ISLA BANK

A THRIFT BANK

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ISLA BANK (A Thrift Bank), INC.
2024 ANNUAL REPORT

CORPORATE GOVERNANCE

Corporate Governance Structure and Practices

Corporate governance is the foundation by which the Bank is managed and controlled. The Bank has strong corporate governance practices and is committed to uphold the best corporate governance practices that is transparent, responsible, accountable and fair and these facilitate the promotion of reform within the Bank.

The Bank's corporate governance structure, rules, policies and practices, qualifications and fundamental obligations of a director, duties and responsibilities of the Board of Directors, Board Committees and Senior Management, are embodied in our Corporate Governance Manual.

The Board of Directors ensures that senior management promotes good governance practices by ensuring that policies on governance as approved by the Board are consistently adopted across the Bank.

Elements of Good Corporate Governance:

Transparency:

The Board and Management adopt transparency that provides timely and reliable information and disclosure of all material matters concerning the Bank, including its financial position and results; and that any decision taken is in compliance with established policies, rules and regulations. Transparency is implemented on all levels within the Bank.

Responsibility:

The Board takes responsibility for the Bank and acts to promote its best interest in behalf of the shareholders, to whom it is accountable. The Bank's Board has effectively performed its oversight functions in the implementation of risk management policies which includes the detailed structure of limits, guidelines and parameters used to govern risk-taking and clear delineation of lines of responsibilities for managing risk, effective internal controls and comprehensive risk reporting process.

Accountability:

The Board is responsible for establishing strategic guidance for the Bank and is accountable to all the stakeholders. Thus, an effective oversight of management including its control and accountability systems and assessment of the Bank's performance is implemented to provide assurance on the achievement of the Bank's objectives.

Fairness:

The Board and Management ensure that the principle of fairness is applied in every decision making and business transaction conducted in the regular course of business and upon terms not less favorable to the Bank than those offered to others. The Board acts honestly and in good faith, with loyalty and in the best interest of the Bank, its stockholders and other stakeholders such as its employees, depositors, investors, borrowers and the public at large.

Board Composition

Our Board consists of individuals who possess the skills, sound business experience, and expertise in their own fields or those who have financial expertise or other relevant experience which would be of value to the Bank in the performance of their duties as directors. The composition of the Board of Directors is one of the most critical components of the Bank's good governance.

The present Board which is composed of eleven Directors is commensurate to the size of the Bank and the nature and complexity of its business operations. Of the eleven, four are independent directors, while the rest are executive or non-executive directors. The executive directors are those who are officers of the Bank and are involved in the daily management of the affairs of the Bank, while non-executive directors are those who are not involved in the Bank's operations. These non-executive directors exercise independent judgement and act fairly to the best interest of the stakeholders.

The present Board has four Independent Directors (ID) in compliance with the required one –third (1/3) of the total number of directors and each has met the criteria of an independent director. The nomination and election took into consideration the rules and regulations for an independent director.

Election of the Board

The Directors who are elected during the annual stockholders' meeting shall hold office for a term of one year. The Independent Directors may hold the position for a maximum cumulative term of nine years to reckon from 2012 pursuant to BSP Circular 969.

The current Directors have effectively performed their duties and responsibilities individually and as a body. The Board has demonstrated excellent track record of professionalism, dedication and adeptness in their role as directors. The Board has maintained a cooperative and collegial atmosphere, and with their individual expertise, has addressed the different issues at hand, diversified and built strength through shared ideas and vision.

Selection Process for the Board and Senior Management

In nominating candidates who will serve as members of the Board of Directors of the Bank, the Corporate Governance Committee performs screening of candidates based on the criteria set by said Committee. For re-election of the present members of the Board of Directors, the overall performance of each individual director is considered. The Corporate Governance Committee considers the size, structure, complexity of operation to determine the composition of the Board of Directors and board-level committees. The installation of selection process is to ensure that a mix of competent directors, each of whom can add value and contribute independent judgement to the formulation of strategies and policies.

The Board of Directors has the power to oversee the selection process and appoint senior officers of the Bank who shall have the authority and ability to perform duties as may be prescribed by the Board. The Board shall apply "fit and proper" standards, qualifications, experience and competencies required from an individual to undertake the duties and responsibilities of the position he is appointed to. The Board regularly monitors the performance of senior management.

Board's Responsibility

The Board of Directors is the governing authority of the Bank and is responsible to all the stakeholders. It has the responsibility of setting the Bank's strategic objectives and structure and risk management policies. It performs the oversight functions of the Bank's operations and ensures that the highest standards of corporate governance are implemented.

It has the power to determine the board composition and organization. The Board performs its duties and responsibilities under the provision of relevant regulatory agency rules and regulations.

Chairman of the Board

The Chairman of the Board shall preside at all meetings of the Board of Directors, or in his absence or inability to so preside, the meeting shall be presided over by the Vice-Chairman, or any other Director to whom this power may have been delegated by the Chairman. He provides leadership and shall ensure effective functioning of the Board of Directors, including maintaining a relationship of trust.

He shall ensure that:

a. the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
b. there is a sound decision making process;
c. it encourages and promotes critical discussion;
d. dissenting views can be expressed and discussed within the decision-making process;
e. members of the board of directors receive accurate, timely and relevant information;
f. it conducts a proper orientation for first time directors and provides training opportunities for all directors; and
g. it conducts a performance evaluation of the board of directors at least once a year.

Performance Evaluation and Self-Assessment

To ensure effective governance by the Board of Directors, the Corporate Governance Committee oversees the annual self-assessment of the individual directors, the Board as a body and various Board appointed committees, including its own performance evaluation and the position of President/CEO of the Bank. The evaluation is done to determine their performance and effectiveness in accordance with their respective oversight functions and/or duties and responsibilities. The Bank has an approved evaluation standard /criterion for the Performance Evaluation/Self-Assessment of the individual Directors, the Board as a body, the various Board appointed committees and the key officers of the Bank. The evaluation for the positions of the Chief Compliance Officer (CCO) and Internal Auditor are conducted by the Audit Committee while the President evaluates the performance of the senior officers directly reporting to him. The results of the Performance Evaluation/ Self-Assessment are presented by the Corporate Governance Committee to the Board for final approval.

Board Committees

The Board of Directors created the following committees to assist the Board in fulfilling oversight responsibilities and to ensure efficiency. The Bank has seven board committees as follows:

Risk Management Committee (RMC)

The Risk Management Committee shall be responsible for the development and oversight of the risk management program of the Bank. It shall oversee the system of limits to discretionary authority that the Board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.

Asset and Liability Management Committee (ALCO)

The ALCO shall be responsible for setting up strategies relating to the management of risks inherent in the Bank's balance sheet, primarily the Bank's interest-earning assets (loans and investment securities) and interest-bearing liabilities (deposits and other borrowings) of the Bank. The Committee is responsible for enforcing all policies that involve market risk such as liquidity, interest rate and credit risk.

Audit Committee

The Audit Committee provides oversight over the Bank's financial reporting policies, practices and the review of the effectiveness of the Bank's internal controls, financial, operational, compliance controls, and quality of compliance with the applicable laws and regulations.

Executive Committee

The Executive Committee shall act on behalf of the Board of Directors in fulfilling its duties by providing management sound guidance and advices, policies and strategic guidelines on the day to day activities of the Bank. It is also responsible for the evaluation process in accordance with the policies and procedures on Related Party Transactions (RPTs) and approval of RPTs that are non-loan related and below the threshold limit.

Information Technology (IT) Committee

The IT Committee shall review and recommend to the Board, management's strategies relating to information technology aligned to the Bank's overall strategy and objectives. It shall ensure that the Bank is taking appropriate measures to identify, assess, monitor, control and mitigate risks in the areas of information technology management.

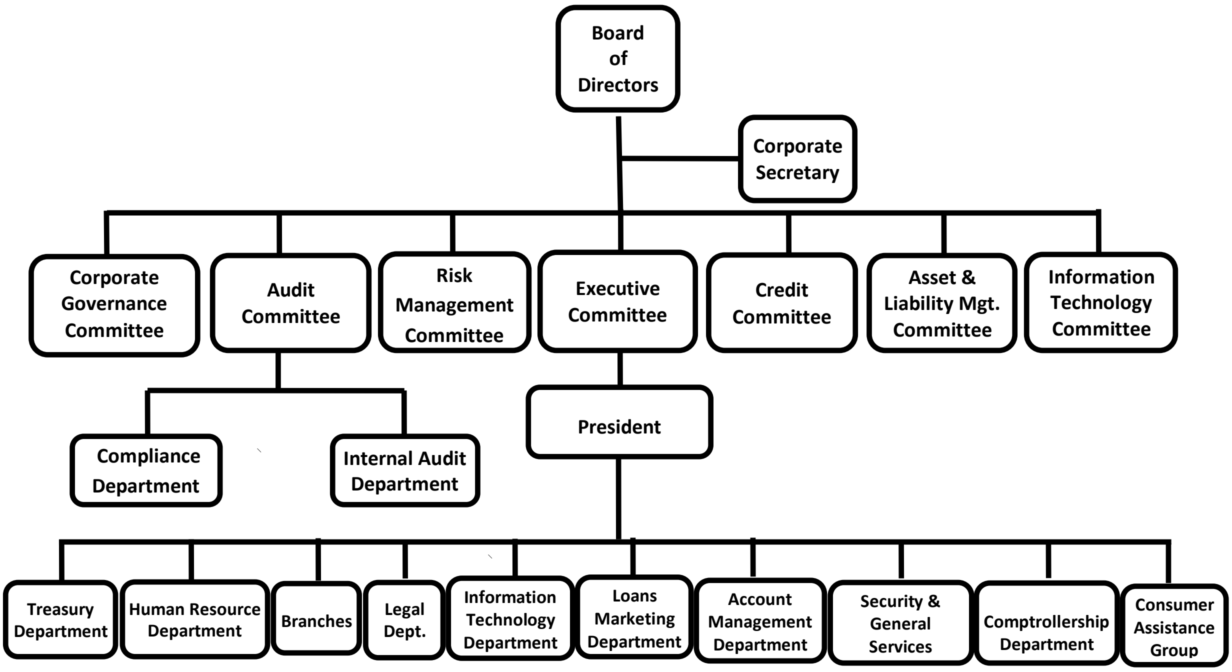
Corporate Governance Committee

The Corporate Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities, and ensures the Board's effectiveness and due observance of corporate governance principles and guidelines. It shall also evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors, as well as oversee performance evaluation of the Board, Board level Committees and Senior Management.

Credit Committee

The Credit Committee assists the Board of Directors in fulfilling its responsibilities by providing oversight of Bank policies and management activities relating to the identification, assessment, and management of the credit risk on Bank loans. It is also responsible for the evaluation process accordance with the policies and procedures on DOSRI and Related Party Transactions (RPTs).

ORGANIZATIONAL CHART



Eduardo V. Lim	- President and Chief Executive Officer		
Jocelyn M. Gozum	- Executive Vice President	-	Treasurer
Violeta G. Angeles	- Senior Vice President	-	Comptroller/CAG Head
Maria Teresita R. Mendoza	- Vice President	-	AMD Head/HRD Head/Corp. Sec.
Maria Theresa Maura D. Samaniego	- Vice President	-	Chief Compliance Officer
Noel R. Amata	- Assistant Vice President	-	Internal Auditor
Marco Antonio L. Santos	- Manager	-	Loans Marketing Head
Maria Dolores M. Muyco	- Manager	-	Main Office Branch Head
Jennifer Anne H. Lacson	- Manager	-	Bacolod Branch Head
Tommy P. Exito	- Manager	-	Iloilo Branch Head
Wilson T. Alzate	- Assistant Manager	-	Security Officer/GSD Head
Atty. Arthur F. Tantuan	- Consultant	-	Legal Counsel
Eric P. Pascua	- Senior Assistant Manager	-	IT Head
Kim T. Palugod	- Assistant Manager	-	IT Security Officer

OUR VISION:

To be one of the leading thrift banks
in the industry

MISSION STATEMENTS:

To provide our clients with quality services responsive to their
banking needs and to assure a safe and stable
guardianship of their investments.

Although we may not have the size or resources of major thrift banks, we have always been looked up to by our peers in the industry, our clients and the public for our adequate capital, strong liquidity and satisfactory asset quality.

We continue to build a Bank that gives importance on close client relationships. We exert maximum effort to fulfill their unique requirements and objectives, gaining their trust in every way. Since we have a small clientele base, we can afford to give them personalized service. As to the safety of their funds, we have continued emphasis on conservatism and observe prudence in our decision makings.

The Bank maintains its cautious stance even to the extent of foregoing higher earnings and growth prospects, and will continue to do so until the investment climate shows signs of improvement. A substantial portion of our funds are in government securities and Reverse Repurchase Agreement (RRP) and Overnight Deposit Facility (ODF) with Bangko Sentral ng Pilipinas (BSP). We continue to rely on auto loans as our main target for income generation, but again, we are very selective and conservative in the granting of loans.

Our main source of funds are the traditional deposits. Isla Bank now offers Mobile Banking services. We launched the Instapay sending and receiving person-to-person (P2P) and QR P2P while PesoNet, InstaPay person-to-merchant (P2M), and Bills Payment will be launched last quarter of 2025 and first semester of 2026, respectively.

FINANCIAL HIGHLIGHTS

(in Philippine Pesos)

	2024	2023
Profitability		
Interest Income	P 82,593,801	P 80,118,057
Interest Expenses	(9,137,735)	(8,243,518)
Net Interest Income	P 73,456,066	P 71,874,539
Non- Interest Income		
Service charges, fees and commissions	P 2,704,555	P 3,028,203
Miscellaneous Income	453,686	81,286
Non-Interest Expenses	P (57,818,151)	P (55,669,534)
Pre-Tax pre-provision Profit	18,796,156	19,314,494
Allowance for Credit Losses	-	-
Taxes	P (12,192,550)	P (11,262,238)
Net Income	6,603,606	8,052,256
Other Comprehensive Income		
Remeasurements of retirement benefit plan	P 97,136	P 624,147
Total Comprehensive Income	P 6,700,742	P 8,676,403
Selected Balance Sheet Data		
Total Assets	1,344,001,613	1,336,292,941
Deposits	504,392,987	500,514,221
Liquid Assets	1,103,402,303	1,101,838,851
Gross Loans		
Loans and Receivables Arising from RA/CA/PR/SLB	-	206,803,542
Loans and Receivables-Others	P 220,757,401	P 213,210,612
Total Gross Loan Portfolio	P 220,757,401	P 420,014,154
Total Equity	P 804,090,157	P 797,389,415
Selected Ratios		
Return on Equity	0.82%	1.02%
Return on Assets	0.49%	0.58%
Capital-to Risk Assets Ratio	309.83%	315.44%

As of year-end 2024 Total Assets of Isla Bank stood at P1.344 Billion, a slight improvement of (0.6 percent) over the previous year's P1.336 Billion. This was attributable to an increase in the level of Deposits (0.78 percent), from P500.5 Million in 2023 to P504.4 Million in 2024.

In terms of uses of funds, the Bank's Gross Loan Portfolio increased in balance by P7.7 Million (3.7 percent), from last year's outstanding balance of P207.4 Million to P215.1 Million. The increase contributed by Commercial loan bookings for the year amounted to P40.0 Million versus repayment of P20.9 Million, or net increase of P19.1 Million. Likewise, Bacolod branch's gross loans slightly increased by P1.5 Million, from P13.8 Million in 2023 to P15.3 Million as of year-end 2024. On the other hand, auto loans decreased by P12.9 Million due to lower loan bookings because of competitive low rates offered by commercial banks. We focus on servicing our existing good clients however, we encountered model availability issue.

Past Due Loans and Items in Litigation slightly remained at P6.0 Million. We succeeded in fully collecting from various borrowers, totalling P1.3 Million. However, one account amounting to P1.3 Million was reclassified from current to past due.

Bank's outstanding Loan Loss Provisions as of month-end December remained at P5.2 Million with 85.7 percent loan loss coverage rate to Past Due Loans and Items in Litigations. As of December 31, 2024, the Bank's outstanding Allowance for Loans Losses and Other Credit Accommodations was sufficient to cover the required credit losses based on the credit risk assessment of loan accounts, in accordance with Appendix 15 of the MORB. We had no outstanding DOSRI loans for both years 2024 and 2023.

Net Income from Operations for the year 2024 was P6.6 Million compared to P8.0 Million for the year 2023, a decrease of P1.4 Million. This was because of an increase in Compensation and Other Operating Expenses due to the implementation of wage order in July 2023 and July 2024 and increase in expenses related to mobile banking. Likewise, Gross Receipt Tax and 20% Provision for Income Tax posted increase due to higher gross income and taxable income.

The negative impact of increase in expenses and taxes was partially negated by the improvement in Net Interest Income by P1.5 Million due to higher Net Interest Margin (NIM) by 0.34 percent from 5.67 percent to 6.01 percent attributable to better yields in Loans and Receivables Arising from Reverse Repurchase Agreement (6.35 percent vs. 6.14 percent), Overnight Deposit Facility (5.58 percent vs. 5.42 percent) and Held to Maturity Investments (5.15 percent vs. 4.59 percent).

Business Model

The Bank maintains a low risk tolerance in achieving the Bank's strategic objectives and business plans as demonstrated by strong liquid assets, very prudent selection of borrowers and low risk investment activities. The Bank's business operations remains simple, offering basic financial products and services. In June 2023, we launched the Instapay sending and receiving person-to-person (P2P) and QR P2P.

The Bank continued to focus on auto financing to improve its profitability but on a highly selective approvals. However, we remained selective in our approvals to ensure a high-quality portfolio. To leverage this, we prioritized relending to existing clients and clients with excellent payment histories and high-end consumers.

The Bank's liquid assets stood at P1.098 Billion as of year-end 2024. An internal minimum liquidity ratio of 50 % is maintained higher than BSP's required Minimum Liquidity Ratio (MLR) of 20% with a resulting Bank's compliance to the MLR for December 2024 of 211.68%.

The Bank's policy is to maintain a strong capital base to keep investors, creditors and market confidence and sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank sees the need to keep a balance between the higher returns and security afforded by a sound capital position. The Bank's Capital Adequacy Ratio (CAR) of 309.83% remains more than adequate with the current and prospective risk exposures. There are no foreseen potential losses that could negatively affect the capital position of the Bank.

It is also the policy of the Bank to maintain a sound credit management to keep good quality loans. This will be accomplished by being highly selective in granting of loans and focusing on extensive collection efforts to reduce past due loans.

The Bank's sources of funds are primarily the shareholders' equity investments, retained earnings and deposits generated from customers. The Bank has no recorded short or long term borrowings and has a very strong liquid position to manage its operations in such a manner as to ensure that sufficient funds are available to meet credit demands of its clients and repay deposits on demand or upon maturity.

The Bank's investment activities are mostly low risk financial assets with 88.4% zero risk-weighted assets comprising of placement in BSP's ODF and RRP facilities, Philippine government securities and loans secured by hold-out on deposits. Portion of the Bank's assets are in Cash and Other Cash Items and deposits with BSP which is allocated for reserve requirements.

Gross Loan accounts of P220.7 Million of which P6.1 Million is classified as Non Performing Loans or ratio of 2.8% to Total Loan Portfolio. The Bank's outstanding Loan Loss Provision as of year end December 2024 was P5.2 Million with a resulting Loan Loss Coverage Rate of Non Performing Loans of 87.3%. The Bank's outstanding Allowance for Loans Losses and Other Credit Accommodations was sufficient to cover for the required credit losses based on the credit risk assessment of loan accounts, in accordance with Appendix 15 of the MORB.

Gross Loans of P220.7 Million are secured by hold-out on deposits (51.0%), chattel (28%) and real estate mortgage (20%). The Bank has zero DOSRI loans as of December 31, 2024.

