SeaBank Philippines, Inc.
(A Rural Bank)

Financial Statements
December 31, 2024 and 2023

and

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
SeaBank Philippines, Inc. (A Rural Bank)

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the MORB in Note 32 and Revenue Regulations 15-2010 in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SeaBank Philippines, Inc. (A Rural Bank). The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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PTR No. 10465263, January 2, 2025, Makati City

March 24, 2025

SeaBank Philippines, Inc. (A Rural Bank)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Cash and other cash items (Note 7)	**₱8,220,072**	₱10,105,683
Due from Bangko Sentral ng Pilipinas (Notes 7 and 16)	**8,787,139,827**	1,612,904,927
Due from other banks (Note 7)	**405,912,564**	2,286,775,965
Financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	**7,740,644,172**	2,285,151,159
Investment securities at amortized cost (Note 8)	**17,182,081**	22,031,064
Loans and receivables (Notes 9, 10, 11 and 25)	**20,964,187,820**	12,191,433,140
Bank premises, furniture, fixtures and equipment and right-of-use assets (Notes 12 and 27)	**94,850,248**	161,985,046
Investment properties (Note 13)	**2,135,312**	2,272,976
Software costs (Note 14)	**5,415,737**	216,973
Deferred tax assets (Note 26)	**453,523,267**	–
Other assets (Note 15)	**81,652,744**	19,760,994
	₱38,560,863,844	₱18,592,637,927
LIABILITIES AND EQUITY		
Liabilities		
Deposit liabilities (Note 16)	**₱32,702,376,779**	₱15,756,886,053
Accrued expenses and other liabilities (Notes 17 and 25)	**2,644,126,138**	1,225,781,527
Lease liabilities (Note 27)	**46,093,572**	49,922,896
Retirement liability (Notes 20 and 25)	**25,658,280**	31,942,391
Deferred tax liabilities (Note 26)	–	321,477
Income tax payable (Note 26)	**113,249,726**	12,379,908
	35,531,504,495	17,077,234,252
Equity		
Capital stock – common (Note 18)	**2,950,000,000**	2,410,000,000
Retained earnings reserve (Note 18)	**3,811,258**	3,811,258
Retained earnings (deficit)	**98,604,089**	(873,287,654)
Net unrealized losses on financial assets at FVOCI (Note 8)	**(3,417,250)**	(4,309,225)
Remeasurement losses on retirement liability (Note 20)	**(19,638,748)**	(20,810,704)
	3,029,359,349	1,515,403,675
	₱38,560,863,844	₱18,592,637,927

See accompanying Notes to Financial Statements.

SeaBank Philippines, Inc. (A Rural Bank)

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31	
	2024	2023
INTEREST INCOME		
Loans and receivables (Notes 9 and 10)	**₱5,385,676,157**	₱2,513,897,325
Financial assets at FVOCI and investment securities at amortized cost (Note 8)	**300,726,559**	192,923,843
Due from other banks and other financial assets (Notes 7 and 15)	**87,224,303**	160,833,817
	5,773,627,019	2,867,654,985
INTEREST EXPENSE		
Deposit liabilities (Note 16)	**695,173,029**	462,367,874
Lease liabilities (Note 27)	**1,800,711**	2,540,847
	696,973,740	464,908,721
NET INTEREST INCOME	**5,076,653,279**	2,402,746,264
Fees and commission income	**120,359,632**	29,406,922
Fees and commission expense	**221,232,390**	69,884,836
NET SERVICE FEES AND COMMISSION	**(100,872,758)**	(40,477,914)
OTHER OPERATING INCOME		
Recovery on impaired/charged-off assets	**172,764,371**	40,990,558
Realized gains on sale of financial assets at FVOCI (Note 8)	**–**	13,515,222
Net gains on sale or exchange of assets (Notes 13, 19, and 25)	**10,270,946**	9,491,891
Other income	**14,751,854**	1,358,536
	197,787,171	65,356,207
TOTAL OPERATING INCOME	**5,173,567,692**	2,427,624,557
OTHER EXPENSES		
Provision for credit and impairment losses (Note 23)	**3,115,884,251**	1,805,721,156
Compensation and fringe benefits (Notes 20 and 25)	**394,781,179**	306,069,353
Taxes and licenses	**355,767,189**	153,383,967
Administrative expenses (Note 22)	**352,169,753**	212,725,097
Depreciation and amortization (Note 21)	**68,468,956**	73,418,848
Foreign exchange losses - net	**1,605,374**	112,522
	4,288,676,702	2,551,430,943
INCOME (LOSS) BEFORE INCOME TAX	**884,890,990**	(123,806,386)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)	**(87,000,753)**	99,791,029
NET INCOME (LOSS)	**971,891,743**	(223,597,415)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Remeasurement gains (losses) on retirement liabilities (Note 20)	**1,171,956**	(11,579,003)
Net change in unrealized loss on financial assets at FVOCI (Note 8)	**891,975**	21,783,753
	2,063,931	10,204,750
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX	**₱973,955,674**	(₱213,392,665)
Basic/Diluted loss per share (Note 24)	**₱38.88**	(₱10.21)

See accompanying Notes to Financial Statements.

SeaBank Philippines, Inc. (A Rural Bank)
STATEMENTS OF CHANGES IN EQUITY

	For the Years Ended December 31, 2024 and 2023							
		Deficit			Other Comprehensive Income (Loss)			
	Capital Stock – Common	**Retained Earnings Reserve**	**Retained Earnings (Deficit)**	**Total Retained Earnings (Deficit)**	**Net Unrealized Losses on Financial Assets at FVOCI** (Note 8)	**Remeasurement on Retirement Liabilities** (Note 20)	**Total Other Comprehensive Income (Loss)**	**Total**
Balance at January 1, 2024	**₱2,410,000,000**	**₱3,811,258**	**(₱873,287,654)**	**(₱869,476,396)**	**(₱4,309,225)**	**(₱20,810,704)**	**(₱25,119,929)**	**₱1,515,403,675**
Additional issuance of shares	**540,000,000**	**–**	**–**	**–**	**–**	**–**	**–**	**540,000,000**
Total comprehensive income for the year	**–**	**–**	**971,891,743**	**971,891,743**	**891,975**	**1,171,956**	**2,063,931**	**973,955,674**
Balance at December 31, 2024	**₱2,950,000,000**	**₱3,811,258**	**₱98,604,089**	**₱102,415,347**	**(₱3,417,250)**	**(₱19,638,748)**	**(₱23,055,998)**	**₱3,029,359,349**
Balance at January 1, 2023	₱1,600,000,000	₱3,811,258	(₱649,690,239)	(₱645,878,981)	(₱26,092,978)	(₱9,231,701)	(₱35,324,679)	₱918,796,340
Additional issuance of shares	810,000,000	–	–	–	–	–	–	810,000,000
Total comprehensive loss for the year	–	–	(223,597,415)	(223,597,415)	21,783,753	(11,579,003)	10,204,750	(213,392,665)
Balance at December 31, 2023	₱2,410,000,000	₱3,811,258	(₱873,287,654)	(₱869,476,396)	(₱4,309,225)	(₱20,810,704)	(₱25,119,929)	₱1,515,403,675

