913
Tax-paid income	**(3,881,438)**	(1,267,805)
Movements in temporary differences	**–**	493,418
	₱27,428,664	₱30,920,593

20. Related Party Transactions

In the ordinary course of business, the Bank has various transactions with its affiliates and with certain directors, officers, stockholders and related interests (DOSRI). Transactions with such parties are made in the ordinary course of business and on substantially same terms as those prevailing at the time for comparable transactions with other parties. Current banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and the book value of their investments in the Bank. In the aggregate, loans to respective DOSRI generally should not exceed to the lower of the Bank's total regulatory capital or 15.00% of the total loan portfolio. As of December 31, 2024 and 2023, the balance of outstanding loans to DOSRI amounted to ₱0.14 million and ₱0.17 million, respectively (Note 8). Generally, the related party transactions are settled in cash.

The deposit liabilities and related interest expense in respect of related party transactions included in the financial statements follow:

	Volume/Outstanding balance		
Category	**2024**	**2023**	**Terms and Conditions/Nature**
Time	**₱736,360,600**	₱467,963,873	Time deposits with annual fixed interest rates ranging from 1.50% to 7.50% per annum in 2024 and 2023 with remaining maturities from less than 1 year to 5 years in both years.
Deposits	**678,509,545**	245,111,117	
Withdrawals	**(474,703,477)**	(127,481,093)	
Interest expense	**64,590,658**	12,728,721	Interest on time deposits
Savings	**22,256,372**	18,134,631	Due upon demand; 0.50% per annum
Deposits	**255,581,237**	221,615,469	
Withdrawals	**(251,570,506)**	(239,844,122)	
Interest expense	**111,010**	334,975	Interest on savings deposits

The compensation of key management personnel presented under 'Compensation and fringe benefits' in the statements of income amounted to ₱12.70 million and ₱11.76 million in 2024 and 2023, respectively. These pertain to short-term benefits of key management personnel.

In 2024 and 2023, total post-employment benefit expense (income) of the key management personnel amounted to (₱0.91 million) and (₱1.58 million), respectively, which includes defined benefit expense (income) charged to profit or loss amounting to nil and ₱0.46 million for 2024 and 2023, respectively, and to other comprehensive income amounting to nil for 2024 and 2023, respectively.

21. Approval for the Release of the Financial Statements

The accompanying financial statements of the Bank were authorized and approved for issue by the BOD on April 28, 2025.

22. Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB)

Presented below is the supplementary information required by BSP under Appendix 55 of Section 174 of the MORB to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

Basic quantitative indicators of financial performance
The following basic ratios measure the financial performance of the Bank:

	2024	2023
Return on average equity	**14.83%**	15.75%
Return on average assets	**2.25%**	2.37%
Net interest margin on average earning assets	**8.08%**	8.39%

Description of capital instruments issued
As of December 31, 2024 and 2023, the Bank has two classes of authorized capital stock, which are preferred and common stocks. In 2024, there has been no issuance of common stock. There is no outstanding preferred stock as of December 31, 2024 and 2023.

Significant credit exposures
The BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentration of credit risks are managed and controlled.

	2024		2023	
	Amount	**%**	Amount	%
Personal service activities	**₱3,037,510,455**	**95.54**	₱2,640,567,575	94.53
Real Estate, renting & business activities	**51,307,767**	**1.61**	59,675,822	2.14
Personal and household goods	**23,174,583**	**0.73**	35,743,326	1.28
Auto loans	**44,493,396**	**1.40**	34,770,136	1.24
Agriculture, hunting and forestry	**16,696,982**	**0.53**	14,112,252	0.51
Transportation and storage	**4,112,670**	**0.13**	3,938,319	0.14
Construction	**204,357**	**0.01**	2,009,472	0.07
Other community, social work activities	**849,635**	**0.03**	1,114,536	0.04
Wholesale and retail	**745,462**	**0.02**	1,045,891	0.04
Manufacturing	**134,711**	**–**	334,703	0.01
Education	**–**	**–**	–	–
	₱3,179,230,018	**100.00**	₱2,793,312,032	100.00

For loans and receivables under 'Personal services activities', concentration risk is actively managed by the Bank with collections reasonably assured as they are coursed through the Department of Education.