Message from the Chairman and the President:

The country's economic indicators continued to remain strong in 2024, as it maintained a steady gross domestic product (GDP) growth of 5.7 percent—the second fastest in ASEAN next to Vietnam. It slightly missed government targets due to multiple challenges such as extreme weather events, geopolitical tensions, and subdued global demand. Services and industry remained the main drivers of growth, expanding by 6.7 percent and 5.6 percent, respectively. This year's GDP growth outpaced the 5.5 percent expansion in 2023 and had been the strongest reading since the 7.6 percent in 2022.

The Philippines ended December, 2024 with an inflation rate of 2.9 percent, and brought the annual average inflation rate at 3.2 percent, which was lower than the 2023 annual average inflation rate of 6.0 percent. It fell within the government's 2 to 4 percent target.

For the first time since 2020, amid the pandemic-induced recession, the Bangko Sentral ng Pilipinas (BSP) delivered a total of 75 bps worth of rate cuts for three straight meetings in 2024, starting in August. This brought the benchmark rate to 5.75 percent from 6.5 percent. The US Federal Reserve also initiated three interest rate cut, starting in September. The possibility of more cuts by the BSP in 2025 is expected. On the other hand, the Philippine Peso closed 2024 at P57.845 depreciating further, compared to P55.37 at year-end 2023.

As of year-end 2024, Total Assets of Isla Bank stood at P1.344 Billion, a slight improvement (0.6 percent) over the previous year's P1.336 Billion. This was attributable to an increase in the level of Deposits (0.78 percent), from P500.5 Million in 2023 to P504.4 Million in 2024. At the end of 2024, a substantial fund was invested in Overnight Deposit Facility (ODF) pending investment in Reverse Repurchase Agreement and other loan options. Our loan portfolio increased to P215.0 million and is projected to increase further in 2025.

In terms of uses of funds, the Bank's Gross Loan Portfolio increased in balance by P7.7 Million to P215.1 million (3.7 percent), from last year's P207.4 Million. The increase contributed by Commercial Loan bookings for the year amounted to P19.1 Million, On the other hand, however, auto loans decreased by P12.9 Million due to lower loan bookings because of competitive low rates offered by commercial banks.

Past Due Loans and Items in Litigation remained at P6.0 Million. We were able to fully collect from various borrowers, totalling P1.3 Million. However, one account amounting to P1.3 Million was reclassified from current to past due. The Bank's outstanding Loan Loss Provisions as of month-end December remained at P5.2 Million with 85.7 percent loan loss coverage rate to Past Due Loans and Items in Litigations. As of December 31, 2024, the Bank's outstanding Allowance for Loans Losses and Other Credit Accommodations was sufficient to cover the required credit losses based on the credit risk assessment of loan accounts, in accordance with Appendix 15 of the MORB. We had no outstanding DOSRI loans for both years 2024 and 2023.

Net Income from Operations for the year was P6.6 Million compared to P8.0 Million for the year 2023, a decrease of P1.4 Million. The cause for the drop was an increase in Compensation and Other Operating Expenses with the implementation of wage order in July 2023 and July 2024, and increase in expenses related to mobile banking. Likewise, Gross Receipt Tax and 20 percent Provision for Income Tax posted increases because of the higher gross income and taxable income.

The negative impact of increases in expenses and taxes was partially negated by the improvement in Net Interest Income by P1.5 Million due to higher Net Interest Margin (NIM) from 5.67 percent to 6.01 percent attributable to better yields in Loans and Receivables Arising from Reverse Repurchase Agreement (6.35 percent vs. 6.14 percent), Overnight Deposit Facility (5.58 percent vs. 5.42 percent), and Held to Maturity Investments (5.15 percent vs. 4.59 percent).

For 2025, gross domestic product (GDP) growth is expected to pick up slightly from the 5.7 percent recorded this year, amid risks posed by the reciprocal tariffs imposed by the United States on trading partners. The Bangko Sentral ng Pilipinas is expected to cut policy rates around three-four times in 2025, slashing the key rate down from the current 5.5 percent level, in view of the softening inflation and persistent global uncertainties. The BSP recently announced another supersized cut to the reserve requirements of banks. Starting March 28, the reserve requirement ratio (RRR) for big banks will be reduced by 200 basis points to 5 percent. At the same time, the RRR for digital banks will be trimmed by 150 bps to 2.5 percent. The reserve requirement for thrift banks will be removed following a 100-bp cut to their RRR.

The Bank will continue to exercise prudence in the management of bank funds with the guidance of your Board of Directors, and continuing support of our officers and staff.

EDUARDO V. LIM
President

JOSE MA. J. LOPEZ-VITO III
Chairman

CAPITAL ADEQUACY

The Bank's regulatory capital position as of December 31 follows:

	2024	2023
Tier 1 Capital		
Common stock	P 566,727,900	P 566,727,900
Surplus and reserves	230,758,656	222,609,259
Undivided profits for the year	6,603,601	8,052,257
	804,090,157	797,389,416
Less deduction from Tier 1 capital		
Total outstanding unsecured DOSRI loans	0	(0)
Deferred tax assets	(5,123,332)	(5,123,332)
Total Tier 1 Capital	798.966.825	792,266,084
Tier 2 Capital		
General loan loss provision	1,100,000	1,100,000
Total Qualifying Capital	P 800,066,825	P 793,366,084
Total Risk Weighted Assets		
Credit risk	P 154,978,823	P 149,192,843
Operational risk	103,247,277	102,318,847
Market risk	-	-
	P 258,226,100	P 251,511,690

The Bank's credit risk weighted assets as of December 31 are computed as follows:

(a) 0% Risk Weight

	2024	2023
Cash on hand	P 10,483,321	P 11,406,888
Due from BSP	396,360,788	37,062,690
Investment securities at amortized cost	670,000,000	820,000,000
Loans and receivables arising from RA/CA/PR/SLB	-	206,693,512
Loans to the extent covered by hold-out on, or assignment of, deposit substitutes maintained with the lending bank	111,202,718	110,921,698
	1,188,046,827	1,186,084,788
	0%	0%
	P -	P -

(b) 100% Risk Weight

	2024	2023
Other assets, gross of general loan loss provision	P 150,960,051	P 145,292,107
Less:		
Total outstanding unsecured credit accommodations, both direct and indirect to DOSRI, net of allowance for credit losses	0	0
Deferred tax assets	(5,123,332)	(5,123,332)
	145,836,719	140,168,775
	100%	100%
	P 145,836,719	P 140,168,775

	2024	2023
(c) 150% Risk Weight		
Other non-performing loan except NPA to Individual for housing purposes	6,094,736	6,016,046
ROPA	-	-
	150%	150%
	P 9,142,105	P 9,024,069

There were no on-balance sheet accounts classified under 20%, 50% and 75% risk weights as of December 31, 2024 and 2023.

The Bank's operational risk weighted assets as of December 31 are computed as follows:

	2024	2023
Net Interest Income		
Interest income	P 68,862,185	P 66,275,969
Interest expense	(6,300,849)	(5,659,881)
	62,561,336	60,616,088
Other Non-interest Income		
Fees and commissions income	6,150,667	7,464,664
Other income	119,515	131,813
	6,270,182	7,596,477
Gross Income	68,831,518	68,212,565
Capital Charge (12%)	8,259,782	8,185,508
Adjusted Capital Charge (125%)	10,324,728	10,231,885
Multiplied by factor 10	10	10
Total Operational Risk-Weighted Assets	P 103,247,280	P 102,318,847

The Bank is not engaged in trading and has no foreign currency denominated assets subject to market risk.

Capital Ratios

	2024	2023
Total regulatory capital expressed as percentage of total risk weighted assets	309.58%	315.44%
Total Tier 1 capital expressed as percentage	309.41%	315.00%

As of December 31, 2024, and 2023, based on the above capital ratios, the Bank has complied with the BSP requirement on the ratio of combined capital accounts against the risk assets.

STOCKHOLDERS

Name of Stockholders	Nationality	Number of Direct and Indirect Shares Held	Percentage of Shares Held to Total Outstanding Shares of the Bank	Voting Status
Jose Ma. J. Lopez-Vito III	Filipino	5,037,226	88.88262%	*
Jocelyn M. Gozum	Filipino	360,004	6.35233%	*
Eduardo V. Lim	Filipino	200,004	3.52910%	*
Others	Filipino	70,045	1.23595%	*

* **Pursuant to Article 111, Section 5 of the Bank's By-Laws, voting is by shares of stock.**

BOARD OF DIRECTORS

Name of Director		Type of Directorship	Start	End	Years served as Director	Number of Direct and Indirect Shares Held	Percentage of Shares Held to Total Outstanding Shares of the Bank	2024 Attendance at Board Meetings	12 Meetings in 2024
Jose Ma. J. Lopez-Vito III	Chairman	Non-Executive	Feb'1997			5,037,226	88.88262%	100.000%	12
Rafael J. Lopez-Vito	Vice-Chairman	Non-Executive	Sep'1977		28	5,474	0.09659%	100.000%	12
Maria Melinda J. Lopez-Vito	Member	Non-Executive	Feb'1997		48	4	0.00007%	100.000%	12
Eduardo V. Lim	Pres/CEO	Executive	Feb'1997		28	200,004	3.52910%	100.000%	12
Jocelyn M. Gozum	EVP/ Treasurer	Executive	Feb'1997 Apr'2019	Oct'2018	27	360,004	6.35233%	100.000%	12
Jose Manuel J. Lopez-Vito	Member	Non-Executive	Jul'1997		27	5,340	0.09423%	100.000%	12
Carmenia H. Sason	Member	Independent Director	Apr'2017		7.8	1	0.00002%	100.000%	12
David J. Dichupa Jr.	Member	Independent Director	Apr'2017		7.8	1	0.00002%	92.000%	11
Ma. Suzette Q. Montalvo	Member	Independent Director	Aug'2017		7.5	1	0.00002%	92.000%	11
Ma. Teresa L. Bilbao	Member	Independent Director	Nov'2018		6.2	1	0.00002%	100.000%	12
Violeta G. Angeles	SVP / Comptroller	Executive	Apr'2009 Jun'2020	Mar'2013	8.4	40,000	0.70581%	100.000%	12

Note: There is no Nominee Director

DIRECTORS

Jose Ma. J. Lopez-Vito III

Mr. Lopez-Vito III, 74, Filipino, is the Chairman of the Board of the Bank. He is an AB Economics graduate of the Ateneo de Manila, Class of 1970, and started his career at the Far East Bank & Trust Co. which he joined in 1971 as Investment Researcher in the Trust & Investments Division. He steadily rose through the ranks and was appointed as its youngest Assistant Vice-President in 1976. In 1979, Mr. Lopez-Vito III joined the Bank of the Philippine Islands as Vice-President of its Trust & Investments Group, a position he occupied until September 1981. He joined the Savings Bank of Manila as its Executive Vice-President and served in this position until 1983 when he joined Fortune Cement Corporation initially as Executive Vice-President and finally its President the following year.

Together with Messrs. Enrique Zobel and Benito Araneta, Mr. Lopez-Vito III spearheaded the creation of what was to become the Araneta-Zobel Cement Group. The group purchased Fortune Cement from the Laurel-Buenaventura families in 1985 and rapidly expanded its investments into the cement industry through the purchase of Filipinas Cement Corporation 1987, Midland Cement Corporation in 1989 and the Universal Cement Corporation in 1991. By this time, the Araneta Group had become the country's most successful and second largest conglomerate in the cement industry. Mr. Lopez-Vito is also Chairman of Lovitierra Holdings Inc., LHI Real Estate Corp., Radcliffe Properties & Development Corp. Inc., Craftsperson Inc., Digital Strategist, Inc., Macstore, Inc. and Portal Trading, Inc.

Eduardo V. Lim

Mr. Lim, 78, Filipino, is the President and Chief Executive Officer (CEO) of the Bank. He is a Liberal Arts-Commerce (LiaCom) graduate of De La Salle University. Immediately after graduation, he took and passed the Certified Public Accountancy (CPA) exams in 1968.

He started his banking career at Far East Bank and Trust Company in January, 1969 as an Investment Analyst at its Trust Division. He was promoted to officer level in August of the same year, and was transferred to its Portfolio Management Department, where he remained and eventually was promoted to Assistant Vice President (and head of Portfolio Management Department) in 1978, a position he held until his resignation in 1981. In 1978, he also took up the Management Development program (post graduate) at the Asian Institute of Management.

He moved to Security Bank and Trust Company in July, 1981 as Vice President and head of the bank's Trust and Investment Division. In October, 1983, he joined the Trust Group of Bank of the Philippine Islands and remained there until his retirement in 1995. During his stint at BPI, he became President of the Trust Officers Association of the Philippines.

Nevertheless, his banking career continued in March, 1996 with a short stint at Asia Trust and Development Bank as head of its Trust Division. In late December of the same year, he was invited to join Isla Bank as Director and President/Chief Operating Officer (COO). He presently holds a position as President/Chief Executive Officer (CEO).

He is also presently director and treasurer of Realty Investment, Inc., a real estate firm.

Rafael J. Lopez-Vito

Mr. Rafael J. Lopez-Vito, 80, Filipino, is the Bank's Vice-Chairman since 1997. He is a graduate of Ateneo de Manila in 1968 with a degree of Bachelor of Laws. He passed the Licensure Bar Examination for Lawyers in 1969. He was a Senior Partner at the Lopez-Vito Valencia and Arungayan Law Office from 1969 to 2017. He worked at Philbanking Corporation as Branch Manager of Iloilo Branch from 1974 to 1977. He was the moving force in the establishment of Iloilo Savings and Loan Association in 1977 and served as Supervising Director until 1995. Iloilo Savings and Loan Association was eventually converted to a savings bank, Isla Bank, Inc., where he served as director and Vice Chairman, which he holds until the present. He was elected Congressman of the Lone District of Iloilo City in 1987 and served in this capacity for two consecutive terms. He is also a stockholder and director of Remyco Realty, Inc. and Heirs of Jose Ma. Lopez-Vito Agricultural Corp.

Maria Melinda I. Lopez-Vito

Ms. Maria Melinda I. Lopez-Vito, 72, Filipino, is a graduate of the Assumption College with a degree of Bachelor of Science in Management. She joined Prudential Bank as Executive Secretary from 1974 to 1975. From 1975 to 1977, she worked as Marketing Assistant for American European Asian Development Corp. She has been a director since 1997 and Corporate Secretary until 2018.

She is also stockholder and director of Lovitierra Holdings Inc., B & C Design, LHI Real Estate Corporation and Portal Trading, Inc.

Jose Manuel J. Lopez-Vito

Mr. Jose Manuel J. Lopez-Vito, 86, Filipino, has a degree in Bachelor of Science in Chemistry having graduated from the University of San Agustin, Iloilo City and a degree in Bachelor of Science and Criminology from University of Negros Occidental-Recoletos, class of 1983. He also has a masteral degree in National Security Administration from the National Defense College of the Philippines. He was Dean of the Criminology Department of the University of Negros Occidental-Recoletos from 1985 to 1998. He also manages his farms, Hacienda Leonor, Hacienda Soledad and Hacienda Tres Hermanos, located at Negros Occidental. He is a director of the Bank since 1997.

Violeta G. Angeles

Violeta G. Angeles, 70, Filipino, is a Banker by profession. In college, she took up Bachelor of Science in Commerce majoring in Accounting at the Far Eastern University graduating in 1975. Her career in Banking saw its beginning when, fresh from college, she joined Pilipinas Bank in 1976 as Budget Analyst. She moved to Savings Bank of Manila in 1981 as Manager of Comptrollership Group. When UCPB acquired Savings Bank of Manila in 1984, she was promoted to Assistant Comptroller with the rank of Assistant Vice President (under the new name of the bank, UCPB Savings Bank) a position she held until she became the Vice President/Comptroller in 1990. In March, 1997 she was invited by the Chairman, Jose Ma. J. Lopez-Vito III, to join Isla Bank to become its Senior Vice President and Comptroller, the position she currently holds.

Jocelyn M. Gozum

Ms. Gozum, 64, Filipino, is a graduate of St. Paul's College of Manila, Class of 1981 with the degree of BS Commerce major in Accounting. She passed the Licensure Board Examination for Accountants in 1982. She started her career in banking when she joined Savings Bank of Manila in February 1982 as an Accounting Bookkeeper and rose to the ranks as Assistant Manager of UCPB Savings Bank in 1986. In 1987, she left UCPB Savings Bank to join the Araneta-Zobel Cement Group as the General Manager of Formark, Inc., the marketing arm of FR Cement Corporation. In 1991, with the aggressive move of the Araneta Group to expand its investment in the cement industry not only in Metro Manila but also in Cebu, she simultaneously held the position of Finance Officer for Lloyd's Richfield Industrial Corporation (Cebu-based) and SVP-Marketing for FR Cement Corporation. In February 1997, Ms. Gozum again moved back to banking and joined ISLA Bank as Executive Vice-President and Treasurer.

Ma. Suzette Q. Montalvo

Ms. Ma. Suzette Q. Montalvo, 65, Filipino, joined the Bank as an Independent Director in 2017. She earned her Bachelor of Science major in Management degree from the University of St. La Salle, Bacolod City in 1980 and took graduate studies in Administration in the same university after graduation. She worked as Accounting Clerk at the Countryside Credit Corporation, Bacolod City in 1980, as New Accounts Clerk at the Union Bank of the Philippines, Bacolod Branch in 1981, then as Senior Teller from 1983 to 1988. She acted as OIC/Finance Officer of Prawntech, Inc. in General Santos City from 1989 to 1990. She was Manager/Partner of Chryslene Boutique also in General Santos City from 1990 to 1992. She joined Isla Bank as Senior Teller/Cashier when the Bacolod Branch opened in 1997, and became the Assistant Manager-Branch Operations Officer in 1999 to 2003. She acted as Assistant Manager-Marketing Officer/Cashier from 2003 to 2008 and as Branch Manager from 2008 till she left in 2012. She was Manager/Consultant at the London Beach Resort & Hotel, Inc. from 2013 to 2014, then as Finance Manager in 2015.

Presently, she owns and manages TM Lucky Ventures which operates food kiosks under trade name Buko Splash offering fresh coconut juice and coconut shakes, with three (3) outlets in different malls in General Santos City.

David J. Dichupa, Jr.

Mr. David J. Dichupa, Jr., 76, Filipino, joined the Bank as an Independent Director in 2017. He is a BS Chemical Engineering graduate of University of San Agustin in Iloilo City. Right after graduation Mr. Dichupa worked for Worldwide Paper Mills. In 1999, he was tasked to put up the company's subsidiary Dasmarinas Paper Mills Inc. where he assumed the position as Executive Vice President until his resignation in 2004. Currently, he is actively involved in their family business Tordich Corporation which operates a food kiosk in Bonifacio Global City.

He also became one of the Managers of the De La Salle University men's basketball and volleyball teams as well as its ladies volleyball team.

In 2016, he was appointed the Technical Consultant of Filoil Energy Company, Inc., a leading independent player in the Philippine oil industry.

Carmenia H. Sason

Ms. Carmenia H. Sason, 48, Filipino, joined the Bank as an Independent Director in 2017. She earned her Bachelor's degree in Commerce major in Marketing from the University of St. La Salle, Bacolod City in 1996. After graduation, she joined Metropolitan Bank and Trust Company where she stayed for 19 years (1996 to 2015). She rose from the rank, initially as New Accounts Clerk (1996 to 2000), then as Teller (2001 to 2005). She was promoted as Branch Operations Officer in 2006 and to Senior Assistant Manager in 2015.

Ma. Teresa L. Bilbao

Ms. Ma. Teresa L. Bilbao, 84, Filipino, Independent Director, joined the Bank in November, 2018. She is a graduate of Maryknoll College, now known as Miriam College, with a Bachelor of Arts degree, major in History and minor in Philosophy. Currently, she is an independent director of Iloilo Doctors' College and Chairperson of the Committee on Social and Spiritual Affairs. She was previously elected as Mayor of Hinoba-an, Negros Occidental and served for two terms from 2007 to 2013. Presently, she serves as Punong Barangay of Barangay Pook, Hinoba-an and manages Hacienda Paz, a sugar farm, and Sunshine Resort, a beach resort, both located in Hinoba-an.