SeaBank Philippines, Inc. (A Rural Bank)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱884,890,990**	(₱123,806,386)
Adjustments for:		
Provision for credit and impairment losses (Note 23)	**3,115,884,251**	1,805,721,156
Amortization of discount/premium on Investments at FVOCI and at amortized cost (Note 8)	**(164,146,730)**	(32,754,082)
Depreciation and amortization (Note 21)	**68,468,956**	73,418,848
Loss (gain) from sale of investment properties (Note 19)	**1,375,355**	(4,918,296)
Net pension expense (Note 20)	**(5,112,155)**	6,693,928
Gain on disposal of fixed assets (Note 19)	**(1,986,881)**	(735,000)
Accretion of lease liability (Note 27)	**1,800,711**	2,540,847
Net gains from foreclosure and repossession of investment properties (Note 19)	**(9,659,419)**	(3,838,595)
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Loans and receivables	**(11,894,607,310)**	(10,867,383,878)
Other assets	**(60,366,670)**	(7,612,398)
Increase (decrease) in the amounts of:		
Deposit liabilities	**16,945,490,726**	4,988,137,249
Accrued expenses and other liabilities	**1,418,350,720**	758,417,073
Net cash generated from (used in) operations	**10,300,382,544**	(3,406,119,534)
Income taxes paid	**(265,974,174)**	(88,001,139)
Net cash provided by (used in) operating activities	**10,034,408,370**	(3,494,120,673)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment in securities measured at FVOCI (Note 8)	**(20,669,056,586)**	(5,906,536,300)
Intangible assets (Note 14)	**(14,154,006)**	(1,601,673)
Bank premises, furniture, fixtures and equipment (Note 12)	**(705,519)**	(5,133,102)
Proceeds from disposals/maturities of:		
Investment in securities measured at FVOCI (Note 8)	**15,378,444,374**	6,513,879,419
Bank premises, furniture, fixtures and equipment (Note 30)	**32,241,300**	7,368,372
Investment properties (Notes 13 and 30)	**12,573,375**	10,696,925
Investment in securities measured at amortized cost (Note 8)	**5,006,886**	17,040,884
Net cash provided by (used in) investing activities	**(5,255,650,176)**	635,714,525
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital (Note 18)	**540,000,000**	810,000,000
Payment of lease liabilities (Note 27)	**(27,272,306)**	(24,244,592)
Net cash provided by financing activities	**512,727,694**	785,755,408

(Forward)

	Years Ended December 31	
	2024	2023
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**₱5,291,485,888**	(₱2,072,650,740)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,909,786,575**	5,982,437,315
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱9,201,272,463**	₱3,909,786,575
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest paid	**₱696,474,260**	₱465,359,856
Interest received	**₱5,426,316,290**	₱2,748,399,432

See accompanying Notes to Financial Statements.

1. **Corporate Information**

SeaBank Philippines, Inc. (A Rural Bank) (the “Bank”), formerly known as BANCO LAGUNA, INC., (A RURAL BANK SINCE 1965)), was established in 1965 and registered with the Securities and Exchange Commission (“SEC”) under Registration Number 27173 on May 11, 1965. The Bank’s corporate life was already extended to indefinite or perpetual from the SEC approval on October 15, 2020. The new corporate name was approved by the SEC on December 9, 2021.

The primary business objective of the Bank is to engage in the business of extending credit to retail customers: i.e. farmers, tenants, and small and medium entrepreneurs, including deserving rural industries and enterprises. In relation to its shift to digital-centric business model, the Bank acquired its Electronic Payment and Financial Services (“EPFS”) license from Bangko Sentral ng Pilipinas (“BSP”) in April 2021 and launched its mobile banking app in June 2022. The Bank likewise acquired additional EFPS licenses in April 2022 and February 2024.

Its principal head office address is located at Pagsanjan, Laguna, with three (3) branches established in the municipalities of Sta. Cruz, Siniloan, and Liliw, in the province of Laguna. The Bank has also leased office spaces in the Podium Tower, Mandaluyong City and Gateway Tower, Quezon City for administrative and back-support operations. As of December 2024, the operations in the leased office space in Quezon City has not yet commenced and is expected to be operational by April 2025. In December 2022 and November 2024, the Bank ceased the operations of Majayjay and Sariaya branches, respectively, and transferred their net assets to the Liliw branch.

In October 2020, SeaMoney Holding PH Private Limited (“SeaMoney Holding PH”) and Mr. Jan Frederic Chiong (the “Local Investor”) acquired around 60.00% and 20.00% of the subscribed shares of stock of the Bank, respectively (collectively, the “2020 Change of Ownership”), with Mr. Marco Cabreza and Mr. Carlo Cabreza continuing to own, at the time, the remaining 20.00%. In October 2021, the Local Investor acquired another around 20.00% of the subscribed shares of stock of the Bank (collectively, the “2021 Change of Ownership”), resulting in SeaMoney Holding PH and the Local Investor holding around 60.00% and 40.00% ownership of the Bank, respectively. The BSP pre-approved the 2020 Change of Ownership on July 30, 2020 and the 2021 Change of Ownership on August 7, 2021.

The following table summarizes SeaMoney Holding PH’s and the Local Investor’s additional subscriptions of shares of stock in 2021 and 2022, with each share having a par value of PHP 100.00:

Subscription Agreement Date	Number of subscribed shares of SeaMoney Holding PH	Number of subscribed shares of Local Investor
November 2021	255,000	170,000
March 2022	4,499,996	3,000,004
July 2022	1,800,000	1,200,000
November 2022	10,800,000	7,200,000

SeaMoney Holding PH and the Local Investor had no additional subscriptions of shares of stock in both 2023 and 2024.

As of December 31, 2024, the capital structure of the Bank is held by the following:

Shareholder	Number of subscribed shares	Number of paid and issued shares	% of ownership
SeaMoney Holding PH	17,699,996	17,699,996	60.0
Jan Frederic Chiong	11,800,000	11,800,000	40.0
Marco Cabreza	1	1	0.0
Ki Mien Tan	1	1	0.0
Felix Ang	1	1	0.0
Marilyn Tiongson	1	1	0.0
	29,500,000	29,500,000	100.0

As of December 31, 2024, the Bank's immediate parent company (i.e, majority shareholder) is SeaMoney Holding PH. The latter is wholly-owned by SeaMoney Holding PH Limited, and its ultimate parent company is Sea Limited. Sea Limited is also the indirect owner of Shopee Philippines Inc. (i.e. the operator of the e-commerce platform, Shopee, in the Philippines). SeaMoney Holding PH is incorporated in Singapore, and SeaMoney Holding PH Limited and Sea Limited are both incorporated in Cayman Islands. Both entities' principal activities are those of an investment holding company.

In addition to the Local Investor's investment activities, he also serves as Board Director and President of several Philippine entities that are indirectly owned by Sea Limited, the full list is included in the Bank's Annual Report.

2. Summary of Material Accounting Policies

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

Basis of Preparation of Financial Statements

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS are adopted by the Financial Reporting Standards Council (FRSC) 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 asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

Presentation of Financial Statements

The Bank presents the statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 5.

The Bank generally presents financial assets and financial liabilities at their gross amounts in the statement of financial position, unless the offsetting criteria under PFRS are met. The Bank does not also set off items of income and expenses, unless required or permitted by PFRS, or is specifically disclosed in the Bank's accounting policies.

Functional and Presentation Currency
The amounts in these financial statements are measured and presented in Philippine pesos, the Bank's functional and presentation currency. All values represent absolute amounts, except when otherwise indicated.

Functional currency is the currency of the primary economic environment in which the Bank operates.

Basis of Preparation
The financial statements of the Bank were prepared on a going concern basis. The going concern basis assumes that the Bank will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business and there are no events or conditions which indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern.

Changes in Accounting Policies and Disclosures
Accounting policies adopted are consistent with those of the previous financial year, except that the Bank adopted the following new accounting pronouncements beginning January 1, 2024. Adoption of these pronouncements did not have any significant impact in the Bank's financial position or performance.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Future Changes in Accounting Standards
Listed below are accounting standards and interpretations issued but not yet effective up to the date of issuance of the Bank's financial statements. The Bank intends to adopt these standards when they become effective. Except as otherwise indicated, the Bank does not expect the adoption of these new and amended standards and interpretations to have significant impact on the financial statements.

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

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

Effective beginning on or after January 1, 2027
- PFRS 17, *Insurance Contracts*

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

Foreign Currency Translation
For financial reporting purposes, the Bank translates all foreign currency-denominated accounts into their equivalents in Philippine pesos.

As at reporting date, the Bank translates the following foreign currency-denominated accounts in Philippine peso using:

Financial statement accounts	**Exchange rate**
Monetary assets and liabilities	Bankers Association of the Philippines (BAP) closing rate at end of year
Income and expenses	BAP weighted average rate (WAR) prevailing at transaction date

The Bank recognizes in the statement of comprehensive loss any foreign exchange differences arising from revaluation of monetary assets and liabilities. As of December 31, 2024 and 2023, there are no non-monetary assets and liabilities measured in foreign currency.