Loans per security
Information on the amounts of secured and unsecured loans and receivables (gross of unearned interests and discounts and allowance for credit losses) follows:

	2024		2023	
	Amount	**%**	Amount	%
Secured portion				
Real estate mortgage	**₱48,464,575**	**1.46**	₱58,378,955	1.99
Chattel mortgage	**53,347,757**	**1.61**	53,310,136	1.82
Deposit hold-out	**2,025,807**	**0.06**	2,080,036	0.07
Unsecured portion	**3,219,502,372**	**96.88**	2,817,896,843	96.12
	₱3,323,340,512	**100.00**	₱2,931,665,970	100.00

Under banking regulations, prior to January 1, 2018, non-performing loans (NPLs) shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears. In the case of receivables that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches 10.00% of the total receivable balance. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs.

With the issuance of BSP Circular 941, *Amendments to the Regulations on Past Due and Non-Performing Loans* effective January 1, 2018, loans shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are 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.

As of December 31, 2024 and 2023, secured and unsecured NPLs of the Bank follow:

	2024	2023
Secured	**₱14,366,922**	₱21,591,765
Unsecured	**90,016,915**	92,557,487
	₱104,383,837	₱114,149,252

Status of loans
Information on the amounts of performing and non-performing loans (NPLs) and receivables (gross of allowance for impairment and credit losses) of the Bank are as follows:

	2024			2023		
	Performing	**Non-Performing**	**Total**	Performing	Non-Performing	Total
Loans and discounts						
Chattel mortgage	**₱47,444,977**	**₱5,902,780**	**₱53,347,757**	₱42,881,626	₱10,428,510	₱53,310,136
Real estate mortgage	**40,000,433**	**8,464,142**	**48,464,575**	47,215,700	11,163,255	58,378,955
Deposit hold-out	**2,025,807**	**–**	**2,025,807**	2,080,036	–	2,080,036
Others	**3,129,485,457**	**90,016,915**	**3,219,502,372**	2,725,339,356	92,557,487	2,817,896,843
	₱3,218,956,675	**₱104,383,837**	**₱3,323,340,512**	₱2,817,516,718	₱114,149,252	₱2,931,665,970

Secured liability and assets pledged as security
The Bank has bills payable secured by salary loans presented under loans and receivables, with carrying value of ₱800.30 billion and ₱1.32 billion as of December 31, 2024 and 2023, respectively.

As of December 31, 2024, government bonds with fair value of ₱130.58 million are assigned as collateral for borrowings of the Bank (Note 12). As of December 31, 2023, there are no government bonds assigned as collateral.

Related party loans
As required by the BSP, the Bank discloses loan transactions with its and affiliates and investees and with certain DOSRI. Under existing banking regulations, the limit on the amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the regulatory capital or 15.00% of the total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations.

BSP Circular No. 423, dated March 15, 2004, amended the definition of DOSRI accounts. DOSRI pertains to loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular. The succeeding table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular:

	2024	2023
Total outstanding DOSRI/Related party loans	**₱0.17 million**	₱0.17 million
Percent of DOSRI/Related party loans to total loan portfolio	**0.0058%**	0.0058%
Percent of unsecured DOSRI/Related party loans to total DOSRI/Related party loans	**–**	–
(Forward)		
Percent of past due DOSRI/Related party loans to total DOSRI/Related party loans	**₱–**	₱–
Percent of non-performing DOSRI/Related party loans to total DOSRI/Related party loans	**–**	–

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi–bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation.

Commitments and contingencies
As of December 31, 2024 and 2023, the Bank does not have any contingencies and commitments.

23. Supplementary Information Required Under Revenue Regulations 15-2010

In addition to the disclosures mandated by PFRS Accounting Standards, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS Accounting Standards.

The Bank paid the following types of taxes in 2024:

Taxes and Licenses

National	
Gross receipts tax	₱25,200,365
Documentary stamps tax	11,230,420
Local	
Other local taxes	3,075,019
	₱39,505,804

Withholding Taxes

Details of total remittances of withholding taxes for 2024 are as follows:

	Total remittances	Balance
Withholding taxes on compensation and benefits	₱4,583,517	₱707,303
Final withholding taxes on interest on deposits	8,386,035	898,860
Expanded withholding taxes	8,847,718	527,652
	₱21,817,270	₱2,133,815

Tax Cases and Assessments

As of December 31, 2024 and 2023, the Bank has no deficiency tax assessments and tax cases, litigation, and/or prosecution in courts or bodies outside the BIR.

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Sun Savings Bank, Inc.
Capitol West Building, No.
45 Don Gil Garcia Street corner Escario Street,
Capitol Site, Cebu City

We have audited the financial statements of Sun Savings Bank, Inc. (the Bank) as of and for the years ended December 31, 2024 and 2023, on which we have rendered the attached report dated April 28, 2025.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Bank has a total of four (4) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
Tax Identification No. 900-322-673
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-069-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10465353, January 2, 2025, Makati City

April 28, 2025