BOARD COMMITTEES:

The Risk Management Committee — **4 Meetings held during the year 2024**

Members		Attendance	%
Ma. Suzette Q. Montalvo, Independent Director	Chairman	4	100.00%
David J. Dichupa, Jr., Independent Director	Member	4	100.00%
Ma. Teresa L. Bilbao, Independent Director	Member	4	100.00%

The Asset and Liability Committee — **12 Meetings held during the year 2024**

Members		Attendance	%
Eduardo V. Lim, President/CEO	Chairman	12	100.00%
Jocelyn M. Gozum, EVP/Treasurer	Member	12	100.00%
Violeta G. Angeles, SVP/Comptroller	Member	12	100.00%
Maria Teresita R. Mendoza, Vice President	Member	11	91.67%

The Audit Committee — **6 Meetings held during the year 2024**

Members		Attendance	%
Ma. Suzette Q. Montalvo, Independent Director	Chairman	6	100.00%
David J. Dichupa, Jr., Independent Director	Member	4	66.67%
Rafael J. Lopez-Vito, Vice Chairman of the Board	Member	6	100.00%

The Executive Committee — **4 Meetings held during the year 2024**

Members		Attendance	%
Eduardo V. Lim, President/CEO	Chairman	4	100.00%
Jocelyn M. Gozum, EVP/Treasurer	Member	4	100.00%
Violeta G. Angeles, SVP/Comptroller	Member	4	100.00%

The Information Technology Committee — **4 Meetings held during the year 2024**

Members		Attendance	%
Violeta G. Angeles, SVP/Comptroller	Chairperson	4	100.00%
Jose Manuel J. Lopez-Vito, Non-Executive Director	Member	4	100.00%
Maria Teresita R. Mendoza, Vice President	Member	4	100.00%
Eric P. Pascua, IT Security and Data Privacy Officer	Member	4	100.00%

The Corporate Governance Committee — **4 Meetings held during the year 2024**

Members		Attendance	%
Jose Ma. J. Lopez-Vito III, Chairman of the Board	Member	4	100.00%
Carmenia H. Sason, Independent Director	Member	4	100.00%
David J. Dichupa Jr., Independent Director	Chairman	4	100.00%

The Credit Committee — **12 Meetings held during the year 2024**

Members		Attendance	%
Eduardo V. Lim, President/CEO	Member	12	100.00%
Jocelyn M. Gozum, EVP/Treasurer	Member	12	100.00%
Maria Teresita R. Mendoza, Vice President	Member	12	100.00%

MANAGEMENT DIRECTORY

EDUARDO V. LIM	President / Chief Executive Officer
JOCELYN M. GOZUM	Executive Vice President / Treasurer
VIOLETA G. ANGELES	Senior Vice President / Comptroller
MARIA THERESA MAURA D. SAMANIEGO	Vice President / Chief Compliance Officer
MARIA TERESITA R. MENDOZA	Vice President / Corporate Secretary
NOEL R. AMATA	Assistant Vice President / Internal Auditor

Eduardo V. Lim

Mr. Lim, 78, Filipino, is the President and Chief Executive Officer (CEO) of the Bank. He is a Liberal Arts-Commerce (LiaCom) graduate of De La Salle University. Immediately after graduation, he took and passed the Certified Public Accountancy (CPA) exams in 1968.

He started his banking career at Far East Bank and Trust Company in January, 1969 as an Investment Analyst at its Trust Division, He was promoted to officer level in August of the same year, and was transferred to its Portfolio Management Department, where he remained and eventually was promoted to Assistant Vice President (and head of Portfolio Management Department) in 1978, a position he held until his resignation in 1981. In 1978, he also took up the Management Development program (post graduate) at the Asian Institute of Management.

He then moved to Security Bank and Trust Company in July, 1981 as Vice President and head of the bank's Trust and Investment Division. In October, 1983, he joined the Trust Group of Bank of the Philippine Islands and remained there until his retirement in 1995. During his stint at the Bank, he became President of the Trust Officers Association of the Philippines.

Nevertheless, his banking career continued in March, 1996 with a short stint at Asia Trust and Development Bank as head of its Trust Division. In late December of the same year, he was invited to join Isla Bank as Director and President/Chief Operating Officer (COO). He presently holds a position as President/Chief Executive Officer (CEO).

He is also presently director and treasurer of Realty Investment, Inc., a real estate firm.

Jocelyn M. Gozum

Ms. Gozum, 64, Filipino, is the Executive Vice President and Treasurer of the Bank. She is a graduate of St. Paul's College of Manila, Class of 1981 with the degree of BS Commerce major in Accounting. She passed the Licensure Board Examination for Accountants in 1982. Ms. Gozum started her career in banking when she joined Savings Bank of Manila in February 1982 as an Accounting Bookkeeper and rose to the ranks as Assistant Manager of UCPB Savings Bank in 1986. In 1987 she left UCPB Savings Bank to join the Araneta-Zobel Cement Group as the General Manager of Formark, Inc., the marketing arm of FR Cement Corporation. In 1991 with the aggressive move of the Araneta Group to expand its investment in the cement industry not only in Metro Manila but also in Cebu, she simultaneously held the position of Finance Officer for Lloyd's Richfield Industrial Corporation (Cebu-based) and SVP-Marketing for FR Cement Corporation. In February 1997 Ms. Gozum again moved back to banking and joined ISLA Bank as Executive Vice-President and Treasurer.

Violeta G. Angeles

Violeta G. Angeles, 70, Filipino, is a Banker by profession. In college, she took up Bachelor of Science in Commerce majoring in Accounting at the Far Eastern University graduating in 1975. Her career in Banking saw its beginning when, fresh from college, she joined Pilipinas Bank in 1976 as Budget Analyst. She moved to Savings Bank of Manila in 1981 as Manager of Comptrollership Group. When UCPB acquired Savings Bank of Manila in 1984, she was promoted to Assistant Comptroller with the rank of Assistant Vice President (under the new name of the bank, UCPB Savings Bank) a position she held until she became the Vice President/Comptroller in 1990. In March, 1997 she was invited by the Chairman, Jose Ma. J. Lopez-Vito III, to join Isla Bank to become its Senior Vice President and Comptroller, the position she currently holds.

Maria Theresa Maura D. Samaniego

Maria Theresa Maura D. Samaniego, 59, Filipino, is a Cum Laude graduate of the University of the East, with a Bachelor of Science in Accountancy degree and a Certified Public Accountant. She started out as Audit Clerk at Prudential Bank and rose from the ranks to become an Audit Officer in 2001, a position she held up to March 2006 when the bank was absorbed by the Bank of the Philippine Islands. In June, 2006, she resigned to take care of her sick child. After her child's recovery, she joined Isla Bank as Internal Auditor from June 2012 to August 15, 2022. She was promoted to Chief Compliance Officer (CCO) effective August 16, 2022.

Maria Teresita R. Mendoza

Maria Teresita R. Mendoza, 69, Filipino, is currently Vice President and Head of Accounts Management Division and Human Resource Department. She was Assistant Corporate Secretary in October 1998 and Corporate Secretary starting May 2018. She graduated from the College of the Holy Spirit in 1978 with a Bachelor of Science in Commerce major in Economics, and earned Master of Business Administration units from the La Salle Business School. Right after graduation she joined the then Far East Bank as Credit Analyst. In 1988 she was the Compliance Officer of UCPB Savings Bank and then as Credit Review Officer in 1994 and moved to UCPB as Manager in 1995. In March 1997, she joined Isla Bank as Head of the Loans Department and became the Head of the Human Resource Department in July 1998.

Noel R. Amata

Noel R. Amata, 62, Filipino is a Certified Public Account (CPA) and the current Internal Auditor of the Bank. He graduated from the Lyceum of the Philippines - Manila, (now called Lyceum of the Philippines University) with a degree in Bachelor of Science in Business Administration, major in Accounting. He also took up and earned units in Masters in Business Administration at the De La Salle University in 1986. He started his career in banking as a Settling Clerk in Buendia Branch of Prudential Bank in October 1984, just a week after taking the CPA Board Exam. Being a Certified Public Accountant, he was eventually transferred to the Auditing Department of the bank in 1987, where he started as an Audit Clerk, and slowly inched his way to the position of Audit Officer. After more than thirteen (13) years with Prudential Bank, he moved to Malayan Bank as Chief Auditor.

He was later on appointed as Compliance Officer few months after the issuance of BSP Circular No. 145 in October 1997, requiring banks to develop and implement a compliance system, and appoint/ designate a Compliance Officer to oversee its implementation. He held both the position of Chief Auditor and Compliance Officer of Malayan Bank for almost even (7) years before he transferred to Centennial Savings Bank as an Assistant Vice President, Internal Audit and Compliance Group Head. After Centennial Savings Bank, he had a brief stint in United Overseas Bank Philippines as Head of Internal Audit, Compliance, and Risk Management Department in 2007 to 2008, before joining Toyota Financial Services Philippines Corporation (TFSPH) as Compliance Officer, Assistant Vice President in September 2008. It was during this time that the Bangko Sentral ng Pilipinas (BSP) no longer allows the Head of Internal Audit Department to be also designated as Compliance Officer. He set-up the Compliance Department of TFSPH, that had just been granted a quasi-bank license by BSP. He held the position up to his retirement upon reaching the company's retirement age of 55, and after 33 years in the banking industry primarily with Internal Audit and Compliance. In August 2022, he went back to the banking industry and joined Isla Bank. He is at present the Internal Auditor, and an Assistant Vice President of the bank.

OPERATIONAL POLICIES

Orientation and Education Program

As mandated by existing regulations, the Bank ensures that new directors undergo the requisite corporate governance seminar conducted by BSP accredited institutions and on boarding seminars. New directors are furnished with copies of the general/specific duties and responsibilities of the Board and as an individual director upon election. The continuing Business Education is being provided internally for the Board of Directors and the various units of the Bank, in particular updates on Anti Money Laundering (AMLA).

Retirement and Succession Policy

The Bank has adopted the minimum requirements for retirement under Republic Act 7641. Except for the Executive Directors, all other Directors are not entitled to retirement pay. The Independent Directors have a cumulative term limit of nine (9) years.

The Senior Officers' position in the Bank is vital in the organization's success and ensuring that the functions are understood and shared by supervisors and among other senior officers. Standing Appointees have been identified as successors to key positions. Senior management provides the ExeCom with an annual performance report regarding its skills, key officers and other high potential individuals to ensure that there is a sufficient pool of qualified internal candidates to fill senior and leadership positions and to identify opportunities.

The Bank's retirement policy is adopted from Article 287 of the Labor Code: the employee may retire upon reaching the age of sixty and he has served for at least five years, he is entitled to retirement pay equivalent to one-half month salary for every year of service.

Remuneration Policy and Structure

The CEO & Executive Directors receive remuneration as Officers of the Bank, consisting of basic monthly pay and bonuses. For the Directors, the Bank's By-Laws provides that "Each director shall receive a fee or per diem in such amount as the Board of Directors may determine for attendance at any meeting of the Board, for each day of session."

The Board is responsible in approving the remuneration package of Senior Management. Executive Directors do not participate in determining their remuneration package.

Amongst others, the following are some of the criteria adopted by the Bank in considering the remuneration of the Senior Management:

- The overall performance of the Company tracked against the annual plan and the general economic situation;
- Prevailing market practice and salary position against market;
- Skills, experience and individual performance.

Policy of Related Party Transactions (RPT)

The Bank transacts with related parties which consist of its stockholders, directors, officers and employees and their related interests. Related party transactions are not limited to lending and may include, among others, such as investment, borrowings, guarantees, lease agreements, purchases and sales of assets and contracts.

The Board of Directors shall have the overall responsibility in ensuring that transactions with related parties which are normal banking activities are handled in a sound and prudent manner. These are conducted on arm's length basis and is compliant with existing laws, rules and regulations at all times.

The Board approves all material RPTs, those that cross the materiality threshold of more than Five Hundred Thousand and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders during the annual stockholders meeting. Any renewal or material changes in the terms and conditions of the RPTs are also approved by the Board of Directors.

The designated Executive Committee has the responsibility for the RPTs that are below the materiality threshold, subject to the confirmation by the Board of Directors. These shall, however, exclude DOSRI transactions, which have to be approved by the Board.

Loans and advances granted to related parties as disclosed in the Audited Financial Statements, as Note 23 (f), on RPTs.

In the ordinary course of business, the Bank has loan transactions with certain DOSRI.

Under existing policies of the Bank, these loans are made substantially on the same terms as with other individuals and businesses of comparable risks.

The General Banking Act of the BSP provides that in aggregate, loans to DOSRI generally should not exceed the Bank's total equity or 15 percent of the Bank's total loan portfolio, whichever is lower. In addition, the amount of individual loans to DOSRI, of which 70 percent must be secured, should not exceed the amount of their deposits and the book value of their investments in the Bank. Unsecured DOSRI loans to the officers of the Bank are subject to 5 percent ceiling for loans under fringe benefits program under MORB. As of December 31, 2024, and 2023, the Bank has satisfactorily complied with these limits.

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to DOSRI in accordance with BSP reporting guidelines:

	2024	2023
	DOSRI Loans	
Total outstanding loans	0	0
% of loans to total loan portfolio	0.0%	0.0%
% of unsecured loans to total DOSRI/related party loans	0.0%	0.0%
% of past due loans to total DOSRI/related party loans	0.0%	0.0%
% of non-performing loans to total DOSRI/related party loans	0.0%	0.0%

	2024	2023
	Related Party Loans (inclusive of **DOSRI**)	
Total outstanding loans	P 58,404,085	P 58,398,472
% of loans to total loan portfolio	26.50%	27.78%
% of unsecured loans to total DOSRI/related party loans	0.0%	0.0%
% of past due loans to total DOSRI/related party loans	0.0%	0.0%
% of non-performing loans to total DOSRI/related party loans	0.0%	0.0%

Loans to DOSRI, which are shown as part of Receivables from customers under Loans and Receivables account in the statements of financial position (see Note 11). As of December 31, 2024, and 2023, the Bank does not have any past due or non-performing DOSRI loans.

Other Related Party Transactions

The Bank has related party transactions in accordance with the existing policies and procedures, which are entered into the best interest of the Bank and consistent with the policy of transparency, fairness and integrity. Significant or material transactions that exceeded the defined materiality threshold limit were duly approved by the BOD.

Related party transactions on loans with original principal amount of P58.4 million, has an outstanding balance of P58.4 million in both December 31, 2024 and 2023, and are shown as part of Receivables from customers under Loans and Receivables account in the statements of financial position (see Note 11), will mature within one to two years, are fully secured with deposits and earn 10.0% to 12.0% interest both in 2024 and 2023.

Deposits from other related parties amounting to P282.6 million and P262.0 million as of December 31, 2024 and 2023, respectively, are shown as part of Deposit Liabilities account in the statements of financial position (see Note 15), and are a mix of time deposits, current accounts, and savings accounts, with interest rates ranging from 0.25% to 1.75% per annum both in 2024 and 2023. On July 1, 2007, the Bank entered into a five-year contract of lease with LHI Real Estate Corporation, a related entity under common ownership. This lease was subsequently renewed for five years each in 2012, 2017, and again in 2022, extending the lease until June 30, 2027. In 2022, the Bank received written notice from the lessor waiving the rent until the end of the contract in 2027.

Dividend Policy

Article XI, Section 1 of the By-Laws of the Bank provides that dividends may be declared annually or as often as the Board of Directors may determine. The Board may declare dividends only from the surplus profits of the Bank after making proper provisions for the necessary reserves in accordance with rules and regulations of the Manual of Regulations for Banks.

For stock dividends, Article X1, Section 2 of the By-Laws, states that with the approval of the Stockholders representing two-thirds (2/3) of all the stock then outstanding and entitled to vote, given at a general meeting or at a special meeting duly called for the purpose, the Board may declare that dividends be paid in stock.

In accordance with X124 of the Manual of Regulations for Banks, the net amount available for dividends shall be the amount of unrestricted or free retained earnings and undivided profits reported in the Financial Reporting Package (FRP) as of the calendar/ fiscal year-end immediately preceding the date of divided declaration.

The derivation of the amount of dividends from the unrestricted/free retained earnings shall be based on a sound accounting system and loss provisioning processes under existing regulations which takes into account relevant capital adjustments including losses, bad debts and unearned profits or income.

Financial Consumer Protection Framework

The Bank has a Board approved Consumer Protection Framework that will help protect the interest of the financial consumers, address their concerns and take the corrective actions in a timely manner and institutionalize the responsibilities to all stakeholders.

The Board of Directors is responsible for developing consumer protection strategy. The Board approves and oversees the overall compliance with the consumer assistance protection policies and procedures to ensure that the Bank conforms with consumer protection laws, regulations, guidelines and other best practices/standards.

Senior Management is responsible for implementing the program to manage the customer compliance risks associated with the Bank's business and ensuring compliance with laws and regulations on a day-to-day basis.

The Bank’s framework implements at all times the following protection standards for consumer risks:

a. Disclosure and Transparency

The Bank makes available to the client a written copy of the Terms and Conditions of the products and services. The employee assigned properly and carefully explains the terms and conditions of the products and services which the client is availing as well as the fundamental benefits and risks involved before consummating the transaction.

b. Protection of Client Information

The Bank ensures the Confidentiality and Security of Client Information by establishing policies on information and security to safeguard the customer personal data. The sharing of customer information is not allowed unless with the written consent of the client. The Bank is registered with the National Privacy Commission, an independent body created under Republic Act No. 10173 or the Data Privacy Act of 2012, mandated to administer and implement the provisions of the Act, and to monitor and ensure compliance of country with international standards set for data protection.

c. Fair Treatment

The Bank ensures that clients are treated fairly, honestly, professionally and are not sold inappropriate and harmful financial products and services. Safeguarding the best interest of the customer is always considered.

d. Financial Education and Awareness

The Bank recognizes the need for continuing training of personnel concerned on the matters of consumer protection laws, rules and regulations, related Bank's policies and procedures and products and services in order to maintain a sound consumer protection compliance program. The channel on how the clients can send their complaints/requests are communicated to the clients.

The Bank has a Code of Conduct applicable to all staff, spelling out the Bank's values and standards of professional conduct that uphold protection of clients. Bank employees demonstrate a culture of fair and responsible treatment of clients.

e. Consumer Assistance Process and Timeline

The Bank has defined the consumer assistance process and timeline in processing and addressing the client's complaints/requests and assigned designated personnel to handle the client concern.

The Bank monitors and analyzes the nature of all customer complaints and addresses these issues within the minimum timeframe set by the Bank. The Bank has an established guideline on the required monthly submission of report on customer complaint to the Board thru a Board committee and Senior Management including the frequency and information to be reported. Information Technology and Risk Management Committees discuss in their regular meetings, the category of complaints received, statistic, aging of complaints and resolutions/actions taken to resolve the complaints/requests. Immediate reporting is required on any significant/material complaint. The discussion includes the recommendation/s on how to avoid recurring complaints and suggestions for improvement, as needed.

The table below shows the summary of the number of complaints received by the Bank. As of the year end 2024, there were no outstanding unresolved complaints/issues.

	2024	2023
Total no. of complaints	6	6
-No cash dispensed (ATM)	6	6
-Captured card	0	0
-Unposted	0	0
Transactions (nearest peso)	27,800	20,100

Corporate Social Responsibility

Social Responsibility is fostering a culture of sustainability. In Isla Bank, employees are taught sustainability principles and best practices and are encouraged to apply the same in the office, at home and in the communities. The Bank practices reducing carbon footprints and reducing waste and our simple practices can significantly reduce a company's environmental impact - reducing paper usage, implementing recycling and composting programs, switching to green energy sources, and promoting sustainable transportation. Also, given a choice, we prefer to work with suppliers who adopts sustainability. For our ethical business practices, we give emphasis on integrity in corporate governance, anti-corruption measures, and transparent reporting. And finally, as a way of giving back to the community, we continue to donate sacks of rice to charitable institutions

Sustainable Finance

Sustainable Finance refers to any form of financial products and service integrating environmental, social and governance (ESG) criteria into the business or investment decisions for the lasting benefit of both clients and society while reducing pressures on the environment. This covers green finance, which is designed to facilitate the flow of funds towards environmentally-friendly economic activities as well as climate change mitigation and adaptation projects. It is the alignment of its operations, governance and risk management approach in relation to any sustainability areas in the banking operations.