Fair Value Measurement
Fair value is the price that the Bank would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that these transactions take place either:

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

The principal or the most advantageous market must be accessible to the Bank. The Bank measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Bank uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances.

For nonfinancial assets, the Bank measures their fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 6, based on the lowest level input that is significant to the fair value measurement as a whole.

Cash and Other Cash Items
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Bank considers as cash equivalents wherein drawings can be made to meet cash requirements.

Financial Instruments – Initial Recognition

Date of recognition

The Bank recognizes purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace on settlement date (i.e., the date that an asset is delivered to or by the Bank). The Bank recognizes deposits, amounts due to banks and customers and loans when cash is received by the Bank or advanced to the borrowers.

Initial recognition and measurement of financial instruments

All financial instruments are initially recognized at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

Financial Instruments – Classification and Subsequent Measurement

The Bank classifies and measures financial assets at FVTPL unless these are measured at FVOCI or at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing those financial assets.

The Bank first assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test ('solely payments of principal and interest' or SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than insignificant exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL. Only financial assets that pass the SPPI test are eligible to be measured at FVOCI or at amortized cost.

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

For financial liabilities, the Bank classifies them as either financial liabilities at FVTPL or financial liabilities at amortized cost.

Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met: (1) the asset is held within the Bank's business model whose objective is to hold financial assets in order to collect the contractual cash flows; and, (2) the contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

This accounting policy relates to the statement of financial position captions 'Due from Bangko Sentral ng Pilipinas', 'Due from other banks', 'Investment securities at amortized cost', 'Loans and Receivables' and financial assets included in 'Other assets'.

Sales contract receivables is recorded initially at present value of the installment receivable discounted at the imputed rate of interest. Discount is amortized over the term of the sales contract by crediting interest income using effective interest method. The difference between the present value of the sales contract receivable and the derecognized assets is recognized in profit or loss at the date of sale in accordance with PFRS 15.

The Bank subsequently measures financial assets at amortized cost using the effective interest method of amortization, less allowance for credit losses. The Bank includes the amortization in 'Interest income', and the expected credit losses (ECL) arising from impairment of such financial assets in 'Provision for credit and impairment losses' in the statement of comprehensive loss.

Financial assets at FVOCI
Financial assets at FVOCI include debt securities, which are subsequently measured at fair value. The Bank recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVOCI, net of tax, in the statement of comprehensive loss as 'Net change in unrealized loss on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions:

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

The Bank reports the effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, in the statement of income. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Realized gain on sale of financial assets at FVOCI' in the statement of comprehensive loss. The Bank recognizes the ECL arising from impairment of such financial assets in OCI with a corresponding charge to 'Provision for credit and impairment losses' in the statement of comprehensive loss.

This accounting policy relates to the statement of financial position captions 'Financial Assets at FVOCI'.

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

The Bank subsequently measures financial liabilities at amortized cost using the effective interest method of amortization.

Reclassification of financial instruments
Subsequent to initial recognition, the Bank may reclassify its financial assets only when there is a change in the business models for managing these financial assets. Reclassification of financial liabilities is not allowed.

Financial Instruments – Derecognition

Financial assets

The Bank derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:

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

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the Bank recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under 'Miscellaneous Income' in the statements of comprehensive loss.

Financial liabilities

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

Financial Instruments – Impairment

ECL methodology

The Bank assesses its impairment based on a forward-looking basis associated with its financial assets carried at amortized cost and other debt financial assets not held at FVTPL. 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.

The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial instrument since origination (12-month ECL). Otherwise, if an SICR is observed, then the Bank extends its ECL estimation until the end of the life of the financial instrument (Lifetime ECL). Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Definition of "default" and "cure"

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank

carefully considers whether the event should result in treating the customer as defaulted.
An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days and has exhibited a satisfactory track record.

Determining significant increase in credit risk (SICR)
At each reporting date, the Bank assesses whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Bank's assessment of SICR involves looking at both the qualitative and quantitative elements, as well as if the loan or credit exposure is unpaid for at least 31 days ("backstop").

The Bank assesses SICR on loans or credit exposures having potential credit weaknesses based on current and/or forward-looking information that warrant management's close attention.
Such weaknesses, if left uncorrected, may affect the repayment of these exposures. The loan or credit exposure also exhibits SICR if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

Staging assessment
The Bank categorizes financial instruments subject to the ECL methodology into three stages:

- Stage 1 – comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Bank recognizes 12-month ECL for Stage 1 financial instruments.
- Stage 2 – comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The Bank recognizes Lifetime ECL for Stage 2 financial instruments.
- Stage 3 – comprised of financial instruments which have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on their estimated future cash flows. The Bank recognizes Lifetime ECL for Stage 3 (credit-impaired) financial instruments.

Transfer between non-performing to performing
The Bank transfers credit exposures from non-performing to performing when there is sufficient evidence to support their full collection. Such exposures should exhibit both of the following indicators:

- quantitative – characterized by payments made within an observation period; and
- qualitative – pertain to the results of assessment of the borrower's financial capacity.

Generally, the Bank considers that full collection is probable when payments of interest and/or principal are received for at least six months.

Modified or restructured loans and other credit exposures
In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule, which may be provided depending on the borrower's current or expected financial difficulties. Modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date and schedule of periodic payments.

If modifications are considered by the Bank as substantial based on qualitative factors, the loan is derecognized as discussed under Financial Instruments - Derecognition.

If a loan or credit exposure has been renegotiated or modified without this resulting in derecognition, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original EIR. The Bank also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification are determined on a case-by-case basis.

Measurement of ECL
ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) – an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss given default (LGD) – an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure at default (EAD) – an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate – represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

In measuring ECL, the Bank considers forward-looking information depending on the credit exposure. The Bank applies experienced credit judgment, which is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information and scenarios consider:

- factors that may affect the general economic or market conditions in which the Bank operates, such as gross domestic product growth rates, gross national income, consumer price index, among others;
- changes in government policies, rules and regulations, such as adjustments to policy rates;
- other factors pertinent to the Bank, including the proper identification and mitigation of risks such as incidences of loan defaults or losses.

The Bank also measures ECL by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

<u>Write-offs</u>
The Bank will write off any loans, advances, other credit accommodations and assets including secured loans and unsecured loans as soon as it is satisfied that the prospect of recovery is poor, regardless of amount and provisions against bad debt. Writing off can be classified into contractual write-off and non-contractual write-off.

<u>Undrawn Loan Commitments</u>
Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

The Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. As of December 31, 2024 and 2023, the Bank does not recognize ECL related to undrawn loan commitments as it does not have any committed credit lines, and drawdowns from existing credit lines are still subject to credit evaluation.

Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less any impairment losses. All other items of bank premises, furniture, fixtures and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

	Years
Bank premises, furniture, fixtures and equipment	
Building	3 - 20 years
Furniture and fixtures	1 - 5 years
Office equipment	1 - 5 years
Right-of-use assets	Over the shorter of lease term or the estimated useful lives of the assets
Leasehold rights and improvements	Over the shorter of lease term or the estimated useful lives of the assets

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values, estimated useful lives and method of depreciation of bank premises, furniture, fixtures and equipment are reviewed and adjusted, if appropriate, at the end of each reporting period.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect of those assets.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in profit or loss in the year the item is derecognized.

Investment Properties

The Bank initially measures investment properties and chattel mortgage properties at cost, including transaction costs such as capital gains tax (CGT) and documentary stamp tax (DST). When the investment property or chattel mortgage property is acquired through an exchange transaction, the Bank measures the asset at its fair value, unless the fair value of such an asset cannot be reliably measured, in which case the asset acquired is measured at the carrying amount of asset given up. In case the investment property has depreciable improvements, the initial recognition is divided into

'Land' and 'Building and improvements' based on the fair value. The Bank recognizes any gain or loss on exchange in the statement of comprehensive loss under 'Net gains on sale or exchange of assets'.

Foreclosed properties are classified under 'Investment properties' upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, the Bank carries the investment properties and chattel mortgage properties at cost less accumulated depreciation (for depreciable properties) and any impairment in value. Depreciation is computed using the straight-line method over the estimated useful lives (i.e., 10 years) of the depreciable assets.

The Bank derecognizes investment properties when they have either been disposed of or when the asset is permanently withdrawn from use and no future benefit is expected from its disposal. The Bank recognizes any gains or losses on the retirement or disposal of an investment property in the statement of comprehensive loss under 'Net gain on sale or exchange of assets' in the period of retirement or disposal.

The Bank transfers assets to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Conversely, the Bank transfers out of investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

<u>Intangible Assets</u>
Intangible assets pertain to software costs which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of three years. Intangible assets include Software Costs as of December 31, 2024 and 2023.

<u>Other Assets</u>
Other resources pertain to other assets that are controlled by the Bank as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably.

<u>Impairment of Non-financial Assets</u>
Bank premises, furniture, fixtures and equipment, investment properties and intangible assets
At each reporting date, the Bank assesses whether there is any indication that its property and equipment, investment properties and intangible assets with finite lives may be impaired. When an indicator of impairment exists, the Bank makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit (CGU) to which it belongs.

When the carrying amount of an asset exceeds its recoverable amount, the Bank considers the asset as impaired and writes the asset down to its recoverable amount. In assessing value in use, the Bank discounts the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Any impairment loss is charged against current operations. At each reporting date, the Bank assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the recoverable amount and reverses a previously recognized impairment loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal recognized in the statement of income cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. After such reversal, the Bank adjusts the depreciation and amortization in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Equity

The Bank measures capital stock at par value for all shares issued and outstanding. When the shares are sold at a premium, the Bank credits the difference between the proceeds and the par value to 'Capital paid in excess of par value'.

The reserves recorded in equity in the statement of financial position include:

1. Retained earnings (Deficit) – free represents all current and prior period results of operations as reported in the profit and loss section of the statements of income and other comprehensive income, reduced by the amounts of dividends declared, if any.
2. Retained earnings reserve represents appropriation on the retirement benefit of its officers and employees and appropriation for general loan loss reserves to comply with the requirements of BSP.
3. Net unrealized gains (losses) on FVOCI pertains to the gains or losses on the fair value changes of financial assets measured at FVOCI
4. Remeasurement losses on retirement liability pertains to the remeasurement comprising actuarial gains or losses on the present value of the defined benefit obligation, net of return on plan assets

Income and Expense Recognition

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

Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis. Interest expense for all interest-bearing financial liabilities is recognized using the EIR of the underlying financial liabilities. Interest expense on savings deposit include transaction costs incurred by the Bank.

The Bank earns interest income from loans and other receivables and investments (see accounting policy for financial assets). The Bank also earns service fees and commissions on various banking services, and gains on sale of properties, which are supported by contracts approved by the parties involved. These revenues are accounted for by the Bank in accordance with PFRS 15.

For revenues arising from various banking services, which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

(a) Fees, commission and other income – are recognized as earned, when collected, or when there is reasonable degree of certainty as to their collectability and based on the agreed term and conditions with customers which are generally when the services have been performed. These are included as part of the Fees and Commission in the statement of comprehensive loss.
(b) Penalties – are charges from deposit accounts that fall under dormancy or below maintaining balance. These fees are recognized at the time of dormancy or when the account falls below maintaining balance. Penalty is also imposed against non-payment of loans and receivables. These are included as part of the Fees and Commission in the statement of comprehensive loss.

(c) Gains or losses on sale of non-financial assets – This includes net gains or losses from the disposals of bank premises, furniture, fixtures and equipment and investment properties including gain or losses on foreclosures and repossessions of investment properties. The Bank recognizes the gain or loss on sale at a point in time or the time the control of the assets is transferred to the buyer, when the Bank does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold, and when the collectability of the entire sales price is reasonably assured. Thus, revenue is recognized at a point in time.

Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan covering all regular full-time employees that defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for these benefits remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The present value of the defined benefit obligation is calculated annually by an independent actuary. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

(b) Termination Benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Compensated Absences and Other Employee Benefits
Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. In addition, the Bank recognizes a liability and an expense for other employee benefits based on a formula that is fixed, regardless of the Bank's income after certain adjustments, and does not take into consideration the profit attributable to the Bank's shareholders. The Bank recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation. They are included in Accrued Expenses and Other Liabilities account in the statements of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

Taxes and licenses
This includes all other taxes, local and national, including gross receipts taxes, documentary stamp taxes, real estate taxes, licenses and permit fees that are recognized when incurred.

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

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

Right-of-use assets
At the commencement date of the lease (i.e., the date the underlying asset is available for use), the Bank recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Bank measures the right-of-use assets at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

The Bank presents the right-of-use assets in 'Bank premises, furniture, fixtures and equipment' and subjects it to impairment in line with the Bank's policy on impairment of nonfinancial assets.

Asset retirement obligation
Under the terms of the lease, the Bank is required to restore the leased office to its original condition at the end of the lease term. Accordingly, the Bank recognizes a provision calculated as the present value of the estimated expenditures required to remove any leasehold improvements. The cost is capitalized as part of the cost of the right-of-use asset over the lease term.

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

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The Bank determines the IBR based on the ultimate parent company's credit rating since the ultimate parent company is expected to fund the Bank's operations. After the commencement date of the lease, the Bank measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in 'Interest expense on lease liability'), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Short-term leases and leases of low-value assets
The Bank applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases that are considered of low value (i.e., below ₱250,000). The Bank recognizes short-term leases and leases of low-value assets in 'Administrative Expenses' in the statement of comprehensive loss.

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. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events. This also includes any provisions of the Bank for losses and provision for retirement of employees.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, taking into account the associated risks and uncertainties. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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 can be 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.

Income Taxes
Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply during the period when the asset is realized or the liability is settled, provided such tax rates have been enacted or substantively enacted at the end of reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statements of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

Events After the Reporting Period

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

(a) *Leases*

Bank as a lessee

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Extension and termination options

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

Estimating the IBR for lease liability

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liability is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank determines the IBR based on the ultimate parent company's credit rating since the ultimate parent company is expected to fund the Bank's operations.

The carrying values of the Bank's right-of-use asset and lease liability are disclosed in Notes 12 and 27, respectively.

(b) *Fair value of financial instruments*

When the fair values of financial assets and financial liabilities in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and default rates assumptions. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of the Bank's financial instruments are disclosed in Note 6.

(c) *Classification of financial assets*
The Bank classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Bank performs the business model assessment based on observable factors such as:

a) Performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel
b) Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
c) Basis of managers' compensation over the performance of the business model
d) Other information relevant to the determination of business model over the financial assets, including frequency and significance of sales transactions

In performing the SPPI test, the Bank applies judgment and considers relevant factors such as the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, securitization structure and other features that may modify the consideration for the time value of money.

(d) *Contingencies*
In the normal course of the Bank's operations, there are various legal proceedings. The estimate of the probable costs for the resolution of claims has been developed in consultation with the outside legal counsel handling the Bank's defense in these matters and is based on an analysis of potential results. The Bank currently does not believe that these proceedings will have a material adverse effect on the financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 29).

(e) *Judgments related to ECL*
The Bank utilizes several ECL models to calculate the allowance for credit losses for its financial assets. These models require several judgments from the aspects of staging assessment, selection of accounts for specific impairment, as well as selection of macroeconomic scenarios.
These judgments require assessments that may involve concurrence from the BOD and/or Senior Management. The following judgments are made in relation to the measurement of ECL:

1) Use of proxy rates for ECL in digital loans
Given that there are still insufficient data for the Bank to develop an ECL model for some of the digital loan products, the Bank used the proxy rates for PD (including impact of macroeconomic overlay) and LGD from several sources, which includes the following:
    a) Proxy rates from SeaMoney Credit Philippines, Inc. (SMCPH), for some loan products channeled from such affiliate.
    b) Proxy rates from internally developed models for loan products channeled from third parties.

    The Bank assessed that these proxy rates are applicable to their corresponding loan products on the basis of similarities in the features of the loan, as well as the credit risk associated with them.