Isla Bank is committed to supporting sustainable development goals, particularly to combat climate change. We take into consideration, the environmental, social and governance factors in our daily operations, in our financial services, and as well as in our business decisions. We align our sustainable lending strategy alongside assessment of the sustainability of the clients business giving minor priority to high risk sector. As we focus on consumer lending, we give preference to financing brand new cars and lending to the low to medium risk sector. We adhere to responsible banking practices and encourager sustainable activities such as recycling, segregation, walking or use of public transport. We help to reduce waste, promote recycling and reuse to protect the ecosystem. We start little in our aim to achieve goals for the long term.

The Risk Management Committee (RMC) oversees sustainability initiatives related to the implementation of financing strategies and the operational risk programs on sustainability commensurate with the Bank's size and non complexity of operations.

Threshold limits on sustainability financing are monitored as well as implementation of operational risk programs and reported to the Board through the RMC. The Board Audit Committee oversees internal audit reporting on sustainability programs and sustainability reporting, as well as compliance testing against regulatory mandates on sustainability.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Audit

Internal Audit involves an independent and objective conduct and evaluation of the Bank's activities, such as but not limited to (1) adequacy of the Bank's internal control system, (2) quality management assurance, (3) business activities, (4) operational performance based on risk-oriented principles, (5) compliance with legal and regulatory requirements, and (6) implementation of established policies and procedures. As an independent unit, internal audit executes its functions fairly and impartially, ensuring that no conflict of interest arises within the Bank. Other responsibilities of Internal Audit include: (1) developing an annual audit plan through a risk-based approach, (2) ensuring that the methodology of the audit plan provides ongoing risk and control assessments to strengthen fraud detection, (3) providing recommendations in the implementation of corrective measures to enhance effective controls and processes, and (4) providing reasonable assurance on the effectiveness of risk management of government processes. The internal audit activities conform to the generally accepted accounting and auditing standards, the Bank's operating procedures and processes, as well as the relevant rules and regulations of regulatory agencies. It communicates to Senior Management and Board of Directors of their internal control responsibilities, and extends support in the efficient and execution of their responsibilities.

The Bank's Internal Audit is headed by an Internal Auditor, who is a Certified Public Accountant with more than five (5) years' experience in bank's Audit. He possesses the qualifications required per BSP regulation that is unassailable integrity, relevant education and training, and understanding of the risk exposures of the Bank. The Internal Auditor is responsible for overseeing the aforementioned functions, works closely with Compliance Department and External Auditor, and has free and unrestricted access to all records, information, and properties of the Bank. He reports to the Board of Directors through the Audit Committee composed of three (3) members of the Board of Directors, with two (2) of whom are Independent Directors, including the Chairman. The Audit Committee performs an annual review of the internal audit performance through self-assessment to ensure the adequacy, competency and the effectiveness of the Bank's existing internal control system.

Compliance

The Bank's Compliance Office plays a crucial role in ensuring an independent function that identifies, assesses, monitors and reports on the Bank's compliance risk that seeks to protect the Bank's reputation and the interest of the stakeholders, thus ensuring that the compliance system is robust and effective. The Chief Compliance Officer (CCO) directly reports to the Board of Directors through the Audit Committee. She manages the Compliance Department where she assures that its directive, activities and primary result areas are performed and delivered as she conducts an offsite and onsite compliance testing to various units/departments and branches of the Bank. Likewise, act as an authorized officer to access information as it may deem necessary to conduct proper examination or investigation of suspected or commission of fraudulent activities and violations of internal and external laws, rules, policies and government regulations. All material compliance issues and concerns noted during the examination are disclosed in the Compliance Testing Reports.

Our COO possesses all the qualifications and none of the disqualification for the position of Chief Compliance Officer in adherence to Section 134 (Officer), Section 161 (Compliance Framework) and Section 138 (Disqualification and Watch listing of Directors and Officers) of the Manual of Regulations for Banks (MORB).

She ensures that all officers and staff are aware and conform with the latest regulatory agencies, circulars, memorandum and advisories for proper and consistent application of the laws, rules and regulations. These are achieved by providing seminars and webinars on the latest updates or amendments related to banking regulatory matters and practices.

Anti-Money Laundering

As a covered person, the Bank adopts and implement a sound Anti-Money Laundering and Terrorist Financing Prevention Risk Management System that identifies, assesses, monitors and controls risks associated with money laundering and terrorist financing. The Bank has an established Anti-Money Laundering and Terrorist Financing Prevention Program that defines the oversight function of the Board of Directors, Senior Management role in overseeing its day-to-day implementation, and the responsibility of the Compliance Officer in ensuring adherence to the policies, procedures, and all matters relating to the prevention of money laundering and terrorist financing. The program includes the implementation of Know your Customer (KYC) and Customer Due Diligence (CDD) procedures by applying a risk-based approach in customer account opening processes; reporting of covered and suspicious transactions; updating and digitization of customer information records; record-keeping; and the regular education and training of officers and employees on Anti-Money Laundering and Terrorist Financing Prevention.

Risk Management

Risk Management Principles

A robust risk management is significant to the Bank's daily activities and it is the core of the operating structure where it manages the risk exposures within agreed levels of risk appetite. The Bank's risk management is proportionate to the nature, volume and simple operations, as well as its risk profile.

The Bank is committed to build and enhance the risk management capabilities that assist in delivering the growth plans in the financial institution. The Board of Directors and Senior Management play an active role in ensuring that risks are well managed and has existing appropriate approaches, systems, and controls that are in place to mitigate risk.

Effective and efficient risk management process is incorporated in all its business activities. This assures that the Bank has adopted policies and procedures for the identification, measurement, assessment, monitoring, controlling and mitigating of risks and reporting such risk; adequate organizational structure; sufficient process of management of all risks that the Bank is or may be exposed to in its operation; and adequate internal control system.

Risk Management Strategy

The Bank's risk management strategy encompasses minimizing or reducing risks exposure, limiting potential losses and ensuring continues adequacy of financial resources. The Bank continued its commitment to sound risk management that proved effective as shown in our capital and liquidity position. Moreover, strong corporate governance that focuses specifically on risk management helps the Bank reach its ultimate goals.

Risk Management Governance

The risk management governance applies the principles of sound governance in the identification, measurement, monitoring, and controlling of risks. It ensures that risk-taking activities are in line with Bank's strategy and risk appetite and covers all material risk categories applicable to the Bank.

To manage the Bank's risk effectively, the Board of Directors through the Risk Management Committee (RMC) adopts and promotes the Bank's risk culture and monitors adherence to the defined risk appetite. The RMC performs the oversight functions in the development of risk management strategies for risk identification and evaluation, risk monitoring, managing and controls. The Committee meets at least quarterly or more frequently as necessary.

To ensure objectivity, the Bank's RMC is made up of individuals who are independent of the Bank's business organization. RMC is composed solely of three directors of the Bank who are all independent directors and therefore not involved in the Bank's day-to-day operations.

Risk Management Scope and Structure

Risk culture pertains to the Bank's risk approach and is critical to sound risk management governance.

The Board promotes risk awareness within a sound risk culture. The Board does not support excessive risk taking and conveys to all units that the Bank operates within the established risk appetite and limits. The RMC ensures that material risk and risk-taking activities exceeding the risk appetite and limits are reported and addressed in a timely manner.

Risk Appetite

Risk appetite is the level of risk the Bank is willing to assume taking into account its overall risk bearing capacity, the extent of risk exposures, as well as the governance, monitoring and reporting of these risks. It draws the line between those risks which are acceptable and those considered unacceptable. It also forms the basis for establishing limits, controls and mitigation measures. Risk appetite and business strategy are aligned to risk bearing capacity and its established limits.

The RMC, in consultation with the Board, established the Bank's risk appetite, risk allocation and limits. The risk appetite is communicated throughout the Bank. The Board evaluates and supports the risk appetite at least annually. The RMC monitors the strategic, capital and operating plans within the risk appetite and established limits.

Stress Testing exercises are implemented to effectively manage exposures on specific risk areas of the Bank and to promote strong risk governance. Stress testing exercises are also linked to the risk appetite, business strategies as well as capital and liquidity plans of the Bank. The test will enable the Bank to quantify the impact of changes in risk factors on the assets and liabilities of the Bank.

RISK EXPOSURE AND ASSESSMENT

Risk Description	Risk Appetite	Mitigating Factors	Risk Exposure
Liquidity Risk Is the risk to earnings or capital arising from a Bank's inability to meet its obligations when they come due without incurring unacceptable losses.	*Low*	• The Bank has a liquidity risk management framework which identify, analyze, monitor, control and manage the liquidity position of the Bank at all times • The Bank's policy is to manage its operations in such a manner as to ensure that sufficient funds are available to meet credit demands of its clients and repay deposits on demand or upon maturity • The Bank maintains sufficient liquid assets at all times to meet immediate funding requirements. • To identify liquidity risk, a Liquidity Gap Analysis monitors the gap between assets and liabilities in terms of maturities and measures the direction and extent of asset-liability mismatch through either funding or maturity. Liquidity ratios are computed to determine compliance with internal liquidity limit and ratio while liquidity stress test measures Bank's capacity to handle stressful events affecting liquidity such as sizable and unexpected cash outflows. • A Contingency Funding Plan is in place detailing sources of funds according to availability and situations where it should be utilized with coordinated plan of action by the departments involved should such liquidity crisis occur. • A Minimum Liquidity Ratio (MLR) report was adopted per BSP Circular No. 996. The MLR promotes short-term resilience to liquidity shocks by measuring liquid assets in proportion to balance sheet liabilities.	***Low*** Liquidity remains strong in view of Management's strategy to maintain substantial liquidity. Funds sources are from capital (59.8%) and special and regular deposits (37.5%) of total resources. The Bank has a very strong liquidity as it has substantial liquid funds to service cash outflows from customers and borrowers. Bulk of liquid funds are maintained in deposits with the BSP and investments in government securities. The Bank's risk exposure to Liquidity Risk is Low.

		• A prudential MLR of 20% of the Bank's eligible stock of liquid assets to its total qualifying liabilities is to be complied on an ongoing basis even in the absence of liquidity risk. In comparison, Isla Bank maintains a 50% internal limit which is above the required MLR. • The liquidity risk methodologies are submitted to the Board through the Senior Management, ALCO, and the Risk Management Committee and are reviewed and updated. • Conduct Scheduled Stress Tests.	
Credit Risk Is the possibility of financial loss if a counterparty to a transaction defaults or fail to meet contractual obligations to the Bank.	*Low*	• The Bank manages its credit risk and loan portfolio through the Credit Committee, which undertakes several functions with respect to credit risk management. • The Bank structures the levels of credit risk it undertakes by setting limits on the amount of risk acceptable in relation to one borrower, or group of borrowers and to geographical and industry segments. Such risks are monitored on an evolving basis and subject to annual or more frequent review. • The Bank is operating under a sound credit granting process in accordance with credit scoring model. • The approval processes are in accordance with the approving authority and corresponding approval limits. • Monitoring of credit limits, large exposures and credit risk concentrations. • Implementation of credit risk management information and reporting systems. • The Bank has an established policy on Related Party Transactions (RPTs) and observes compliance to	***Low*** The Bank's credit risk exposure is low. The Bank asset quality is satisfactory. Asset profile consistently registered a high-quality portfolio with 88.4% zero risk - weighted assets comprising of placement in BSP's deposit and RRP facilities, Philippine government securities and loans secured by hold-out. Non-performing loans was P6.1 Million or 2.8% of the total gross loan portfolio. Loan loss coverage was 87.3% which was sufficient to cover for general and specific loan loss reserve in accordance with appendix 15 of the MORB. Gross Loans of P217.5 Million are secured by hold-out on deposits and government securities (51.0%), chattel (28.0%)

		the guidelines. to ensure that transactions are to the best interest of the Bank and consistent with the policy of transparency, fairness and integrity.	and real estate mortgage (20%) and unsecured of 1%.
Market and Interest Rate Risk Is the risk to earnings or capital arising from changes in the value of loan and investment portfolio which arises from market-making, dealing and position-taking in interest rate, foreign exchange, equity and commodities market.	*Low*	• The Bank's exposure is limited to interest rate risk from its lending and deposit taking activities, placements with the BSP and local banks and investments in held-to-maturity prime corporate bonds and government securities. • Lending rates are fixed vis-a-vis prevailing market rates and are computed to provide a comfortable net interest margin and reasonable return of investment. Updates on the market risks are communicated to the Board thru the Senior Management, ALCO and the RMC. • An Interest Rate and Maturity Gap Analysis Measures Bank's exposure to interest rate fluctuations which can pose a significant threat to Bank's earnings and capital base. A single 100 basis points (+/- 100 bps) maximum threshold on earnings at risk (EaR) is adopted as Isla Bank has traditional and simple business and balance sheet. • These methodologies are submitted to the Board through the Senior Management, ALCO, and the Risk Management Committee (RMC) for their guidance and action, and are reviewed and updated, when necessary, while the RMC updates the Board of various risk management activities.	***Low*** The Bank does not engage in market-making, dealing and position-taking in the domestic financial market. The Bank's investment portfolio is made up of 100% government securities which are held-to-maturity. The portfolio therefore, is not exposed to adverse movements of interest rates in the financial market.
Information Technology Risk Is the risk of any potential Information Technology (IT)	*Low*	• The information security is managed by the Information Security Officer (ISO) who is responsible for the oversight of the Bank's Information Security Risks with regards to confidentiality, integrity and availability of the IT infrastructure, processing systems in line with the	***Low*** There were no reported compromised ISLA ATM cards, security breaches, fraud, theft or vandalism.

failures to disrupt the Bank's business such as hardware and software failure, human error, viruses, malicious attacks as well as natural disasters.		Information Technology compliance monitoring processes to meet IT policies and applicable regulatory requirements. • The Bank has an approved Information Technology Risk System which provide guidelines in managing risks associated with use of technology commensurate to the size, nature of e-banking products and services and degree of adoption of technology by the Bank. • Report on the IT risks are submitted to the Board thru the IT Committee on a regular basis with such recommendations as the Committee may deem appropriate, thus the Board is informed of the Committee's activities. Also, all security issues relevant to the Bank's technology activities and any other important IT matters are also being reported. • The Bank conducts a business resumption testing at least once a year to ensure that the Bank's operations can withstand the effects of major disruptions of critical operations due to internal and external threats, which may be natural, man-made or technical in origin. • IT risk exposure is commensurate to the classification of the Bank as "Simple" in terms of degree of complexity of the Bank's systems and IT profile. IT risk management system, governance, structure, security controls and processes in place are commensurate to the classification.	ATM and Mobile Instapay complaints were minimal and resolved within 1 to 3 banking days. Business continuity and disaster recovery plan is tested annually. For security risk management, an adequate security program is in place. The inspection of security devices is being conducted regularly. Likewise, in coordination with the Bureau of Fire Protection, fire and earthquake drills are conducted yearly. The results of the annual performance evaluation of all the service providers of the Bank were Very Satisfactory.

Reputational Risk Is the risk that could arise from failure to mitigate the risks in its business. This is the risk of collective negative public perceptions and opinions, past and present, about an organization.	*Low*	• The Bank demonstrates a high standard in setting clear business policies and practices with integrity and trust. • Create a happy and productive workplace for better working environment that renders productivity and credibility to employees. • Ensure to maintain proper safeguarding of employees' and customers' data, sensitive private/personal information and financial data in observance of data privacy act and protection policies and practices. • Establish good customer and bank relationship by providing efficient quality services for high level of satisfaction.	***Low*** The Bank has no history of negative publicity, fraud incidence and adverse information.
Strategic Risk Is the risk that may arise from the adverse business decisions or the improper implementation of the decisions of the Board of Directors relative to the objective of the bank.	*Low*	• The Board and Senior Management are knowledgeable, experienced, independent, with clear understanding of the market, economic, and competitive conditions. There are board members who are independent, who check and balance the activities of management to meet the targeted goal. • Management remains to be conservative in terms of lending, as part of the strategy. • The Bank continues to offer consumer financing particularly auto loans with high yielding receivables. • Ensure to continue to be very prudent in granting loans to applicants.	***Low*** The Bank is operating based on the adopted business plan and objective.

Compliance Risk Is the risk to earnings or capital arising from violations of laws, rules and regulations, prescribed practices or ethical standards. The risk of legal or regulatory sanctions, financial loss, and loss of reputation that Bank may suffer as a result of its failure to comply with applicable laws, regulations, Codes of Conduct and standards of good practice.	*Low*	• The Compliance Unit is responsible in guiding every business unit on the proper implementation of laws, rules and regulations, and directives. • Conduct a risk assessment based on the customers, products and services, and transactions, to monitor and evaluate any threats. • Provide seminars to the Board, officers and employees to keep them abreast of the latest updates, developments and new issuances on compliance measures, policies, and procedures to better understand the risks and its consequences	***Low*** The Bank's compliance risk management is satisfactory. The Bank has no major violation for non-compliance with the applicable laws, regulations, Codes of Conduct and standards of good practice.
Legal Risk Is the risk to earnings or capital that may arise because of unenforceable contracts, lawsuits or adverse judgements.	*Low*	• Services of an external legal counsel are engaged on a retainer basis to review documents and contracts, among others, and to ensure that these are complete and enforceable. • Monitoring of legal matters is conducted through regular discussion with the legal counsel. There is no pending or impending litigation by or against the Bank or any of its directors and officers which could adversely affect financial condition. • Performance of the legal counsel is monitored and annually reviewed by the Corporate Governance Committee.	***Low*** There are no pending cases files by or against the Bank or any of its directors and officers which could adversely affect the Bank's financial condition as well as its reputation.

Report of Independent Auditors

The Board of Directors
Isla Bank (A Thrift Bank), Inc.
Ground and Second Floors, Glass Tower
115 Carlos Palanca Jr. Street
Legaspi Village, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Isla Bank (A Thrift Bank), Inc. (the Bank), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in capital funds and statements of cash flows for the years then ended, and the 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 (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits 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, 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.

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information to the financial statements for the years ended December 31, 2024 and 2023 required by the Bangko Sentral ng Pilipinas, and for the year ended December 31, 2024 required by the Bureau of Internal Revenue, as disclosed in Notes 23 and 24, respectively, is presented for purposes of additional analysis and is not required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 10465913, January 2, 2025, Makati City
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
BOA/PRC Cert. of Reg. No. 0002/P-010 (until August 12, 2027)

February 26, 2025

ISLA BANK (A THRIFT BANK), INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
RESOURCES			
CASH AND OTHER CASH ITEMS	8	**P 10,483,321**	P 11,406,888
DUE FROM BANGKO SENTRAL NG PILIPINAS	8	**396,360,788**	37,062,690
DUE FROM OTHER BANKS	8	**22,242,291**	22,042,016
LOANS AND RECEIVABLES ARISING FROMRE-PURCHASE AGREEMENT	8, 9	**-**	206,803,542
INVESTMENT SECURITIES AT AMORTIZED COST	10	**674,315,903**	824,523,715
LOANS AND RECEIVABLES – Net	11	**215,079,755**	207,427,664
BANK PREMISES, FURNITURE, FIXTURESAND EQUIPMENT – Net	12	**5,341,574**	6,251,079
RIGHT-OF-USE ASSETS – Net	13	**1,860,156**	2,963,288
OTHER RESOURCES – Net	14	**18,317,825**	17,812,058
TOTAL RESOURCES		**P 1,344,001,613**	P 1,336,292,940
LIABILITIES AND CAPITAL FUNDS			
DEPOSIT LIABILITIES	15	**P 504,392,987**	P 500,514,220
OTHER LIABILITIES	16	**35,518,469**	38,389,305
Total Liabilities		**539,911,456**	538,903,525
CAPITAL FUNDS			
Common stock	17	**566,727,900**	566,727,900
Surplus		**225,852,840**	219,249,234
Remeasurements of retirement benefit plan		**11,509,417**	11,412,281
Total Capital Funds		**804,090,157**	797,389,415
TOTAL LIABILITIES AND CAPITAL FUNDS		**P 1,344,001,613**	P 1,336,292,940

See Notes to Financial Statements.