2) Classification of loans between stages
PFRS 9 requires the Bank to perform staging assessment on its financial assets to determine their proper ECL measurement. This requires judgment as to the definition of default, as well as the presence of SICR since initial recognition. Defining these terms requires assessment

of internal credit risk management, as well as the product features and industry practice. Based on the Bank's assessment, there is an existence of SICR, across all loans, when a borrower becomes 31 days past due, while a borrower is defaulted at 91 days past due.

3) Selection of macroeconomic scenarios and their probabilities
PFRS 9 requires the Bank to measure ECL based on probability-weighted outcomes or scenarios, as well as reasonable and supportable information available, without undue cost and effort, considering, among others, future economic conditions. These macroeconomic scenarios and their forecasts should be based on the macroeconomic outlook determined by the Credit risk team and approved by the BOD, as well as the trend current and historical macroeconomic variables. The Bank identifies several scenarios which is applied in the ECL.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Expected credit losses on financial assets
The Bank’s ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- Credit risk characteristics of the portfolio and its segments, and its corresponding correlation with macroeconomic variables
- Recoverability from an asset upon its default
- Expected exposures from financial assets
- Appropriate models to be used in each component of ECL (i.e., PD, LGD, and EAD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

For provisions calculated on an individual basis, judgment made by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors including the credit rating of the counterparty based on Bank's policies, the estimated net selling prices of collateral, including the hold-out period of such collateral, and actual results may differ, at which event, the Bank adjusts the impairment loss and ensures that allowance for it remains adequate.

The gross carrying amounts of financial assets subject to ECL as of December 31, 2024 and 2023 and the related allowance for credit losses are disclosed in Notes 4, 9, 11 and 23.

b) Recognition of deferred tax assets
As of December 31, 2024, the Bank recognized net deferred tax assets amounting to ₱453.52 million. These deferred tax assets pertain to deductible temporary differences arising from allowance for credit losses. Management has assessed that it will continue to have sufficient taxable income in the future, since reporting a taxable income position in 2024, that matches the timing of reversal of temporary differences contributing to recognized deferred tax assets.

The Bank has not recognized deferred tax asset as of December 31, 2023 given the uncertainty of earning sufficient future taxable income established as of said report date.

The details of the recognized and unrecognized deferred tax assets are disclosed in Note 26.

c) *Present value of retirement obligation*
The cost of defined retirement plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and the long-term nature of this plan, such estimates are subject to significant uncertainty.

The expected rate of return on plan assets was determined based on market prices prevailing on the date of valuation applicable to the period over which the obligation is to be settled. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of statement of financial position date. The present value of the defined benefit obligation of the Bank and the details of assumptions used are disclosed in Note 20.

4. Financial Risk Management Objectives and Policies

Integrated Risk Management Framework
The Bank operates an integrated risk management system to address the risks it faces in its banking activities, including credit, market, liquidity and operation risks. The Bank's risk management objective is to adequately and consistently evaluate, manage, control, and monitor the risk profile of the Bank to optimize the risk-reward balance and maximize return on the Bank's capital.

Risk Responsibilities
The BOD directs the Bank's over-all risk management strategy and performs an oversight function on the Bank's implementation of its risk policies through the help of its independent functions – the Risk Management, Compliance, and the Internal Audit Departments.

Financial Risk Management
The Bank's financial instruments comprise of cash and cash equivalents, placements in government securities, loans receivables and payables, which arise from operations, and investments. Risks are inherent in these activities but are managed by the Bank through continuous process of identification, measurement, monitoring and mitigation of these risks, partly through the effective use of risk and authority limits, process controls and monitoring, and independent controls.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing each of these risks summarized below and in the succeeding pages.

Credit Risk
Credit risk is the potential loss arising from the failure of borrowers and/or counterparties to meet their contractual obligations. Credit risk is managed to achieve sustainable and superior risk-reward performance whilst maintaining exposures within acceptable risk appetite parameters.

The Bank has clearly defined credit risk policy and standards for the approval and management of credit risk, which defines guiding principles and parameters for credit activities as well as the roles and responsibilities of each individual and/or function within the over-all credit process. Credit policies and standards are periodically reviewed to ensure effectiveness and relevance.

The BOD has delegated the responsibility of overseeing the implementation and effective monitoring of enterprise-wide credit risk management framework and policies to Senior Management while entrusting the credit approval authority to Credit Committee on a predefined limit whilst reserving for itself approval authority for exposures exceeding these pre-set limits. Furthermore, Credit Risk Management is responsible for management of the Bank credit risk, including (i) formulating credit policies covering credit assessment, risk grading and reporting, and compliance with regulatory and statutory requirements, (ii) monitoring the Bank's credit portfolio and concentration risk exposures, (iii) reviewing and assessing credit risk, (iv) reviewing risk pricing, (v) maintaining the Bank's credit risk scorecards, (vi) recommending appropriate allowance for credit losses, and (vii) providing advice, guidance and specialist skills to business units, e.g. Loans, Credit Underwriting, and Credit Operations Department to promote best practice in the management of credit risk.

The Bank's credit exposures principally arise from lending, treasury and other activities undertaken by the Bank. Credit Risk is quantified through risk profile and performance metrics, (e.g., delinquency ratio, NPL, Write-off etc.) and these metrics are monitored and reported to the BOD on a monthly basis.

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

	2024			
	Gross Maximum Exposure*	**Fair Value of Collateral or Credit Enhancement**	**Financial Effect of Collateral or Credit Enhancement**	**Maximum Exposure to Credit Risk**
Consumer	**₱19,348,285,472**	**₱278,723,245**	**₱65,473,717**	**₱19,282,811,755**
Commercial	**76,662,155**	**351,210,050**	**76,629,449**	**32,705**
Mortgage	**5,273,243**	**30,024,014**	**5,273,243**	**–**
	₱19,430,220,870	**₱659,957,309**	**₱147,376,409**	**₱19,282,844,460**

**Net of unamortized discounts*

	2023			
	Gross Maximum Exposure*	Fair Value of Collateral or Credit Enhancement	Financial Effect of Collateral or Credit Enhancement	Maximum Exposure to Credit Risk
Consumer	₱11,658,431,561	₱324,123,003	₱72,110,190	₱11,586,321,371
Commercial	248,470,332	372,468,945	87,492,584	160,977,748
Mortgage	7,092,218	28,465,014	7,092,218	–
	₱11,913,994,111	₱725,056,962	₱166,694,992	₱11,747,299,119

**Net of unamortized discounts*

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

The main type of collateral obtained by the Bank is real estate mortgage, as well as clawback arrangements with third-party channeling partners upon reaching a particular days past due.

Due from BSP and Other Banks, and Investment securities at FVOCI and amortized cost
The credit risks for Due from BSP and other Banks, and Financial Assets at FVOCI and amortized costs are considered negligible, since the counterparties are reputable banks with high quality external credit ratings and with national government of the Philippines. Moreover, credit risks from related party transactions are also considered negligible as these have been settled shortly after year-end. Due from other banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of ₱500,000 per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, Amendment to Charter of PDIC.

In respect of Loans receivables – Consumer, the Bank is significantly exposed to the consumer segment due to the digital nature of the accounts wherein such significant credit exposure is concentrated to industry and economic sector under ‘Loans to individuals primarily for personal use purposes - others’.

Distribution/Concentration of credits:

	2024		2023	
	Amount*	**%**	Amount*	%
Loans to individuals primarily for personal use purposes - others	**₱18,576,360,747**	**95.60%**	₱–	–
Wholesale and retail trade, repair of motor vehicles, motorcycles	**727,009,780**	**3.74%**	40,494,614	0.34%
Real estate activities	**31,724,339**	**0.16%**	38,175,558	0.32%
Activities of households for own use	**31,430,420**	**0.16%**	11,604,380,779	97.39%
Salary-based general-purpose consumption	**21,076,243**	**0.11%**	23,068,046	0.19%
Construction	**15,137,637**	**0.08%**	17,179,658	0.14%
Accommodation and food service activities	**13,323,437**	**0.07%**	13,506,246	0.11%
Agriculture, forestry and fishing	**5,184,730**	**0.03%**	7,896,259	0.07%
Manufacturing	**3,954,884**	**0.02%**	6,537,630	0.05%
Transportation and storage	**2,288,854**	**0.01%**	159,132,391	1.34%
Education	**161,896**	**0.01%**	579,295	0.01%
Human health and social work activities	**–**	**0.00%**	45,284	0.01%
Other service activities	**2,567,903**	**0.01%**	2,998,351	0.03%
	₱19,430,220,870	**100.00%**	₱11,913,994,111	100.00%

**net of unamortized discount and other deferred credits*

Schedule of impaired non-performing receivables as of December 31:

	2024	2023
Loans *	**₱274,673,223**	₱178,636,776
Sales contract receivable	**–**	9,261,471
Total	**₱274,673,223**	₱187,898,247

**net of unamortized discount and other deferred credits*

Market Risk

Market risk is the risk to earnings and capital arising from adverse movements in factors that affect the market prices of instruments, products, and transactions that the Bank holds in its portfolio. The Bank has a conservative appetite for market risk, as reflected by its stable deposit base and low reliance on investment income. Moreover, it ensures that each investment is in accordance with current BSP regulations and internal policies.

Interest Rate Risk

The Bank follows a policy on managing its assets and liabilities to ensure that fluctuations in interest rates are kept within acceptable limits in accordance with BSP MORB 144 and 152. The Bank has in place a risk management system and processes to quantify and manage interest rate risk in the banking book (IRRBB). It uses measurement tools to quantify its exposure to IRRBB in terms of potential changes to both Economic Value of Equity (EVE) and Net Interest Income (NII).

Economic value measures are used to provide a view on potential long-term effects of an institution's overall IRRBB exposure. The Bank quantifies potential changes in economic value of equity, arising from movements in the underlying interest rates, by means of stress scenarios and repricing profile of certain interest rate-sensitive accounts.

NII represents the periodic value view of the bank's earnings. NII is defined as the difference between total interest income and total interest expense. The NII components relevant for IRRBB comprise risk-free rate, basis spreads and interest rate-sensitive and non-sensitive margins.

The table below demonstrates the sensitivity of economic value of equity, net interest income and fair value risk. EVE sensitivity reflects the impact of parallel and non-parallel yield curve shifts on the net present value of the Bank's equity (i.e., assets minus liabilities). NII sensitivity captures changes in the banking book gaps under a parallel shift. Fair value risk is also considered in the estimation of sensitivity of EVE and NII to interest rate fluctuations, affecting other comprehensive income and equity.

	2024		2023	
Change in basis points	**+100**	**-100**	+100	-100
EVE Sensitivity	**(₱14,364,477)**	**14,551,249**	(₱48,073,247)	₱48,664,436
Sensitivity of NII	**(₱40,822,585)**	**40,822,585**	(₱14,652,995)	₱14,652,995

Liquidity Risk

The Bank's liquidity risk is mainly due to the duration mismatch between assets and liabilities. Liquidity risk could snowball into crisis and trigger serious consequences such as a bank run. Liquidity shortfall happens when there is not enough cash flow generated from assets to meet the obligation that has become due. The Bank has a conservative appetite for liquidity risk and has various options for contingency funding in the event of a liquidity crunch. Liquidity risk is quantified into performance metrics (e.g., Minimum Liquidity Ratio) and these metrics are stress tested under various scenarios and reported to the Board on a monthly basis.

The analysis of the maturity groupings of the Bank's financial assets and financial liabilities made and disclose in these financial statements. For the purpose of disclosure and to reflect the situational liquidity position, amount of Savings and Demand Deposits are presented in the earliest time bucket.

	2024				
	Due within three months	**Due beyond three months but within six months**	**Due beyond six months but within one year**	**Due beyond one year**	**Total**
Financial assets					
Cash and other cash items	**₱8,220,072**	**₱–**	**₱–**	**₱–**	**₱8,220,072**
Due from Bangko Sentral ng Pilipinas	**8,787,139,827**	**–**	**–**	**–**	**8,787,139,827**
Due from other banks	**405,912,564**	**–**	**–**	**–**	**405,912,564**
Financial assets at FVOCI*	**6,366,108,219**	**620,358,559**	**298,310,441**	**499,257,945**	**7,784,035,164**
Investment securities at amortized cost*	**1,780,576**	**600,040**	**2,332,314**	**14,495,482**	**19,208,412**
Loans and sales contract receivables*	**14,342,049,746**	**4,330,914,409**	**2,815,953,195**	**106,420,198**	**21,595,337,548**
Security deposit	**632,457**	**–**	**3,686,645**	**58,373,006**	**62,692,108**
Total	**29,911,843,461**	**4,951,873,008**	**3,120,282,595**	**678,546,631**	**38,662,545,695**
Financial liabilities					
Deposit liabilities	**32,702,376,779**	**–**	**–**	**–**	**32,702,376,779**
Accrued expenses & other liabilities**	**2,351,345,638**	**–**	**–**	**–**	**2,351,345,638**
Lease liability*	**6,426,889**	**8,597,157**	**17,250,118**	**15,689,657**	**47,963,821**
Total	**35,060,149,306**	**8,597,157**	**17,250,118**	**15,689,657**	**35,101,686,238**
Positive (negative) liquidity gap	**(5,279,913,184)**	**4,943,275,851**	**3,103,032,477**	**662,856,974**	**3,560,859,457**
Cumulative total gap	**(₱5,279,913,184)**	**(₱205,029,994)**	**₱2,898,002,483**	**₱3,560,859,457**	**₱3,560,859,457**

**includes future interest*
***includes accounts payable and accrued interest payable*

	2023				
	Due within three months	Due beyond three months but within six months	Due beyond six months but within one year	Due beyond one year	Total
Financial assets					
Cash and other cash items	₱10,105,683	₱–	₱–	₱–	₱10,105,683
Due from Bangko Sentral ng Pilipinas	1,612,904,927	–	–	–	1,612,904,927
Due from other banks	2,286,775,965	–	–	–	2,286,775,965
Financial assets at FVOCI*	1,408,156,277	6,550,170	301,534,800	637,666,578	2,353,907,825
Investment securities at amortized cost*	2,706,102	633,544	2,552,670	18,939,078	24,831,394
Loans and sales contract receivables*	9,902,847,580	2,668,334,474	1,119,012,574	127,509,806	13,817,704,434
Security deposit	–	–	3,518,332	4,058,579	7,576,911
Total	15,223,496,534	2,675,518,188	1,426,618,376	788,174,041	20,113,807,139
Financial liabilities					
Deposit liabilities	15,754,529,734	2,315,945	40,374	–	15,756,886,053
Accrued expenses & other liabilities**	1,035,054,136	–	–	–	1,035,054,136
Lease liability*	6,131,479	6,426,890	12,853,779	26,712,434	52,124,582
Total	16,795,715,349	8,742,835	12,894,153	26,712,434	16,844,064,771
Positive (negative) liquidity gap	(1,572,218,815)	2,666,775,353	1,413,724,223	761,461,607	3,269,742,368
Cumulative total gap	(₱1,572,218,815)	₱1,094,556,538	₱2,508,280,761	₱3,269,742,368	₱3,269,742,368

**includes future interest*
***includes accounts payable and accrued interest payable*

Operation Risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events.

The Bank has an Operational Risk Management Policy which outlines the principles and standards for implementing operational risk management activities. Center to this policy is ensuring the proper identification, measurement, and management of operational risks that the Bank faces in pursuit of its strategic goals.

All departments are responsible for managing operational risk within their lines of business by implementing adequate internal controls, and risk mitigation strategies and processes.

The Operational Risk Management Unit, as the second line of defense, provides an independent oversight to the operational risk management activities of the Bank. This includes the review of procedures, recommendation of appropriate internal controls, implementation of risk assessment tools such as risk event and issue reporting system, and reporting of operational risk status of the Bank to the Board and Senior Management.

Likewise, various operational risk-related policies and procedures are in place to manage risk associated with new product review, outsourcing, business continuity management, incident and issue management, among others.