ISLA BANK (A THRIFT BANK), INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
INTEREST INCOME			
Investments at amortized cost	10	**P 35,970,313**	P 36,948,526
Loan and receivables	11	**22,788,973**	24,816,588
Due from Bangko Sentral ng Pilipinas and other banks	8	**2,027,494**	5,556,085
Loans and receivables arising from repurchase agreement	9	**21,807,021**	12,796,858
		82,593,801	80,118,057
INTEREST EXPENSE			
Deposit liabilities	15	**7,447,240**	6,444,421
Others	13, 20	**1,690,495**	1,799,097
		9,137,735	8,243,518
NET INTEREST INCOME		**73,456,066**	71,874,539
OTHERS INCOME			
Service charges		**2,704,555**	3,028,203
Others	12	**453,686**	81,286
		3,158,241	3,109,489
OTHER OPERATING EXPENSES			
Employee benefits	19, 20	**26,849,477**	25,603,669
Taxes and licenses		**6,866,105**	6,212,049
Security, messengerial and janitorial services		**4,559,486**	4,490,978
Information technology		**4,774,255**	4,472,953
Depreciation and amortization	12, 13	**3,110,190**	2,767,104
Insurance		**2,388,574**	2,418,912
Power, light and water		**1,294,710**	1,357,737
Membership and dues		**1,421,017**	1,347,375
Management fees		**1,186,000**	1,188,000
Occupancy	13	**1,228,890**	1,092,479
Others	18	**4,139,447**	4,718,278
		57,818,151	55,669,534
PROFIT BEFORE TAX		**18,796,156**	19,314,494
TAX EXPENSE	21	**12,192,550**	11,262,238
NET PROFIT		**6,603,606**	8,052,256
OTHER COMPREHENSIVE INCOME			
Remeasurements of retirement benefit plan	20	**97,136**	624,147
TOTAL COMPREHENSIVE INCOME		**P 6,700,742**	P 8,676,403

See Notes to Financial Statements.

ISLA BANK (A THRIFT BANK), INC.
STATEMENTS OF CHANGES IN CAPITAL FUNDS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos, Except Number of Shares)

	Common Stock (Note 17)		Remeasurements of Retirement Benefit Plan		
	No. of Shares	Amount	(Note 20)	Surplus	Total Capital Funds
Balance at January 1, 2024	5,667,279	P 566,727,900	P 11,412,281	P 219,249,234	P 797,389,415
Total comprehensive income for the year	-	-	97,136	6,603,606	6,700,742
Balance at December 31, 2024	**5,667,279**	**P 566,727,900**	**P 11,509,417**	**P 219,249,234**	**P 797,389,415**
Balance at January 1, 2023	5,667,279	P 566,727,900	P 10,788,134	P 211,196,978	P 788,713,012
Total comprehensive income for the year	-	-	624,147	8,052,256	8,676,403
Balance at December 31, 2023	**5,667,279**	**P 566,727,900**	**P 11,412,281**	**P 219,249,234**	**P 797,389,415**

See Notes to Financial Statements.

ISLA BANK (A THRIFT BANK), INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 18,796,156	P 19,314,494
Adjustments for:			
Interest received		54,868,663	51,220,430
Interest income on investment securities at amortized cost	10	(35,970,313)	(36,948,526)
Interest income on loans and receivables	11	(22,788,973)	(24,816,588)
Interest income on loans and receivables from repurchase agreement	9	(21,807,021)	(12,796,858)
Interest paid		(8,211,675)	(6,731,735)
Interest expense on deposit liabilities	15	7,447,240	6,444,421
Interest income on due from Bangko Sentral ng Pilipinas and other banks	8	(2,027,494)	(5,556,085)
Depreciation and amortization	12, 13	3,110,190	2,767,104
Amortization of computer software	14, 18	1,513,758	932,640
Interest expense on lease liabilities	13	223,380	287,275
Gain on sale of equipment	12	(347,211)	(11,993)
Operating loss before changes in operating resources and liabilities		(5,193,300)	(5,895,421)
Increase in loans and receivables		(15,897,270)	26,285,676
Increase in other resources		(1,329,220)	(181,312)
Increase (decrease) in deposit liabilities		(4,419,822)	104,853,228
Increase (decrease) in other liabilities		3,005,285	6,588,448
Cash generated from (used in) operations Cash paid		(21,005,253)	130,627,189
for income taxes		(11,960,965)	(11,060,294)
Net Cash From (Used in) Operating Activities		32,966,218)	141,687,483
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities at amortized cost	10	(-)	(200,000,000)
Proceeds from maturities of investment securities at amortized cost	10	150,000,000	50,000,000
Interest received from investment securities at amortized cost	10	36,178,125	36,028,455
Acquisitions of bank premises, furniture, fixtures and equipment	12	(1,097,615)	(3,116,491)
Acquisitions of intangible assets	14	(690,302)	(3,092,860)
Proceeds from sale of equipment	12	347,273	17,451
Net Cash Used in Investing Activities		(184,737,481)	(120,163,445)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(151,771,263)	(261,850,928)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	8	11,406,888	8,847,054
Due from BSP	8	37,062,690	302,124,571
Due from other banks	8	22,042,016	19,851,240
Loans and receivables arising from repurchase agreement	8, 9	206,803,542	208,343,199
		277,315,136	539,166,064
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	8	10,483,321	11,406,888
Due from BSP	8	396,360,788	37,062,690
Due from other banks	8	22,242,291	22,042,016
Loans and receivables arising from repurchase agreement	8, 9	-	206,803,542
		P 429,086,400	P 277,315,136

See Notes to Financial Statements.

ISLA BANK (A THRIFT BANK), INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

Isla Bank (A Thrift Bank), Inc. (the Bank) is a savings and mortgage bank in the Philippines and was established on August 10, 1977. The Bank is engaged in the accumulation of savings from depositors and investing the fund, together with the Bank's capital, in readily marketable government debt securities, in loans and receivables under repurchase agreement, mortgages on real estate and insured improvements thereon, and other forms of security or in loans of personal or household finance, whether secured or unsecured, and financing for home building and home development.

As a banking institution, the Bank's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). As such, the Bank is required to comply with banking rules and regulations such as those relating to maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgatedby the BSP. The Bank's activities are subject to the provisions of Republic Act (R.A.) No. 8791, *General Banking Law of 2000*, and other related banking laws.

The Bank's registered office, which is also its principal place of business, is located at Ground and Second Floors, Glass Tower, 115 Carlos Palanca Jr. Street, Legaspi Village,Makati City. At the end of 2024 and 2023, the Bank has two branches strategically located in key cities outside Metro Manila.

1.2 Approval of Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2024 (including the comparative financial statements as of and for the year ended December 31, 2023) were authorized for issue by the Bank's Board of Directors (BOD) on February 26, 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that have been used in the preparation of these financial statements are summarized in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 *Basis of Preparation of Financial Statements*

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

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

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, Presentation of Financial Statements. The Bank presents a single statement of comprehensive income.

The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts, except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates.

2.2 *Adoption of Amended PFRS Accounting Standards*

(a) *Effective in 2024 that are Relevant to the Bank*

The Bank adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants

PAS 7 and PFRS 7 (Amendments) : Statement of Cash Flow, and Financial Instruments: Disclosures – Supplier Finance Arrangements

Discussed below and in the succeeding page are the relevant information about these amendments.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current.* The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Bank's financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current.* The amendments specifies that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested.

(b) Effective in 2024 that is not Relevant to the Bank

Among the amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024, amendments to PFRS 16 – *Lease Liability in a Sale and Leaseback* is not relevant to the Bank's financial statements.

(c) Effective Subsequent to 2024 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2024, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise indicated, none of these are expected to have significant impact on the Bank's financial statements:

(i) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)

(ii) PFRS 18 (Amendments), *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

2.3 Financial Instruments

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described as follows. Currently, all of the Bank's financial assets are classified as financial assets at amortized cost.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Bank commits to purchase or sell the asset).

Financial Assets at Amortized Cost

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(a)]. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans and Receivables Arising from Repurchase Agreements, Investment Securities at Amortized Cost, Loans and Other Receivables and as Refundable Deposits (presented as part of Other Resources in the statements of financial position).

(ii) Effective Interest Rate Method and Interest Income

Interest income on financial assets measured at amortized cost is recognized using the effective interest rate method. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income. The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets. The interest earned is recognized in the profit or loss section in the statement of comprehensive income.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

(iii) Impairment of Financial Assets

The Bank assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Bank's identification of a credit loss event.

Instead, the Bank considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

Measurement of ECL

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance on its loans and receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Bank uses its historical experience to calculate the ECL using a provision matrix. The Bank also assesses impairment of loans and receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

For financial assets carried at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Bank measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

(iv) Derecognition of Financial Assets

(i) Modification of Loans

When the Bank renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borroweris expected to be able to pay;
- whether any substantial new terms are introduced that will affectthe risk profile of the loan;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency the loan is denominated in; and/or,
- insertion of collateral, other security or credit enhancements thatwill significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a “new” asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred.

However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized in profit or lossas either gain or loss on derecognition of financial assets.

As to the impact on ECL measurement, the expected fair value of the“new” asset is treated as the final cash flow from the existing financialasset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reportingdate using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain orloss in profit or loss.

The new gross carrying amount is recalculated by discountingthe modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originatedcredit-impaired financial assets).

As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation ofcash shortfalls from the existing financial asset.

(ii) *Derecognition of Financial Assets Other than Through Modification*

The financial assets (or where applicable, a part of a financial assetor part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewardsof ownership have been transferred to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities include deposit liabilities and other liabilities except for retirement benefit obligation and taxes payable.

2.4 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment losses.

Depreciation is computed on the straight-line basis over the estimated useful lives of the furniture, fixtures and equipment of five years. Leasehold improvements are amortized over the terms of the related leases or five years, whichever is shorter.

2.5 Computer Software

Acquired computer software licenses (presented under Other Resources) are accounted for under the cost model. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of five years as the lives of this intangible asset is considered finite.

2.6 Other Income and Expense Recognition

Other income is recognized only when (or as) the Bank satisfies a performance obligation by transferring control of the promised services to a customer.

Expenses are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred.

In addition, the specific recognition criteria presented below and in the succeeding page must also be met before other income or expense is recognized.

(a) *Direct acquisition cost* pertains to commissions paid to dealers in relation to the Bank's auto loans and is recorded as part of the carrying amount of the loans in the statement of financial position, which is considered in applying the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) *Service charges* are generally recognized when the service has been provided.

2.7 *Leases - Bank as Lessee*

Subsequent to initial recognition, the Bank depreciates the right-of-use asset on a straight line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term which is from 2 to 5 years.

The Bank has elected to account for any short-term leases (less than 12 months) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, Right-of-use Assets are presented separately while, Lease liabilities are presented as part of Other Liabilities.

2.8 *Impairment of Non-financial Assets*

Bank premises, furniture, fixtures and equipment, right-of-use assets, and computer software (presented under Other Resources in the statement of financial position) and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.9 *Employee Benefits*

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits.

The Bank's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory and administered by a trustee bank.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. 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. Actual results may ultimately differ from these estimates. Unless specifically indicated to apply to either year,the policies that follow apply to both years.

3.1 *Critical Management Judgments in Applying Accounting Policies*

In the process of applying the Bank's accounting policies, management has made thefollowing judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Evaluation of Business Model Applied and Testing the Cash Flow Characteristics of Financial Assets in Managing Financial Instruments

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

The Bank developed business models which reflect how it manages its portfolio of financial instruments. These business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by theBank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income,direct matching to a specific liability) as those relate to the Bank's investment, trading and lending strategies.

Furthermore, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding.

The assessment as to whether the cash flows meet the test is made in the currencyin which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion.

The objective of the assessment is to determine how different the undiscountedcontractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument. If more than an infrequent sale is made from a portfolio of financial assets carried at amortized cost, the Bank assesses whether and how such sales are consistent with the objective of collecting contractual cash flows.

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

(b) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option ornot exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The factors that are normally the most relevant are: (i) if there are significant penalties should the Bank pre-terminate the contract, and (ii) if any leasehold improvements are expected to have a significant remaining value, the Bank is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is exercised or not exercised or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

(c) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies.

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Bank that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

On the other hand, any reimbursement that the Bank is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

Relevant disclosures are presented in Note 22

3.2 *Key Sources of Estimation Uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on debt financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.2.2.

The Bank provides ECL for financial instruments that have passed the SPPI test (see Note 2.4). The Bank's ECL calculations are outputs of models with a number of underlying assumptions which include: (1) the Bank's criteria for assessing if there has been a significant increase in credit risk; and, (2) development of expectedcredit loss models, including the choice of inputs relating to macroeconomic variables. The calculation of credit-impairment provisions also involves expert credit judgement to be applied based upon counterparty information received from various sources including relationship managers and on external market information. The analysis of the allowance for impairment and the ECL assessedon financial assets are shown in Note 4.2.2.

The carrying value of loans and receivables and allowance for impairment on suchfinancial assets are shown in Note 11, while the information about debt securities classified as investments securities at amortized cost is disclosed in Note 10.

(b) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Bank measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate.

In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(c) *Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment,Right-of-use Assets and Computer Software*

The Bank estimates the useful lives of its bank premises, furniture, fixtures and equipment, right-of-use assets and computer software based on the period over which the assets are expected to be available for use.

The estimated useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of bank premises, furniture, fixtures and equipment, right-of-use assets and computer software are presented in Notes 12, 13 and 14, respectively. Based on management's assessment as of December 31, 2024 and 2023, there is no change in estimated useful lives of those assets during those years.Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Determination of Realizable Amount of Deferred Tax Assets*

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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 assets to be utilized. The carrying value of deferred tax assets as at December 31, 2024 and 2023 is disclosed in Note 21.

(e) *Impairment of Non-financial Assets*

Except for intangible assets with indefinite useful lives, which are tested annually for impairment, PFRS required that an impairment review be performed when certain impairment indicators are present. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management assessment, no impairment losses were required to be recognized on non-financial assets in 2024 and 2023.

(f) *Valuation of Post-employment Benefits*

The determination of the Bank's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 20.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank, as a financial institution, is in the business of risk taking. Its activities exposethe Bank to credit, market and liquidity and operational risks. Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures. Market risk covers price, liquidity and interest rate risks in the Bank's investment portfolio.

Liquidity risk may arise from shortage in funding and/or lack of market for sale of its assets. Operational risk covers potential losses other than market and credit risk arisingfrom failures of people, process, systems and information technology and external events.

The ability to manage risks effectively is vital for the Bank to sustain its growth andcontinue to create value for its shareholders.

4.1 Risk Management

To manage the financial risk for holding financial assets and financial liabilities, the Bank operates an integrated risk management system to address the risks it faces in its banking activities, including liquidity, interest rate, 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 return on the Bank's capital. The Bank's Risk Management Committee (RMC) has the overall responsibility for the Bank's risk management systems and sets risks management policies across the full range of risks to which the Bank is exposed.

Within the Bank's overall risk management system, RMC is responsible for managing the Bank's statement of financial position, including the Bank's liquidity and interest rate related risks. In addition, RMC formulates investment and financial policies by determining the asset allocation and funding mix strategies that are likely to yield the targeted statement of financial position results.

4.2 Credit Risk

Credit risk pertains to the risk to income or capital due to failure by borrowers or counterparties to pay their obligations, either in full or partially as they fall due, deterioration in the credit quality of a borrower, issuer or counterparty, and the reduced recovery from a credit facility in the event of default.

This is inherent in the Bank's lending and investing activities and is managed in accordance with the Bank's credit risk framework of risk identification, measurement, control and monitoring. The Bank manages its credit risk and loan portfolio through the Credit Committee (CC), which undertakes several functions with respect to credit risk management.

The CC undertakes credit analysis and review to ensure consistency in the Bank's risk assessment process. The CC performs risk ratings for corporate accounts and risk scoring for consumer accounts. It also ensures that the Bank's credit policies and procedures are adequate to meet the demands of the business. The CC is also responsible for developing procedures to streamline and expedite the processing of credit applications.

The CC also undertakes portfolio management by reviewing the Bank's loan portfolio,including the portfolio risks associated with particular industry sectors, regions, loan size and maturity, and development of a strategy for the Bank to achieve its desired portfolio mix and risk profile.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk byproduct, industry sector are approved by the RMC.

Exposure to credit risk is managed through regular analysis of the ability of borrowersand potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Furthermore, the registration of chattel held as collateral is under the name of the Bank and it will only be transferred upon full payment.

The CC reviews the Bank’s loan portfolio in line with the Bank’s policy of not havingsignificant unwarranted concentrations of exposure to individual counterparties, in accordance with the BSP’s prohibitions on maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its net worth.

4.2.1 Concentration of Credit Risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk (gross of allowance for impairment) as of December 31, 2024 and 2023 are shown below and in the succeeding page.

	Cash, Due from BSP and Other Banks*	Loans and Other Receivables	Investment Securities at Amortized Cost	Other Resources	Total
2024:					
Financial intermediaries	P 32,725,612	P 49,741,809	P -	P -	P 82,467,421
Government agencies	396,360,788	-	674,315,903	-	1,070,676,691
vehicles and motorcycles	-	40,452,679	-	-	40,452,679
service activities	-	410,510	-	-	410,510
Construction	-	741,333	-	-	741,333
Transportation and storage	-	36,977,271	-	-	36,977,271
Professional, scientific and technical activities	-	50,146,525	-	-	50,146,525
Agriculture, forestry and fishing	-	16,008,171	-	-	16,008,171
Real estate activities	-	991,075	-	-	991,075
Manufacturing	-	1,092,694	-	-	1,092,694
Other service activities	-	23,841,228	-	-	23,841,228
Refundable deposits	-	-	-	6,411,693	6,411,613
	P 429,086,400	P 220,403,295	P 674,315,903	P 6,411,693	P 1,330,217,291
2023:					
Financial intermediaries	P 33,448,904	P 49,642,121	P -	P -	P 83,091,025
Government agencies	243,866,232	-	824,523,715	-	1,068,389,947
vehicles and motorcycles	-	948,113	-	-	948,113
service activities	-	410,510	-	-	410,510
Construction	-	1,127,706	-	-	1,127,706
Transportation and storage	-	58,453,155	-	-	58,453,155
Professional, scientific and technical activities	-	50,612,827	-	-	50,612,827
Agriculture, forestry and fishing	-	14,646,644	-	-	14,646,644
Real estate activities	-	1,145,860	-	-	1,145,860
Manufacturing	-	1,333,727	-	-	1,333,727
Other service activities	-	34,430,542	-	-	34,430,542
Refundable deposits	-	-	-	5,521,358	5,521,358
	P 277,315,136	P 212,751,205	P 824,523,715	P 5,521,358	P 1,320,111,414

** Includes loans and receivables arising from repurchase agreements*

4.2.2 *Measurement of Expected Credit Losses*

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Bank's estimation of credit exposure for risk management purposes is complex andrequires the use of models, as the exposure varies with changes in market conditions, expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, EAD, and LGD, for purposes of measuring ECL.

For the Bank's debt securities, credit ratings published by reputable external rating agency (such as Standard & Poor's and Philippine Rating Services Corporation) are used. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

(a) *Significant Increase in Credit Risk*

As outlined in PFRS 9, a '3-stage' impairment model shall be adopted by an entitybased on changes in credit quality since initial recognition of the financial asset.

As discussed in Note 2.4(a), a financial asset that is not credit-impaired on initial recognition is classified as 'Stage 1', with credit risk continuously monitored by the Bank as its ECL is measured at an amount equal to the portion of lifetime ECL thatresults from possible default events within the next 12 months.