5. Maturity Analysis of Assets and Liabilities

The table below summarizes the maturity profile of the Bank's assets and liabilities based on the applicable undiscounted contractual payments as of December 31, 2024 and 2023:

	2024			2023		
	Less than twelve months	**Over twelve months**	**Total**	Less than twelve months	Over twelve months	Total
Financial assets						
Cash and other cash items	**₱8,220,072**	**₱–**	**₱8,220,072**	₱10,105,683	₱–	₱10,105,683
Due from Bangko Sentral ng Pilipinas	**8,787,139,827**	**–**	**8,787,139,827**	1,612,904,927	–	1,612,904,927
Due from other banks	**405,912,564**	**–**	**405,912,564**	2,286,775,965	–	2,286,775,965
Financial assets at FVOCI	**7,139,381,071**	**601,263,101**	**7,740,644,172**	1,678,942,442	606,208,717	2,285,151,159
Investment securities at amortized cost*	**4,006,227**	**13,175,854**	**17,182,081**	5,030,820	17,000,244	22,031,064
Loans and receivables**	**22,708,326,951**	**73,658,208**	**22,781,985,159**	13,191,466,385	97,352,281	13,288,818,666
Other assets***	**4,319,102**	**58,373,005**	**62,692,107**	3,518,332	4,058,579	7,576,911
	39,057,305,814	**746,470,168**	**39,803,775,982**	18,788,744,554	724,619,821	19,513,364,375
Nonfinancial assets						
Bank premises, furniture, fixtures and equipment****	**–**	**94,850,248**	**94,850,248**	–	161,985,046	161,985,046
Investment properties****	**–**	**2,135,312**	**2,135,312**	–	2,272,976	2,272,976
Intangible assets****	**–**	**5,415,737**	**5,415,737**	–	216,973	216,973
Deferred tax assets	**–**	**453,523,267**	**453,523,267**	–	–	–
Other assets*****	**18,851,144**	**109,493**	**18,960,637**	12,074,593	109,490	12,184,083
	18,851,144	**556,034,057**	**574,885,201**	12,074,593	164,584,485	176,659,078
	39,076,156,958	**1,302,504,225**	**40,378,661,183**	18,800,819,147	889,204,306	19,690,023,453
Less:						
Allowance for credit losses	**(1,814,854,169)**	**(567,917)**	**(1,815,422,086)**	(1,093,268,831)	(1,044,588)	(1,094,313,419)
Unearned discounts on loans and receivables	**(2,375,253)**	**–**	**(2,375,253)**	(3,072,107)	–	(3,072,107)
	₱37,258,927,536	**₱1,301,936,308**	**₱38,560,863,844**	₱17,704,478,209	₱888,159,718	₱18,592,637,927
Financial liabilities						
Deposit liabilities	**₱32,702,376,779**	**₱–**	**₱32,702,376,779**	₱15,756,886,053	₱–	₱15,756,886,053
Accrued expenses and other liabilities******	**2,482,952,977**	**10,594,393**	**2,493,547,370**	1,109,984,045	10,594,393	1,120,578,438
Lease liability	**30,997,209**	**15,096,363**	**46,093,572**	23,801,783	26,121,113	49,922,896
	35,216,326,965	**25,690,756**	**35,242,017,721**	16,890,671,881	36,715,506	16,927,387,387
Nonfinancial liabilities						
Accrued expenses and other liabilities*******	**150,578,768**	**–**	**150,578,768**	**105,203,089**	**–**	105,203,089
Deferred tax liabilities	**–**	**–**	**–**	**–**	**321,477**	321,477
Retirement liability	**–**	**25,658,280**	**25,658,280**	**–**	**31,942,391**	31,942,391
Income tax payable	**113,249,726**	**–**	**113,249,726**	**12,379,908**	**–**	12,379,908
	263,828,494	**25,658,280**	**289,486,774**	117,582,997	32,263,868	149,846,865
	₱35,480,155,459	**₱51,349,036**	**₱35,531,504,495**	₱17,008,254,878	₱68,979,374	₱17,077,234,252

**Net of unamortized discount*
***Gross of unearned interest discount and allowance for credit losses.*
****Other assets under financial assets include security deposits*
*****Net of accumulated depreciation and allowance for impairment losses.*
******Other assets under non-financial assets include prepaid expenses, prepaid documentary stamps, stationery and office supplies and other miscellaneous assets.*
*******Accrued expenses and other liabilities under financial liabilities include accounts payable, accrued expenses, provision on asset retirement obligation, accrued interest payable, deposit for future stock subscription and other miscellaneous liabilities.*
********Accrued expenses and other liabilities under non-financial liabilities include taxes payable.*

6. Fair Value Measurement and Disclosures

The Bank used the following methods and assumptions in estimating the fair value of its assets and liabilities:

Asset and Liabilities	Fair Value Methodologies
Cash equivalents	At carrying amounts due to their relatively short-term maturity
Investment securities	For quoted securities – based on market prices from debt exchanges For unquoted securities* - estimated using either: Quoted market prices of comparable investments*; or Discounted cash flow methodology**
Loans and receivables	For loans with fixed interest rates – estimated using the discounted cash flow methodology**
Investment properties*	Appraisal by in-house appraiser based on highest and best use of the property (i.e., current use of the properties)*** using market data approach****
Short-term financial asset	At carrying amounts due to their relatively short-term maturity
Short-term financial liabilities	At carrying amounts due to their relatively short-term maturity

**using interpolated PHP BVAL rates provided by the Philippine Dealing and Exchange Corporation*
***using the current incremental lending rates for similar loan*
****considering other factors such as size, shape and location of the properties, price per square meter, reproduction costs new, time element, discount, among others*
*****using recent sales of similar properties within the same vicinity and considering the economic conditions prevailing at the time of the valuations and comparability of similar properties sold*

Fair Value Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:

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

Financial assets and liabilities

The Bank held the following financial assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

			2024		
	Carrying values	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial assets at FVOCI	**₱7,740,644,172**	**₱7,740,644,172**	**₱–**	**₱–**	**₱7,740,644,172**
Financial assets at amortized cost:					
Investment securities at amortized cost*	**17,182,081**	**–**	**17,488,729**	**–**	**17,488,729**
Loans and receivables**					
Consumer	**17,609,576,316**	**–**	**–**	**19,347,914,255**	**19,347,914,255**
Commercial	**75,506,952**	**–**	**–**	**74,896,362**	**74,896,362**
Mortgage	**5,213,899**	**–**	**–**	**5,273,243**	**5,273,243**
Total	**₱25,448,123,420**	**₱7,740,644,172**	**₱17,488,729**	**₱19,428,083,860**	**₱27,186,216,761**

**net of unamortized discount (Note 8)*
***net of unamortized discount and other deferred credits and allowance for probable losses (Note 9)*

	2023				
	Carrying values	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at FVOCI	₱2,285,151,159	₱2,285,151,159	₱–	₱–	₱2,285,151,159
Financial assets at amortized cost:					
Investment securities at amortized cost*	22,031,064	–	22,372,514	–	22,372,514
Loans and receivables**					
Consumer	10,614,145,165	–	–	13,542,188,575	13,542,188,575
Commercial	245,630,948	–	–	253,651,152	253,651,152
Mortgage	7,091,616	–	–	8,773,577	8,773,577
Total	₱13,174,049,952	₱2,285,151,159	₱22,372,514	₱13,804,613,304	₱16,112,136,977

**net of unamortized discount (Note 8)*
***net of unamortized discount and other deferred credits and allowance for probable losses (Note 9)*

Carrying amounts of deposit liabilities approximate fair values due to either the demand nature or the relatively short-term maturities of these liabilities.

Non-financial assets
The table below shows the non-financial assets measured at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	2024				
	Carrying values	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment properties*					
Land	**₱815,222**	**₱–**	**₱–**	**₱4,677,500**	**₱4,677,500**
Building	**1,320,090**	**–**	**–**	**3,158,000**	**3,158,000**
Total	**₱2,135,312**	**₱–**	**₱–**	**₱7,835,500**	**₱7,835,500**

**net of accumulated depreciation and allowance for impairment losses (Note 13)*

	2023				
	Carrying values	Level 1	Level 2	Level 3	Total
Investment properties*					
Land	₱1,113,997	₱–	₱–	₱6,969,400	₱6,969,400
Building	1,158,979	–	–	2,840,000	2,840,000
Total	₱2,272,976	₱–	₱–	₱9,809,400	₱9,809,400

**net of accumulated depreciation and allowance for impairment losses (Note 13)*

As of December 31, 2024 and 2023, there were no transfers between levels 1, 2 and 3 measurements.