The Bank also considers the quantitative criteria based on the BSP Manual of Regulations for Banks (MORB) Section 143 (Appendix 15), as amended by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9*, in classifying the statusof loan.

A grouping of exposures for collective assessment is performed on the basis of shared credit risk characteristics, such that risk exposures within a group arehomogeneous.

Certain qualitative criteria are also being considered by the Bank in assessing significant increase in credit risk (SICR). These are but not limited to: actual or expected short-term delays in payments which is normally not later than 30 days,extension to the terms granted, previous arrears within the last 12 months and significant adverse changes in business, financial and/or economic conditions in which the borrowers operate (e.g., calamities requiring BSP relief program).

The assessment of SICR incorporates forward-looking information (FLI) and is performed on an annual basis at a portfolio level. The criteria used to identify SIRC are monitored and reviewed periodically for appropriateness by the Bank'sManagement Committee guided by its Credit Risk Policy Manual.

As of December 31, 2024 and 2023, all of the Bank's financial assets are assessedas Stage 1 and there are certain financial assets that are classified as underperforming and non-performing accounts [see Note 23(d)].

(b) Definition of Default and Credit-impaired Assets

The Bank defines a financial asset as in default, which is aligned with the definition of credit-impaired asset, when it meets one or more of the followingcriteria:

- *Quantitative* – in this criterion, the borrower is more than 30 days past due onits contractual payments.

- *Qualitative* – this includes instances where the borrower is unlikely to pay its obligations and is deemed to be in significant financial difficulty, which include cases of long-term forbearance, borrower's death, insolvency, breachof financial covenant/s, disappearance of active market for that financial instrument because of financial difficulties, and bankruptcy.

These criteria have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. Such definition has been consistently applied in determining PD, EAD, and LGD throughout the ECL calculations of the Bank.

(c) Key Inputs, Assumptions and Estimation Techniques Used in Measurement of ECL

The ECL is measured on either a 12-month or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of PD, EAD and LGD, which aredefined in Note 2.3(a).

The ECL is determined by projecting the PD, LGD, and EAD for each future periodand for each collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profileis based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (usually, an observation period of three to five years).

The 12-month and lifetime EADs are determined based on the expected paymentprofile, which varies by product type. For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will alsobe adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default and may vary by product type. For securedproducts, this is primarily based on collateral type and projected collateral values. For unsecured products, LGD is typically set at product level due to the limiteddifferentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information [see Note 4.2.2(d)]. Further, the assumptions underlying the calculation of the ECL – such as how the maturity profileof the PDs and how collateral values change – are monitored and reviewed by the Bank on a quarterly basis.

There have been no significant changes in estimation techniques or significantassumptions made by the Bank in 2024.

(d) *FLI Incorporated in the ECL Measurement*

The Bank incorporates FLI into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank has performed historical analysis and has identified the key macroeconomic variables (MEVs) impacting credit risk associated with its borrowers and/or counterpartiesand the ECL for each portfolio of debt instruments.

The relevant MEVs for selection generally include, but are not limited to, Gross Domestic Product growth, unemployment rate, foreign exchange, stock market index, consumer price indexes and interest rates. The impact of these economic variables has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on defaultrates.

Predicted relationships between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed basedon analyzing historical data.

The significance of the selected MEVs as predictors of default may change over time as historical information is added. As such, the generated macro-economic models are updated at least on an annual basis.

Other FLI considerations not otherwise incorporated, such as the impact of any regulatory, legislative, natural disasters, or political changes, have also beenconsidered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed andmonitored for appropriateness on an annual basis.

(e) *Collective Basis of Measurement of ECL*

For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as instrument type, credit risk rating, collateral type, product type (credit cards,corporate loans, etc.), repayment scheme, industry type, remaining life to maturity, and geographical locations of the borrowers and/or counterparties.

The groupings are subject to the regular review by the Bank's RMC in order toensure that credit exposures within a particular group remain appropriately homogenous.

4.2.3 Modifications of Financial Assets

In certain cases, the Bank modifies the terms of the loans provided to the borrowersdue to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Bank is owed to.

Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policiesare continuously reviewed and updated as necessary. Restructuring is commonly applied to term or corporate loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the originalasset [see Note 2.3(a)]. The Bank monitors the performance of the financial asset subsequent to its modification.

The Bank may determine that the credit risk has significantly improved after restructuring,so that the assets are moved from Stage 3 or Stage 2 (wherein lifetime ECL is recognized) to Stage 1 (12-month ECL). As of December 31, 2024 and 2023, there were no modified assets held by the Bank.

The Bank continues to monitor if there is a subsequent SICR in relation to such modifiedassets through the use of specific models for modified assets.

The Bank has no modified financial assets with lifetime ECL for 2024 and 2023.

4.2.4 Credit Risk Exposures

Generally, the maximum credit risk exposure of financial assets is the carrying amountof the financial assets as shown on the statements of financial position (or in the detailed analysis provided in the notes to the financial statements) as summarized below.

	Notes	**2024**	2023
Cash and other cash items	8	**P 10,483,321**	P 11,406,888
Due from BSP	8	**396,360,788**	37,062,690
Due from other banks	8	**22,242,291**	22,042,016
Loans and receivables arising from repurchase agreement	8, 9	**-**	206,803,542
Investment securities at amortized cost	10	**674,315,903**	824,523,715
Loans and receivables – net	11	**215,079,755**	207,427,664
Refundable deposits	14	**6,411,693**	5,521,358
		P 1,324,893,751	P 1,314,787,873

All of the above financial assets are assessed as Stage 1 based on the ECL staging.

The Due from BSP account consists of deposits with the BSP for mandatory reserves and other than mandatory reserves. Mandatory reserves represent the balance of the deposit accounts maintained with the BSP primarily to meet reserve requirements and to serve as a clearing account for any interbank claims. Other than mandatory reservesinclude Overnight Deposit Facility (ODF) in 2024 and 2023 with the BSP which are maintained to maximize earnings from excess funds. Hence, no significant credit risk is anticipated for these accounts.

The Bank is able to manage the credit risk arising from due from other banks by ensuring that the banks where these financial assets are invested are of high reputation and good credit standing. Portion of due from other banks are secured by the lower ofthe aggregate maximum insurance coverage of P500,000 and the balance of the deposit account, as provided for under R.A. No. 9576, *Amendment to Charter of Philippine Depository Insurance Corporation*.

For investments in debt securities, credit risk is addressed by setting limits as to the maximum amount of investment that can be made on certain type of security with consideration of the credit quality of the counterparty.

The Bank is able to manage the credit risk arising from loans and receivables to individuals through adherence to a set of policies, the most notable features of which, in this context, are: (a) credit approving authority is not exercised by a single individualbut rather, through a hierarchy of limits, is effectively exercised collectively; (b) an independent credit risk assessment by the CC, summarized into a borrower risk rating, is provided as input to the credit decision-making process; and (c) borrower credit analysis is performed at origination and at least annually thereafter.

As of December 31, 2024 and 2023, all of the Bank's financial assets were classified asneither past due nor impaired, except for those loans and receivables which were provided with allowance for impairment in current and prior years (see Note 11).

The carrying amount of financial assets recognized in the financial statements represents the Bank's maximum exposure to credit risk without taking into account thevalue of any collateral obtained.

4.2.5 Allowance for Expected Credit Loss

The ECL allowance on the Bank's loans and receivables does not significantly vary from that of the regulatory allowance as required by the BSP in accordance with MORB Section 143 (Appendix 15), as amended by BSP Circular 1011.

4.2.6 Collateral Held as Security and Other Credit Enhancements

The Bank holds collateral against loans and receivables in the form of mortgage interests over property, other registered securities over assets, hold-out agreements and guarantees. Estimates of fair value (for determining loanable amount) are based on thevalue of collateral assessed at the time of borrowing, and generally not updated except when a loan is individually assessed as impaired.

An estimate of the fair value of collateral and other security enhancements held against financial assets as of December 31, 2024 and 2023 is presented in the succeeding page.

(Amounts in PHP)	**2024**	2023
Against neither past due nor impaired		
Property	**135,207,270**	68,647,180
Hold-out deposits	**111,880,499**	114,039,108
Chattel	**82,470,945**	97,123,892
	329,558,714	279,810,180

The Bank does not hold property against past due but not impaired financial assets as of December 31, 2024 and 2023.

4.2.7 Write-offs

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Bank may write-off financial assets that are still subject to enforcement activity. There are no outstanding amounts of such assets written-off in 2024 and 2023.

4.3 Market Risk

The Bank's market risk exposure arises from adverse movements in interest rates and prices of assets. Market risk related to the Bank's financial instruments includes foreigncurrency and interest rate risks.

(a) Foreign Currency Risk

The Bank has no exposure to foreign currency risk as transactions are denominated in Philippine peso, its functional currency.

(b) Interest Rate Risk

Interest rate risk is the probability of decline in net interest earnings as a result ofan adverse movement of interest rates.

The Bank prepares gap analysis to measure the sensitivity of its resources, liabilities and off-books positions to interest rate fluctuations. The focus of analysis is the impact of changes in interest rates on accrual or reported earnings. This analysis would provide management an overview of maturity and re-pricing profile of its interest sensitive resources and liabilities. An interest rate gap reportis prepared by classifying all assets and liabilities into various time buckets according to contracted maturities or anticipated repricing dates, and other applicable behavioral assumptions. The difference in the amount of resources and liabilities maturing or being repriced in any time period category would then give the Bank an indication of the extent to which it is exposed to the risk of potential changes in net interest income.

The analyses of the Bank's financial assets and financial liabilities as of December 31, 2024 and 2023 based on the expected interest realization or recognition are presented below.

(Amounts in PHP)	One to Three Months	More than Three Months to One Year	More than One to Five Years	More than Five Years	Total
2024:					
Financial assets					
Due from BSP	**P 396,360,788**	**P -**	**P -**	**P -**	**P 396,360,788**
Due from other banks	**22,242,291**	-	-	-	**22,242,291**
Loans and receivables arising from repur-chase agreement	-	-	-	-	-
Loans and receivables – net	**8,327,980**	**12,739,473**	**194,012,302**	-	**215,079,755**
Investment securities at amortized cost	-	**121,341,250**	**552,974,653**	-	**674,315,903**
Total financial assets	**426,931,059**	**134,080,723**	**746,986,955**	-	**1,307,998,737**
Financial liabilities					
Deposit liabilities	**504,392,987**	-	-	-	**504,392,987**
Net Position	**(77,461,929)**	**134,080,723**	**746,985,955**	-	**803,605,750**
Cumulative Net Position	**(77,461,929)**	**56,618,793**	**803,605,748**	**803,605,748**	-
2023:					
Financial assets					
Due from BSP	P 37,062,690	P -	P -	P -	P 37,062,690
Due from other banks	22,042,016	-	-	-	22,042,016
Loans and receivables arising from repur-chase agreement	206,803,542	-	-	-	206,803,542
Loans and receivables – net	21,203,139	65,589,929	120,634,596	-	207,427,664
Investment securities at amortized cost	150,207,813	-	674,315,902	-	824,523,715
Total financial assets	437,319,200	65,589,929	794,950,498	-	1,297,859,627
Financial liabilities					
Deposit liabilities	500,514,220	-	-	-	500,514,220
Net Position	63,195,020	65,589,929	794,950,498	-	797,345,407
Cumulative Net Position	P 63,195,020	P 2,394,909	P 797,345,407	P 797,345,407	P -

The Bank's exposure to interest rate risk pertains to the fluctuations in interest rates of its financial instruments. To minimize the possible adverse effects of these fluctuations on the Bank's profit or loss, only placements with interest ratesthat are within the prevailing market rates are pursued. Placements with interest rates, which are significantly higher or lower than the prevailing market rates, are not prioritized by the Bank following the concept of risk and return trade-off.

The table in the below illustrates the sensitivity of profit to a reasonably possiblechange in interest rates of +/-1.50% and +/-1.40% in 2024 and 2023, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to change in interest rates. All other variables are held constant.

	2024		2023	
	+50 bp	**-50bp**	+50 bp	-50 bp
Profit before tax	**P 12,061,352**	**(P 12,061,352)**	P 11,960,841	(P 11,960,841)
Capital funds	**9,046,014**	**(9,046,014)**	8,970,631	(8,970,631)

In addition, the Bank has no significant long-term borrowings with variable or fixed interest rates as of December 31, 2024 and 2023.

(c) *Liquidity Risk*

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank manages liquidity risk by holding sufficient liquid assets ofappropriate quality to ensure short-term funding requirements are met and by maintaining a balanced loan portfolio which is repriced on a regular basis. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when they arise.

The tables below present an analysis of the maturity groupings of financial assets and financial liabilities (except lease liabilities – see Note 13.2) as of December 31,2024 and 2023 in accordance with BSP account classifications.

(Amounts in PHP)	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Total
2024:					
Financial assets					
Cash and other cash items	10,483,321	-	-	-	10,483,321
Due from BSP	396,360,788	-	-	-	396,360,788
Due from other banks	22,242,291	-	-	-	22,242,291
Loans and receivables arising from repurchase agreement	-	-	-	-	-
Loans and receivables - net	8,327,980	12,739,473	194,012,302	-	215,079,755
Investment securities at amortized cost - net	-	121,341,250	552,974,653	-	674,315,903
Refundable deposits	81,580	3,314,179	-	3,015,934	6,411,693
Total financial assets	437,495,960	137,394,902	746,986,955	3,015,934	1,324,893,751
Financial liabilities					
Deposit liabilities	504,392,987	-	-	-	504,392,987
Other liabilities	7,869,556	-	-	-	7,869,556
Total Financial Liabilities	512,262,543	-	-	-	512,262,543
Net Position	(74,766,583)	137,394,902	746,986,955	3,015,934	812,631,208
Cumulative Net Position	(74,766,583)	62,628,319	809,615,274	812,631,208	-
2023:					
Financial assets					
Cash and other cash items	11,406,888	-	-	-	11,406,888
Due from BSP	37,062,690	-	-	-	37,062,690
Due from other banks	22,042,016	-	-	-	22,042,016
Loans and receivables arising from repurchase agreement	206,803,542	-	-	-	206,803,542
Loans and receivables - net	21,203,139	65,589,929	120,634,596	-	207,427,664
Investment securities at amortized cost - net	150,207,813	-	674,315,902	-	824,523,715
Refundable deposits	90,314	2,395,909	19,200	3,015,935	5,521,358
Total financial assets	448,816,402	67,985,838	794,969,698	3,015,935	1,314,787,873
Financial liabilities					
Deposit liabilities	500,514,220	-	-	-	500,514,220
Other liabilities	11,671,774	-	-	-	11,671,774
Total Financial Liabilities	512,185,994	-	-	-	512,185,994
Net Position	(63,369,592)	67,985,838	794,969,698	3,015,935	802,601,879
Cumulative Net Position	(63,369,592)	4,616,246	799,585,944	802,601,879	-

4.4. *Anti-Money Laundering Controls*

The Anti-Money Laundering Act (AMLA) or RA No. 9160 was passed in September 2001 and was amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Under the AMLA, as amended, the Bank is required to submit “Covered Transaction Reports” to the Anti-Money Laundering Council (AMLC) involving single transactions in cash or other equivalent monetary instruments in excess of P0.5 million within one banking day. The Bank is also required to submit “Suspicious Transaction Reports” to the AMLC in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in RA No. 10168. In addition, the AMLA requires that the Bank safe keeps, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the KYC documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On January 27, 2011, BSP Circular No. 706 was implemented superseding all policies on AMLA. The Circular requires the Bank to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) designed according to the covered institution’s corporate structure and risk profile.

In an effort to further prevent money laundering activities, the Bank revised its KYC policies and guidelines in order to comply with the aforementioned Circular. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account may be opened. Likewise, the Bank is required to risk profile its clients to Low, Normal or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Decisions to enter into a business relationship with a high risk customer including politically exposed persons or a private individual holding a prominent position requires senior management approval. The Bank’s procedures for compliance with the AMLA are set out in its MLPP. The Bank’s Compliance Officer, through the Anti-Money Laundering Department, monitors AMLA compliance and conducts regular compliance testing of business units.

The Compliance Officer regularly reports to the Audit Committee and to the BOD results of their monitoring of AMLA compliance.

5. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

5.1 Capital Management and Regulatory Capital

The Bank's lead regulator, the BSP, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to 10% percent of its risk assets.

The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio consists of Tier 1 capital plus Tier 2 capital elements net of the required deductions from capital such as:

(a) unbooked valuation reserves and other capital adjustments as may be required bythe BSP;
(b) total outstanding unsecured credit accommodations to directors, officers,stockholders and related interests (DOSRI);
(c) deferred tax asset or liability;
(d) goodwill, if any;
(e) sinking fund for redemption of redeemable preferred shares; and,
(f) other regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters ofcredit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The amount of surplus funds available for dividend declaration is determined also onthe basis of regulatory net worth after considering certain adjustments.

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 impactof 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 greater gearing and the advantages and security afforded by a sound capital position.

The Bank's regulatory capital is analyzed into two tiers which are Tier 1 Capital plusTier 2 Capital less deductions from the total of Tier 1 and Tier 2 capital for the following:

(a) investments in equity of unconsolidated subsidiary banks and other financialallied undertakings, but excluding insurance companies;
(b) investments in debt capital instruments of unconsolidated subsidiary banks;
(c) investments in equity of subsidiary insurance companies and non-financial alliedundertakings;
(d) reciprocal investments in equity of other banks/enterprises; and,
(e) reciprocal investments in unsecured subordinated term debt instruments of other banks/quasi-banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank excluding Hybrid Tier 1; or (ii) 10% of the total outstandingunsecured subordinated term debt issuance of the other bank/quasi-banks.

Any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computingthe denominator of the ratio.

The Bank's regulatory capital position as of December 31 follows:

(Amounts in PHP)	**2024**	2023
Tier 1 Capital		
Common stock	**566,727,900**	566,727,900
Surplus and reserves	**230,758,656**	222,609,259
Undivided profits for the year	**6,603,601**	8,052,257
	804,090,157	797,389,416
Less deduction from Tier 1 capital		
Deferred tax assets	**(5,123,332)**	(5,123,332)
	798,966,825	792,266,084
Tier 2 Capital		
General loan loss provision	**1,100,000**	1,100,000
Total Qualifying Capital	**800,066,825**	793,366,084
Total Risk Weighted Assets		
Credit risk	**154,978,823**	149,192,843
Operational risk	**103,247,277**	102,318,847
	258,226,100	251,511,690

The Bank's credit risk weighted assets as of December 31 are computed as follows:

(a) 0% Risk Weight

(Amounts in PHP)	**2024**	2023
Cash and other cash items	**10,483,321**	11,406,888
Due from BSP	**396,360,788**	37,062,690
Investment securities at amortized cost	**670,000,000**	820,000,000
Loans and receivables arising from repurchase agreement/participation with recourse, and securities lending and borrowing transactions	**-**	206,693,512
Loans to the extent covered by hold-out on, or assignment of, deposit substitutes maintained with the lending bank	**111,202,718**	110,921,698
	1,188,046,827	1,186,084,788
	0%	0%
	-	-

(b) 100% Risk Weight

(Amounts in PHP)	**2024**	2023
Other assets, gross of general loan loss provision	**150,960,050**	145,292,107
Less:		
Deferred tax assets	**5,123,332**	5,123,332
	145,836,718	140,168,775
	100%	100%
	145,836,718	140,168,775

(c) 150% Risk Weight

Non-performing loans	**6,094,736**	6,016,046
	150%	150%
	9,142,104	9,024,069

There were no on-balance sheet accounts classified under 20%, 50% and 75% risk weights as of December 31, 2024 and 2023.

The Bank's operational risk weighted assets as of December 31 are computed as follows:

(Amounts in PHP)	**2024**	2023
Net Interest Income		
Interest income	**68,862,185**	66,275,969
Interest expense	**(6,300,849)**	(5,659,881)
	62,561,336	60,616,088
Other Non-interest Income		
Fees and commissions income	**6,150,667**	7,464,664
Other income	**119,515**	131,813
	6,270,182	7,596,477
Gross Income	**68,831,518**	68,212,565
Capital Charge (12%)	**8,259,782**	8,185,508
Adjusted Capital Charge (125%)	**10,324,728**	10,231,885
Multiplied by factor 10	**10**	10
Total Operational Risk-Weighted Assets	**103,247,280**	102,318,850

The Bank is not engaged in trading and has no foreign currency denominated assets subject to market risk.

	2024	2023
Capital Ratios		
Total regulatory capital expressed as percentage of total risk weighted assets	**309.83 %**	**315.44 %**
Total Tier 1 capital expressed as percentage of total risk weighted assets	**309.41%**	**315.00%**

As of December 31, 2024 and 2023, based on the above capital ratios, the Bank has complied with the BSP requirement on the ratio of combined capital accounts againstthe risk assets.

Prior to October 9, 2014, a thrift bank whose head office is located in Metro Manila is required to have a minimum capital of P400.0 million. Subsequently, the BSP issued Circular No. 854, *Minimum Capitalization of Banks*, and increased the minimum capitalization requirement to P750.0 million which must be satisfied within five years from the date of effectivity. Banks which comply with the amended capital levels must submit to the BSP a certification within 30 calendar days from the date of effectivity of this circular. Banks not meeting the minimum required capital must submit to the BSPwithin one year from the date of effectivity of this circular an acceptable capital build-up program. In 2024 and 2023, the Bank complies with minimum capitalizationrequirement.

5.2 Capital Allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital. The process of allocating capital to specific operations and activities is undertaken independently of those responsible of the operation and is subject to review by the Bank's Executive Committee.

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operationsor activities, it is not the sole basis used for decision making. The Bank's policies in respect of capital management and allocation are reviewed regularly by the BOD.

5.3 Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, *Amendments to the Liquidity Coverage Ratio Framework for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks*, which provide guidance on and prescribes the prudential requirement for covered institutions to maintain eligible stock of liquid assets proportionate to the level of total qualifying liabilities (i.e., both on and off-balance sheet liabilities). Eligible liquid assets shall include cash and other liquid assets that are immediately liquefiable and free from encumbrances.

The minimum liquidity ratio (MLR) of 20% shall be complied with on an ongoing basis absent a period of financial stress effective January 1, 2019.

The Bank's MLR as of December 31, 2024 and 2023 are analyzed below.

(Amounts in PHP)	**2024**	2023
Eligible stock of liquid assets	**1,098,806,400**	1,097,193,107
Total qualifying liabilities	**519,080,521**	517,034,240
MLR	**211.68%**	212.21%

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets presented in the statements of financial position are shown below.

		2024		2023	
(Amounts in PHP)	Notes	**Carrying Amounts**	**Fair Values**	Carrying Amounts	Fair Values
Financial assets:					
Loans and receivables - net	11	**215,079,755**	**215,079,755**	207,427,664	207,427,664
Refundable deposits	14	**6,411,693**	**6,411,693**	5,521,358	5,521,358
Investment securities at amortized cost	10	**674,315,903**	**683,770,010**	824,523,715	835,939,171
		895,807,351	**905,261,458**	1,037,472,737	1,048,888,193
Financial liabilities:					
Deposits	15	**504,392,987**	**504,392,987**	500,514,220	500,514,220
Accrued expenses	16	**2,372,127**	**2,372,127**	3,151,617	3,151,617
		506,765,114	**506,765,114**	503,665,837	503,665,837

See Note 2.4 for a description of the accounting policies for each category of financial instruments including the determination of fair values.

A description of the Bank's risk management objectives and policies for financial instruments is provided in Notes 4.1 and 4.2.

6.2 Offsetting Financial Assets and Financial Liabilities

The Bank's loans and receivables secured through hold-out on deposits are the only financial assets subject to offsetting, enforceable master netting arrangements and similar agreements. However, the Bank does not present such loans and receivablesnet of the deposit liabilities in the statements of financial position.

The following are the gross amounts of loans and receivables and the related hold-out deposits:

	Loans and Receivables	**Hold-out on Deposits**	**Net Amount**
December 31, 2024	**P 111,556,824**	**(P 111,880,499)**	**(P 323,675)**
December 31, 2023	P 111,381,105	(P 114,039,108)	(P 2,158,003)

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

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

The fair value hierarchy has the following levels:

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

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

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

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

For purposes of determining the market value at Level 1, a market is regarded as activeif quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which does not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

7.2 Financial Instruments Measured at Fair Value

The Bank does not have financial instruments measured at fair value as of December 31, 2024 and 2023.

7.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The Bank has certain financial assets and financial liabilities measured at amortized cost as of the end of the reporting period whose related fair value are disclosed (see Note 6.1). As those financial instruments are mostly short-term in nature, management considers the carrying amounts of those instruments to approximate their fair values.

The table below summarizes the fair value hierarchy of the Bank's financial assets which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

(Amounts in PHP)	Notes	Level 1	Level 2	Level 3	Total
2024:					
Financial assets:					
At amortized cost:					
Loans and receivables - net	11	**-**	**-**	**215,079,755**	**215,079,755**
Investment securities	10	**683,770,010**	**-**	**-**	**683,770,010**
2023:					
Financial assets:					
At amortized cost:					
Loans and receivables - net	11	-	-	207,427,664	207,427,664
Investment securities	10	835,959,171	-	-	835,959,171

For financial assets and financial liabilities, other than Investment securities at amortized cost, with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. Investment securities at amortized cost consist of government securities issuedby various Philippine agencies and corporate debt securities with fair value determined based on prices published in BVAL, which represent the net clean close prices at the end of the reporting period.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above which are not traded in an active market is determined by using generallyacceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

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

There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in both years.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31 are as follows:

(Amounts in PHP)	Note	2024	2023
Cash and other cash items		**10,483,321**	11,406,888
Due from BSP		**396,360,788**	37,062,690
Due from other banks		**22,242,291**	22,042,016
Loans and receivables arising from repurchase agreement	9	**-**	206,803,542
		429,086,400	277,315,136

Cash and other cash items include total amount of cash in the Bank's vault and checks and other cash items.

Due from BSP account consists of deposits with the BSP for mandatory reserves and other than mandatory reserves. Mandatory reserves represent the balance of the deposit accounts maintained with the BSP primarily to meet reserve requirements and to serve as a clearing account for any interbank claims. Other than mandatory reserves,this account includes ODF in both 2024 and 2023 with the BSP which are maintained to maximize earnings from excess funds earning effective interest from 5.25% to 6.0% in 2024 and 5.0% to 6.0% for 2023. Interest income earned from due from BSP is presented under Interest Income from Due from BSP and Other Banks in the statements of comprehensive income.

Due from other banks consist of demand, savings and short-term time deposits. Savings deposits earn effective interest ranging from 0.10% to 0.13% both in 2024 and 2023.

9. LOANS AND RECEIVABLES ARISING FROM REPURCHASE AGREEMENT

These represent loans and receivables from BSP arising from overnight lending from excess liquidity which earn effective interest from 5.7% to 6.5% in 2024 and 5.5% to 6.5% in 2023. These loans have a term of five days and three days in 2024 and 2023, respectively, and are included as cash and cash equivalents for cash flow reporting purposes (see Note 2.3). All loans and receivables arising from repurchase agreements were collected as of December 31, 2024. Interest income earned from these financial assets is presented under Interest Income in the statements of comprehensive income.

10. INVESTMENT SECURITIES AT AMORTIZED COST

The Bank's investment securities at amortized cost, consisting of government-issued securities, which will mature within five years, amounted to P674.3 million and P824.5 million, respectively, as of December 31, 2024 and 2023.

Effective interest rates on these assets range from 3.6% to 6.1% per annum in 2024 and from 2.4% to 6.1% per annum in 2023. The Bank's interest income from investments securities at amortized cost amounted to P36.0 million and P36.9 million in 2024 and 2023, respectively, as presented in the statements of comprehensive income.

Changes in the Bank's investment securities at amortized cost are summarized below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**820,000,000**	670,076,457
Maturities	**(150,000,000)**	(50,000,000)
Additions	**-**	200,000,000
Premium amortization	**-**	(76,457)
	670,000,000	820,000,000
Accrued interest income	**4,315,903**	4,523,715
Balance at end of year	**674,315,903**	824,523,715

As of December 31, 2024 and 2023, the fair value of the Bank's investments securities at amortized cost is P683.8 million and P835.9 million, respectively (see Note 6.1).

11. LOANS AND RECEIVABLES

This account is composed of the following:

(Amounts in PHP)	Note	2024	2023
Receivables from customers	19	**217,492,691**	210,181,695
Accrued interest income		**1,508,205**	924,309
		219,000,896	211,106,004
Unamortized direct acquisition cost		**1,756,506**	2,104,608
Allowance for impairment		**(5,323,541)**	(5,323,541)
Unearned discount		**(354,106)**	(459,407)
		215,079,755	207,427,664

The maturity profile of the Bank's loans and receivables follows:

(Amounts in PHP)	2024	2023
Within one year	**21,067,452**	86,793,067
More than one year	**194,012,303**	120,634,597
	215,079,755	207,427,664

The Bank has no restructured loans in both years. The breakdown of receivables fromcustomer as to loan status (after allowance for impairment losses) are shown below.

(Amounts in PHP)	2024	2023
Current	**211,397,954**	204,165,649
Past due:		
Non-performing	**6,094,736**	6,016,046
Total	**217,492,690**	210,181,695
Accrued interest receivable	**1,508,205**	924,309
	219,000,895	211,106,004
Unamortized direct acquisition cost	**1,756,507**	2,104,608
Allowance for impairment	**(5,323,541)**	(5,323,541)
Unearned discount	**(354,106)**	(459,407)
	215,079,755	207,427,664

The Bank's past loans and receivable classified as to type of loan is as follows:

(Amounts in PHP)	**2024**	2023
Loans to individual	**5,804,942**	5,313,534
Loans to private corporation	**-**	199,867
Medium enterprises	**-**	212,851
Other microenterprise entity	**289,794**	289,794
Net carrying amount	**6,094,736**	6,016,046

The total outstanding performing past due loans of the Bank amounted to nil for both December 31, 2024 and 2023.

There were no movements on the Bank's beginning and ending balance of allowance for impairment for both 2024 and 2023.

Loans and receivables earn annual effective interest at rates ranging from 3.25% to 22.8% in both 2024 and 2023. Interest income earned from these financial assets is presented under Interest Income in the statements of comprehensive income.

Unamortized direct acquisition cost pertains to directly attributable cost incurred by the Bank relating to the origination of their auto loans. These costs are amortized using the effective interest method. In 2024 and 2023, amortization of direct acquisition of P1.7 million and P1.5 million, respectively, are presented as reduction to Interest Income on Loans and Receivables in the statements of comprehensive income.

The total outstanding DOSRI loans granted by the Bank amounted to nil for both December 31, 2024 and 2023.

In 2024 and 2023, the Bank's non-performing loans are all pertaining to auto-loans.

12. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2024 and 2023 are shown below.

(Amounts in PHP)	Leasehold Im-provements	Furniture, Fixtures, and Equip-ment	Total
December 31, 2024			
Cost	11,031,034	28,876,012	39,907,046
Accumulated depreciation and amortization	(10,849,427)	(23,716,045)	(34,565,472)
Net carrying amount	**181,607**	**5,159,967**	**5,341,574**
December 31, 2023			
Cost	11,017,034	28,477,325	39,494,359
Accumulated depreciation and amortization	(10,802,363)	(22,440,917)	(33,243,280)
Net carrying amount	214,671	6,036,408	6,251,079
January 1, 2023			
Cost	10,795,674	28,989,609	39,785,283
Accumulated depreciation and amortization	(10,795,674)	(24,185,591)	(34,981,265)
Net carrying amount	-	4,804,018	4,804,018

A reconciliation of the carrying amounts at the beginning and end of 2024 and 2023 ofbank premises, furniture, fixtures and equipment is shown below.

(Amounts in PHP)	Leasehold Im-provements	Furniture, Fixtures, and Equipment	Total
Balance at January 1, 2024 net of accumulated depreciation and Amortization	**214,671**	**6,036,408**	**6,251,079**
Additions	**14,000**	**1,083,615**	**1,097,615**
Disposals	**-**	**(62)**	**(62)**
Depreciation and amortization charges for the year	**(47,064)**	**(1,959,994)**	**(2,007,058)**
Balance at December 31, 2024 net of accumulated depreciation and amortization	**181,607**	**5,159,967**	**5,341,574**
Balance at January 1, 2023 net of accumulated depreciation and amortization	-	4,804,018	4,804,018
Additions	221,360	2,895,131	3,116,491
Disposals	-	(5,458)	(5,458)
Depreciation and amortization charges for the year	(6,689)	(1,657,283)	(1,663,972)
Balance at December 31, 2023 net of accumulated depreciation and amortization	214,671	6,036,408	6,251,079

The BSP requires that investments in fixed assets do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2024 and 2023, the Bank has satisfactorily complied with this BSP requirement.

In 2024 and 2023, the Bank recognized gain on sale of equipment totaling P0.35 million and P0.01 million, respectively, and is presented as part of Others under Other Income in the statements of comprehensive income.

Certain fully depreciated furniture and fixtures, and equipment with original cost amounting to P30.8 million and P19.1 million are still being used in operations as of December 31, 2024 and 2023, respectively.

13. LEASES

The Bank has leases for certain offices. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statements of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurementof the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Bank to sublet the asset to another party, the right-of-use asset can only be usedby the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term.

The Bank is prohibited from selling or pledging the underlying leased assets as security.For leases over offices, the Bank must keep those properties in a good state of repairand return the properties in their original condition at the end of the lease. Further, the Bank must ensure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

As of December 31, 2024 and 2023, the Bank has two right-of-use assets leased with remaining lease term ranging from 14 months to 43 months and two to 54 months respectively; thus, having an average remaining lease term of 29 months and 28 months, respectively. These leased assets do not have any enforceable extension options, options to purchase and termination options.

13.1 Right-of-use Assets

The carrying amounts of the Bank's right-of-use assets for its offices are presented in the statements of financial position and the movement during the year is shown below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**2,963,288**	3,186,772
Additions	**-**	879,648
Depreciation and amortization	**(1,103,132)**	(1,103,132)
Balance at end of year	**1,860,156**	2,963,288

13.2 Lease Liabilities

As at December 31, 2024 and 2023, the Bank has no lease commitments which had not commenced.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities are as follows:

(Amounts in PHP)	**2024**	2023
Within one year	**824,333**	1,002,559
More than one year but not more than five years	**1,357,347**	2,243,830
	2,181,680	3,246,389

13.3 Lease Payments Not Recognized as Liabilities

The Bank has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized aslease liabilities and are expensed as incurred.

The expenses relating to short-term leases amounted to P1.2 and P1.1 million, for 2024 and 2023 and are presented as Occupancy under Other Operating Expenses in the statements of comprehensive income.

At December 31, 2024 and 2023, the Bank is not committed to any short-term leases.

13.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P1.2 million and P1.7 million in 2024 and 2023, respectively. Interest expense in relation to lease liabilities amounted to P0.2 million and 0.3 million, respectively, in 2024 and 2023, and is presented as part of Others under Interest Expense in the statements of comprehensive income.

14. OTHER RESOURCES

Other resources include the following:

(Amounts in PHP)	Note	**2024**	2023
Refundable deposits		**6,411,693**	5,521,358
Deferred tax assets	21	**5,123,332**	5,123,332
Computer software - net		**2,883,187**	3,706,643
Stationery and unused supplies		**1,003,095**	817,030
Prepaid expenses		**855,858**	903,918
Others		**2,040,660**	1,739,777
		18,317,82[illegible]	17,812,05[illegible]

Refundable deposits are remeasured at amortized cost using the effective interest rates at the inception of the lease contracts. The fair values on initial recognition of the refundable deposits were determined by calculating the present value of the future cashflows anticipated until the end of the lease term using discount rates determined by reference to market interest rate of comparable financial instrument.

Changes in the Bank's Computer software are summarized below.

(Amounts in PHP)	Note	2024	2023
Balance at beginning of year		**3,706,643**	1,546,423
Additions		**690,302**	3,092,860
Amortization	18	**(1,513,758)**	(932,640)
Balance at end of year		**2,883,187**	3,706,643

The maturity profile of the Bank's other resources are as follows:

(Amounts in PHP)	2024	2023
Within one year	**3,746,282**	3,316,127
More than one year	**14,571,543**	14,495,931
	18,317,825	17,812,058

15. DEPOSIT LIABILITIES

This account consists of the following:

(Amounts in PHP)	2024	2023
Demand	**11,976,015**	12,019,571
Savings	**490,319,284**	485,294,652
Time	**2,097,688**	3,199,997
	504,392,987	500,514,220

As of December 31, 2024 and 2023, all of the Bank's deposit liabilities have maturity of one year or less.

Certain special savings accounts and time deposits have maturity of one to 30 days, with interest rates ranging from 1.25% to 2.5% per annum both in 2024 and 2023.

In 2014, required reserves against deposit and deposit substitute liabilities shall be 8.0% for demand, savings and time deposits under BSP issued Circular No. 832, *Increase in Reserve Requirements*. Further, in 2018, BSP Circular No. 1004, *Reduction in Reserve Requirements*, was released and it retained the reserve requirements for thrift banks. In 2019, BSP released BSP Circular No. 1063, *Reduction in Reserve Requirements*, reducing the required reserves to 4% for thrift banks. In 2020, BSP Circular No. 1092, *Reduction in Reserve Requirements* was released further reducing the required reserves to 3.0%. In 2023, BSP Circular No. 1175, *Reduction in Reserve Requirements* was released further reducing the required reserves to 2% effective June 30, 2023. The Bank is compliant with these BSP regulations as of the end of each reporting period.

Deposit liabilities incur annual interests at rates ranging from 0.25% to 2.5% both in 2024 and 2023. Interest expense incurred from these is presented under Interest Expense in the statements of comprehensive income.

16. OTHER LIABILITIES

The breakdown of this account is shown below.

(Amounts in PHP)	Notes	2024	2023
Retirement benefit obligation	20.2	**24,194,393**	22,128,438
Accrued expenses		**2,372,127**	3,151,617
Lease liabilities	13.2	**2,181,680**	3,246,389
Dormant credits		**1,224,947**	1,339,076
Manager's checks		**1,032,565**	4,252,529
Income tax payable		**984,294**	996,110
Withholding tax payable		**288,547**	346,591
Others		**3,239,916**	2,928,555
		35,518,469	38,389,305

The Bank has no secured liabilities and assets pledged as securities as of December 31, 2024 and 2023.

17. CAPITAL FUNDS

The Bank's authorized common stock is P1,000,000,000, divided into 10,000,000 shares with a par value of P100 per share.

The Bank's issued and outstanding shares as of December 31, 2024 and 2023 totaled to 5,667,279 shares amounting to P566.7 million.

The Bank has 29 stockholders owning 100 or more shares each of the Bank's common stock, as of December 31, 2024 and 2023.

18. OTHER OPERATING EXPENSES

This account is composed of the following:

(Amounts in PHP)	Note	2024	2023
Amortization of computer software	14	**1,513,758**	932,640
Repairs and maintenance		**730,360**	688,245
Stationery and supplies		**550,043**	511,534
Postage, telephone and cables		**528,624**	489,770
Fuel and lubricants		**202,696**	505,710
Supervision and examination fees		**160,531**	376,906
Travel		**71,870**	75,219
Advertising		**25,000**	166,036
Miscellaneous		**356,565**	972,218
		4,139,447	4,718,278

19. RELATED PARTY TRANSACTIONS

The summary of the Bank's significant transactions with its related parties as of and forthe years ended December 31, 2024 and 2023 is as follows:

		2024		2023	
(Amounts in PHP)	Notes	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Related Party Category					
Key Management Personnel:					
Deposits	19.1	**(4,088,088)**	**54,422,873**	912,427	58,510,961
Compensation	19.3	**8,355,543**	**-**	8,303,679	-
Related Party Under Common Ownership:					
Loans	19.2	**5,613**	**58,404,085**	2,294	58,398,472
Deposits	19.2	**16,495,045**	**278,492,653**	(77,608,590)	261,997,608

19.1 DOSRI Loans and Deposits

In the ordinary course of business, the Bank has loan and deposit transactions with certain DOSRI. Under existing policies of the Bank, these loans and deposits are made substantially on the same terms as with other individuals and businesses of comparable risks.

As of December 31, 2024 and 2023, the Bank has no outstanding DOSRI loans.

Other information relating to the loans and guarantees granted to DOSRI and other related parties are presented in Note 23(f).

19.2 Other Related Party Transactions

The Bank has related party transactions in accordance with the existing policies and procedures, which are entered into the best interest of the Bank and consistent with the policy of transparency, fairness and integrity. Significant or material transactions that exceeded the defined materiality threshold limit were duly approved by the BOD.

Related party transactions on loans with original principal amount of P58.4 million, has an outstanding balance of P58.4 million in both December 31, 2024 and 2023, and are shown as part of Receivables from customers under Loans and Receivables account in the statements of financial position (see Note 11), will mature within one to two years, are fully secured with deposits and earn 10.0% to 12.0% interest both in 2024 and 2023.

Deposits from other related parties amounting to P282.6 million and P262.0 million as of December 31, 2024 and 2023, respectively, are shown as part of Deposit Liabilities account in the statements of financial position (see Note 15), and are a mix of time deposits, current accounts, and savings accounts, with interest rates ranging from 0.25% to 1.75% per annum both in 2024 and 2023.

On July 1, 2007, the Bank entered into a five-year contract of lease with LHI Real Estate Corporation, a related entity under common ownership. This lease was subsequently renewed for five years each in 2012, 2017, and again in 2022, extending the lease until June 30, 2027. In 2022, the Bank received written notice from the lessor waiving the rent until the end of the contract in 2027.

19.3 Key Management Personnel

The compensation of key management personnel pertains to short-term benefits only.

The total expense is shown as part of Employee Benefits account in the statements of comprehensive income (see Note 20).

20. EMPLOYEE BENEFITS

20.1 Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

(Amounts in PHP)	Notes	**2024**	2023
Short-term employee benefits	19.3	**26,153,500**	24,959,933
Post-employment defined benefits	20.2(b)	**695,977**	643,736
		26,849,477	25,603,669

20.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Bank does not have an established retirement plan and only conforms to the minimum regulatory benefit under R.A. No. 7641, *The Retirement Pay Law*, which is of the defined benefit type and provides a retirement benefit in lump sum equal to 22.5-day pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. The normal retirement age is 60 with a minimumof five years of credited service.

The retirement plan is unfunded as of the end of the reporting period.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made every year to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding page are based on the actuarial valuation report obtained from an independent actuary in 2024 and 2023.

The movements in present value of the retirement benefit obligation recognized in the books are as follows presented as part of Other Liabilities (see Note 16)]:

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**22,128,438**	20,597,027
Interest cost	**1,467,115**	1,511,822
Current service cost	**695,977**	643,736
Remeasurements -		
Actuarial losses (gains) arising from:		
Experience adjustments	**(435,477)**	(928,975)
Changes in financial assumptions	**286,752**	250,833
Changes in demographic assumptions	**51,585**	53,995
Balance at end of year	**24,194,390**	22,128,438

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit obligation are shown below.

(Amounts in PHP)	**2024**	2023
Recognized in profit or loss:		
Current service cost	**695,977**	643,736
Interest expense	**1,467,115**	1,511,822
	2,163,092	2,155,558
Recognized in other comprehensive income:		
Actuarial gains (losses) from:		
Changes in financial assumptions	**435,477**	(250,833)
Experience adjustments	**(286,752)**	928,975
Changes in demographic assumptions	**(51,585)**	(53,995)
	97,140	624,147

Current service cost is presented as part of Employee Benefits account (see Note 20.1) under Other Operating Expenses while interest expense is presented as part of Others under Interest Expense in the statements of comprehensive income.

Amounts recognized in other comprehensive income were included within the item that will not be reclassified subsequently to profit or loss.

In determining the amounts of post-employment benefit obligation, the following significant actuarial assumptions were used:

	2024	2023
Discount rates	**5.78%**	6.63%
Expected rate of salary increases	**2.00%**	2.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 11.6 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds determined using BVAL with terms of maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Bank to actuarial risks such as interest rate risk, longevityrisk, and salary risk.

(i) Interest Rate Risk

The present value of the defined benefit obligation (DBO) is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation.

(ii) Longevity and Salary Risks

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants during their employment and to their futuresalaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, asset-liability matching strategy, and the timing and uncertainty offuture cash flows related to the retirement plan are described below and in the succeeding page.

(i) Sensitivity Analysis

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the DBO at the actuarial valuation report date after first adjusting oneof the current assumptions according to the applicable sensitivity increment or decrement, based on changes in the relevant assumption that were reasonably possible at the valuation date, while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

The table below summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit obligation as of December 31, 2024 and 2023.

(Amounts in PHP)	Impact on retirement benefit obligation Change in assumption	Increase in assumption	Decrease in assumption
December 31, 2024			
Discount rate	**+/-0.50%**	**(171,053)**	**178,303**
Salary increase rate	**+/-1.00%**	**374,682**	**(350,594)**
December 31, 2023			
Discount rate	+/-0.50%	(177,927)	184,350
Salary increase rate	+/-1.00%	389,296	(368,612)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the DBO to significant actuarial assumptions, the same method (present value of the DBO calculated with the projected unit credit method at end of the reporting period) has been applied as when calculating the pension liability recognized within the statementsof financial position.

(ii) Funding Arrangements and Expected Contributions

The Bank does not have a formal retirement plan and does not maintain any funded plan assets. Moreover, the Bank's management does not plan to establish funded plan assets for its DBO as at the end of the year. As such, no contribution is expected in the succeeding year.

The maturity profile of undiscounted expected benefit payments is as follows:

(Amounts in PHP)	**2024**	2023
Within one year	**19,066,349**	17,725,361
More than one year to five years	**5,991,342**	5,122,590
More than five years	**2,233,102**	3,766,108
	27,290,793	26,614,059

The weighted average duration of the DBO at the end of the reporting period is 1.4 years.

21. TAXES

The components of tax expense as reported in profit or loss follow:

(Amounts in PHP)	**2024**	2023
Current tax expense:		
Final tax at 20%	**12,115,262**	11,060,294
Minimum corporate income tax tax (MCIT) at 2% in 2024 and 1.5% in 2023	**77,288**	201,944
	12,192,550	11,262,238

On March 26, 2021, RA No. 11534, *Corporate Recovery and Tax Incentives for Enterprises Act*, was passed into law which provides for a reduced MCIT. Starting July 1, 2023, the MCIT rate was reverted to 2% of gross income.

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense attributable to continuing operations follows:

(Amounts in PHP)	**2024**	2023
Tax on pretax profit at 25%	**4,699,039**	4,828,623
Adjustment for income subjected to lower tax rates	**(2,990,241)**	(2,765,074)
Tax effects of:		
Unrecognized deferred tax arising from:		
Net operating loss carryover (NOLCO)	**7,849,585**	6,846,749
Retirement benefit obligation	**540,773**	538,890
MCIT	**77,288**	201,944
Non-deductible expenses	**2,016,106**	1,611,106
Tax expense	**12,192,550**	11,262,238

The deferred tax assets [shown as part of Other Resources (see Note 14)] as of December 31, 2024 and 2023 pertain to the following:

(Amounts in PHP)	**2024**	2023
Deferred tax assets:		
Retirement benefit obligation	**3,901,570**	3,901,570
Allowance for impairment	**1,221,762**	1,221,762
	5,123,332	5,123,332

The Bank did not recognize deferred tax expense in 2024 and 2023.

The Bank is subject to MCIT, which is computed at 2% and 1.5% of gross income in 2024 and 2023, respectively, as defined under the tax regulations. MCIT can be claimed as deductions against regular corporate income tax within three years

The Bank's remaining MCIT are as follows:

(Amounts in PHP)

Year	MCIT	End of Availment
2024	231,585	2027
2023	201,944	2026
2022	201,875	2025
	635,404	

The Bank's MCIT of P283,967 in 2021 and P671,013 in 2020 expired in 2024 and 2023, respectively.

The Bank's remaining NOLCO are as follows:

(Amounts in PHP)

Year	NOLCO	End of Availment
2024	31,398,341	2027
2023	27,386,996	2026
2022	20,895,485	2025
2021	14,878,057	2026
2020	11,403,128	2025
	105,962,007	

The Bank's remaining NOLCO can be claimed as deduction against its future taxable income within three to five years from the year the loss was incurred. Specifically, NOLCO incurred in 2020 and 2021 can be claimed as deduction from the taxable income for the next five consecutive taxable years or until 2025 and 2026, respectively, pursuant to Section 4 (bbbb) of RA No. 11494, *Bayanihan to Recover as One Act*, and as implemented through Revenue Regulations (RR) No. 25-2020.

The Bank has taken a conservative position of not recognizing the deferred tax assets arising from the MCIT, NOLCO and other temporary differences since the management assessed that these will not be realized in the succeeding years. The details of unrecognized deferred tax assets are as follows:

	2024		2023	
(Amounts in PHP)	**Amount**	**Tax Effect**	Amount	Tax Effect
NOLCO	**105,962,007**	**26,490,502**	74,563,665	18,640,916
Retirement benefit obligation	**11,189,160**	**2,797,290**	9,123,206	2,280,801
MCIT	**635,404**	**635,404**	687,785	687,785
Allowance for impairment	**1,251,000**	**312,750**	1,251,000	312,750
	119,037,571	**30,235,946**	85,625,656	21,922,252

In 2024 and 2023, the Bank opted to claim itemized deductions in computing for its income tax due.

22. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities that are not given recognition in the Bank's financial statements. As of December 31, 2024, management believes that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the financial statements. The Bank is not involved in any litigation as of December 31, 2024 and 2023. Moreover, the Bank does not have liabilities that are secured by any of its assets as of those dates.

23. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below and in the succeeding pages are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP MORB to be disclosed as part ofthe notes to financial statements based on BSP Circular 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) Selected Financial Performance Indicators

The following are some measures of the Bank's financial performance indicators:

	2024	2023
a. Return on equity		
$\frac{\text{Net profit}}{\text{Average total capital accounts}}$	**0.82%**	1.02%
b. Return on average resources		
$\frac{\text{Net profit}}{\text{Average total resources}}$	**0.49%**	0.58%
c. Net interest margin		
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	**5.87%**	5.59%
d. Capital-to-risk assets ratio		
$\frac{\text{Total capital}}{\text{Risk Assets}}$	**309.83%**	315.44%

(b) Capital Instruments Issued

As of December 31, 2024 and 2023, the Bank has only class of common stock, which are common shares.

As of December 31, 2024 and 2023, the Bank has no capital instruments considered in the computation of the Bank's regulatory and qualifying capital in accordance with Circular 781, *Basel III Implementing Guidelines on Minimum Capital Requirements, which may include*, instruments recorded as part of equity or a financial liability qualifying as Tier 2 capital.

(c) Significant Credit Exposures for Loans

The Bank's concentration of credit as to industry for its receivables from customers gross of allowance for ECL is presented below.

(Amounts in PHP)	2024 Amount	2024 Percentage	2023 Amount	2023 Percentage
Professional, scientific and technical activities	**50,146,525**	**22.75%**	50,612,827	23.80%
Transportation and storage	**36,977,271**	**16.78%**	58,453,155	27.50%
Whole and retail trade, repair of motor vehicles and motorcycle	**40,452,679**	**18.35%**	948,113	0.40%
Agriculture, forestry and fishing	**16,008,171**	**7.26%**	14,646,644	6.90%
Accommodation and food service activities	**410,510**	**0.19%**	410,510	0.20%
Construction	**741,333**	**0.34%**	1,127,706	0.50%
Real estate activities	**991,075**	**0.45%**	1,145,860	0.50%
Manufacturing	**1,092,694**	**0.50%**	1,333,727	0.60%
Financial intermediaries	**49,741,809**	**22.57%**	49,642,121	23.30%
Other service activities	**23,841,228**	**10.82%**	34,430,542	16.20%
	220,403,295	**100%**	212,751,205	100%

The BSP considers that loan concentration exists when the total loan exposure toa particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

(d) Credit Status of Loans

The breakdown of receivable from customers as to status is shown below.

(Amounts in PHP)	Performing	Non-performing	Total Loan Portfolio
2024:			
Gross carrying amount	211,397,955	6,094,736	217,492,691
Allowance for ECL	(1,100,000)	(4,223,541)	(5,323,541)
Net carrying amount	**210,297,955**	**1,871,195**	**212,169,150**
2023:			
Gross carrying amount	204,165,649	6,016,046	210,181,695
Allowance for ECL	(1,100,000)	(4,223,541)	(5,323,541)
Net carrying amount	203,065,649	1,792,505	204,858,154

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest isunlikely 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.

The breakdown of receivable from customers as to loans status is disclosed inNote 11.

(e) *Analysis of Loan Portfolio as to Type of Security*

The breakdown of gross receivables from customers as to type of security follows:

(Amounts in PHP)	**2024**	2023
Secured:		
Chattel mortgage	**59,960,866**	73,643,090
Hold-out on deposit	**111,556,824**	111,381,105
Real estate mortgage	**43,900,000**	22,400,000
	215,417,690	207,424,195
Unsecured loans	**2,075,000**	2,757,500
	217,492,690	210,181,695

(f) *Information on Related Party Loans*

In the ordinary course of business, the Bank has loan transactions with each other, their other affiliates, and with certain DOSRI. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to otherindividuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI,70% of which must be secured, should not exceed the amount of the encumbereddeposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation. As of December 31, 2024 and 2023, the Bank has satisfactorily complied with this requirement.

The following table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 in accordance with BSP reporting guidelines:

	DOSRI Loans		**Related Party Loans**	
(Amounts in PHP)	**2024**	2023	**2024**	2023
Total outstanding loans	**-**	-	**58,404,085**	58,398,472
% of loans to total loan portfolio	**0.00%**	0.00%	**26.50%**	27.78%
% of unsecured loans to total DOSRI/related party loans	**0.00%**	0.00%	**0.00%**	0.00%
% of past due loans to total DOSRI/related party loans	**0.00%**	0.00%	**0.00%**	0.00%
% of non-performing loans to total DOSRI/ related party loans	**0.00%**	0.00%	**0.00%**	0.00%

(g) *Secured Liabilities and Assets Pledged as Security*

The Bank does not have secured liabilities and assets pledged as securities as ofDecember 31, 2024 and 2023.

(h) *Contingencies and Commitments Arising from Off-balance Sheet Items*

The Bank has no commitments and contingent accounts arising from transactions not given recognition in the statements of financial position, expressed at their equivalent peso contractual amounts as of the end of the reporting periods.

24. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OFINTERNAL REVENUE

Following is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the BIR under Revenue Regulations(RR) No. 15-2010 and RR No. 34-2020 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

24.1 Requirements Under RR No. 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are presented below and in the succeeding page.

(a) *Gross Receipts Tax*

In lieu of the value-added tax, the Bank is subject to the Gross Receipts Tax (GRT), pursuant to Sections 121 and 122 of the Tax Code which is imposed onbanks, non-banks financial intermediaries and finance companies.

For the year ended December 31, 2024, the Bank paid gross receipts tax (GRT) asfollows:

(Amounts in PHP)	**Tax Base**	**GRT**
Receipts subject to 7%	2,418,015	169,261
Receipts subject to 5%	84,236,218	4,211,811
	86,654,233	**4,381,072**

The tax is levied on the Bank's lending income which includes interest, commission and discounts arising from instruments with maturities of more thanfive years and five years or less. The amount of GRT paid is presented as part of the Taxes and Licenses account in the 2024 statement of comprehensive income.

(b) *Documentary Stamp Tax*

The composition of the documentary stamp tax (DST) paid and accrued by theBank for the year ended December 31, 2024 follows:

(Amounts in PHP)	
Deposit accounts	2,184,654
Loan instruments	1,720,298
Manager's checks	6,090
	3,911,042

The DST on deposit accounts and manager's checks are presented as part of the Taxes and Licenses account in the 2024 statement of comprehensive income. On the other hand, the DST on loan instruments is passed on to the Bank's borrowers, thus, enabling the Bank to recover the prepayment made for these taxes.

(c) *Taxes and Licenses*

The details of the Taxes and Licenses account paid and accrued for the year ended December 31, 2024 follow:

(Amounts in PHP)	
GRT	4,381,072
DST	2,190,744
Fringe benefit tax	10,769
Miscellaneous	283,520
	6,866,105

Taxes and licenses are presented under the Other Operating Expenses account in the 2024 statement of comprehensive income.

b) *Withholding Tax*

The details of the total withholding taxes for the year ended December 31, 2024 are shown below.

(Amounts in PHP)	
Compensation and benefits	2,272,557
Final	1,489,415
Expanded	554,092
Fringe Benefit	26,922
	4,342,986

c) *Value-added Tax, Excise Tax and Customs' Duties and Tariff Fees Paid*

The Bank is not subject to value-added tax (input and output) and excise tax due to the nature of its business. Moreover, the Bank did not pay any customs' duties and tariff fees as it did not import any goods or services for the year ended December 31, 2024.

d) *Deficiency Tax Assessment and Tax Cases*

As of December 31, 2024, the Bank does not have any final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

24.2 Requirements Under RR No. 34-2020

RR 34-2020 prescribes the guidelines and procedures on the submission of BIR Form No. 1709, transfer pricing documentation and other supporting documents for related party transactions. The Bank is not covered by these requirements as the Bank did not fall in any of the categories identified under Section 2 of RR No. 34-2020.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Isla Bank (A Thrift 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 financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process. The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of **Isla Bank (A Thrift Bank), Inc.** in accordance with Philippine Standards on Auditing, and in their report to the Board of Directors and stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

JOSE MA. J. LOPEZ-VITO III
Chairman

EDUARDO V. LIM
President

VIOLETA G. ANGELES
Comptroller

PRODUCTS AND SERVICES

Deposit Products

Current Accounts - a non-interest-bearing deposit subject to withdrawal by checks.

Savings Accounts - An interest-bearing deposit evidenced by a passbook.

Special Savings Accounts - Saving Deposit with specific maturity date earning interest at a rate higher than regular savings deposits based on the minimum deposit set by the bank, evidenced by a passbook.

Time Deposit - An interest-bearing deposit with specific maturity date earning interest higher that regular savings deposits, evidenced by a certificate of time deposits (CTD.)

Automated Savings Account (ATM) - a savings deposit earning an interest with electronic banking services as follows:

Balance Inquiry

Cash Withdrawal

Bills Payment

Fund Transfer

Prepaid Load

Credit Card Cash Advance

Statement Request

Checkbook Reorder

Point of Sale (POS)

***InstaPay* -** is an electronic fund transfer (EFT) service that allows customers to transfer PHP funds almost instantly between accounts of participating banks and non-bank e-money issuers in the Philippines.

Loan Products

Personal Loans

Are multipurpose loans to individuals that can be used for one's personal needs.

Corporate Loans

Are loans for the business or for the company's use such as but not limited to working capital requirements or purchase of capital assets.

Consumer Loans

Are loans for the purpose of purchasing a car or a home.

Agricultural Loans

Are loans extended to the agricultural sector, like corporate loan which can be used for working capital requirements or purchase of equipment for agricultural use.

Others

Safe Deposit Box

Rental of boxes exclusively for the Bank's accountholders to safekeep important documents and other valuables

BRANCH DIRECTORY

MAIN BRANCH

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FAX No. (02) 8840-4020

ILOILO BRANCH

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Jaro, Iloilo City

Tel Nos. (033) 329-0730/329-4019

FAX No. (033) 329-0730

BACOLOD BRANCH

R.S. Building

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Bacolod City

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