7. Cash and Other Cash Items, Due from BSP and Due from Other Banks

Cash and cash equivalents include the following components as of December 31:

	2024	2023
Cash and other cash items	**₱8,220,072**	₱10,105,683
Due from BSP	**8,787,139,827**	1,612,904,927
Due from other banks	**405,912,564**	2,286,775,965
	₱9,201,272,463	₱3,909,786,575

Other cash items include checks drawn on other banks after the clearing cut-off time until close of the regular banking hours.

Due from BSP represents the aggregate balance of non-interest-bearing deposit accounts in local currencies that is used for reserves and serves as a clearing account for interbank claims.

As of December 31, 2024 and 2023, the Bank is subject to reserve requirements against its deposit liabilities equivalent to 0.00% and 1.00%, respectively. The Bank is in compliance with the reserve requirements of the BSP as at December 31, 2024 and 2023.

Due from other banks represent clearing and other depository accounts with other banks which earn interest based on average daily balance at a depository bank's deposit interest rates ranging from 0.00% to 5.00% per annum in 2024 and 2023. This account consists of the following:

	2024	2023
Demand deposit	**₱6,256,654**	₱26,453,595
Savings deposit	**99,655,910**	750,322,370
Time deposit	**300,000,000**	1,510,000,000
	₱405,912,564	₱2,286,775,965

Interest income earned from due from other banks as of the indicated periods are shown below:

	2024	2023
Savings Deposit	**₱43,695,973**	₱42,237,622
Time Deposit	**43,320,621**	118,438,950
Demand deposit	**8,948**	11,738
	₱87,025,542	₱160,688,310

8. Investment Securities

This account consists of:

	2024	2023
Financial assets at FVOCI	**₱7,740,644,172**	₱2,285,151,159
Investment securities at amortized cost	**17,182,081**	22,031,064
	₱7,757,826,253	₱2,307,182,223

Financial Assets at FVOCI

Financial assets at FVOCI consist of:

	2024	2023
Treasury bills	**₱6,990,321,043**	₱1,178,984,667
Fixed rate treasury notes	**701,163,133**	695,424,162
Retail treasury bonds	**49,159,996**	410,742,330
	₱7,740,644,172	₱2,285,151,159

The effective interest rates of financial assets at FVOCI range from 4.00% to 6.01% and from 2.94% to 6.73% in 2024 and 2023, respectively. Interest income earned from these investments amounted to ₱299.5 million and ₱191.3 million in 2024 and 2023, respectively.

The movements in net unrealized losses on financial assets at FVOCI follow:

	2024	2023
Balance at beginning of year	**(₱4,309,225)**	(₱26,092,978)
Net changes shown in other comprehensive income:		
Fair value changes on financial assets at FVOCI during the period	**891,975**	35,298,975
Realized gains on sale of financial assets at FVOCI	**–**	(13,515,222)
Balance at end of year	**(₱3,417,250)**	(₱4,309,225)

Investment Securities at Amortized Cost

Investment securities at amortized cost consists of:

	2024	2023
Agrarian reform bonds	**₱17,713,674**	₱22,720,560
Unamortized discount	**(531,593)**	(689,496)
	₱17,182,081	₱22,031,064

Movements in investment securities at amortized cost are summarized below:

	2024	2023
Balance at beginning of year	**₱22,031,064**	₱38,870,217
Maturities	**(5,006,886)**	(17,040,884)
Amortization of discount	**157,903**	201,731
Balance at end of year	**₱17,182,081**	₱22,031,064

The effective interest rates of investment securities at amortized cost range from 5.42% to 5.92% and from 4.24% to 5.75% in 2024 and 2023, respectively. Interest income earned from these investments amounted to ₱1.3 million and ₱1.6 million in 2024 and 2023, respectively.

Investment securities represent 100.00% risk-free investment in government debt securities which were availed of through authorized underwriters.

The Bank does not provide any allowance for credit losses as these investments are reasonably collectible and the credit quality of issuers of investments may not be materially affected by the present economic behavior. These investments were availed of from and guaranteed by the National Government.

9. Loans and Other Receivables

Loans and receivables net of discount are disclosed below:

	2024	2023
Consumer loans	**₱19,350,636,960**	₱11,660,743,205
Commercial loans	**76,685,920**	249,230,795
Mortgage loans	**5,273,243**	7,092,218
	19,432,596,123	11,917,066,218

(Forward)

	2024	2023
Unamortized discount and other deferred credits	**(₱2,375,253)**	(₱3,072,107)
	19,430,220,870	11,913,994,111
Other receivables		
Accounts receivables (Note 25)	**2,939,700,573**	1,132,233,914
Accrued interest receivables	**409,688,463**	226,524,464
Sales contract receivables – net of unamortized discount (Note 10)	–	12,994,070
	3,349,389,036	1,371,752,448
	22,779,609,906	13,285,746,559
Allowance for credit losses (Note 11)	**(1,815,422,086)**	(1,094,313,419)
	₱20,964,187,820	₱12,191,433,140

Consumer loans primarily consist of loans offered digitally through the Bank's mobile application, loans from Shopee's mobile application which are channeled to the Bank by an affiliate, and loans channeled by third parties.

The loan accounts include loan items in litigation.

Interest-bearing loans and other receivables earn interest ranging from 9.00% to 63.4% and 5.00% to 63.4% per annum in 2024 and 2023, respectively. The following shows the breakdown of interest income from loans and other receivables:

	2024	2023
Consumer	**₱5,367,005,640**	₱2,492,261,013
Commercial	**17,149,563**	19,579,066
Mortgage	**1,130,254**	756,022
Sales contract receivables (Note 10)	**390,700**	1,301,224
	₱5,385,676,157	₱2,513,897,325

10. **Sales Contract Receivables**

This refers to the amortized cost of the selling price of assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of selling price.

	2024	2023
Current and performing	**₱–**	₱3,829,657
Non-performing	–	9,261,471
Gross sales contract receivables	–	13,091,128
Unamortized discount	–	(97,058)
	–	12,994,070
Allowance for credit losses (Note 11)	–	(5,978,456)
Sales contract receivables – net	**₱–**	₱7,015,614

In 2024 and 2023, the Bank recognized provision for (reversal of) credit losses for sales contract receivables including related accrued interest receivable amounting to (₱6.0 million) and (₱0.3 million), respectively (Notes 11 and 23).

These receivables earn interest ranging from 8.00% to 14.00%. The total interest income recognized from these receivables amounted to ₱0.4 million and ₱1.3 million for the years ended December 31, 2024 and 2023, respectively, and the amount is included in the Statements of Comprehensive Income (Loss) under 'Interest Income – loans and receivables'.

11. Allowance for Credit Losses

Allowance for Credit Losses consists of the following:

	2024	2023
Financial assets		
Loans and receivables		
Consumer	**₱1,738,685,213**	₱1,044,286,396
Commercial	**1,178,968**	2,839,384
Mortgage	**594**	602
	1,739,864,775	1,047,126,382
Other receivables		
Sales contract receivables	–	5,978,456
Accrued interest receivables	**72,845,797**	38,999,492
Account receivables	**2,711,514**	2,209,089
	75,557,311	47,187,037
	₱1,815,422,086	₱1,094,313,419

Changes in the allowance for credit losses are as follows:

	2024	2023
Balance at beginning of year	**₱1,094,313,419**	₱200,205,410
Additions to allowance	**3,116,971,412**	1,803,941,619
Reversals, including rescission of SCR	**(4,480,418)**	–
Write-offs	**(2,391,382,327)**	(909,833,610)
Balance at the end of year	**₱1,815,422,086**	₱1,094,313,419

In 2024 and 2023, the Bank has written-off loans and receivables amounting to ₱2.39 billion and ₱0.91 billion, respectively, through a series of Board Resolutions.

The tables below illustrate the movements of the allowance for credit losses, and its comparative figures. (Changes in ECL for assets transferred between stages are presented in the Total column)

	2024			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and Receivables				
Allowance for credit losses, January 1	**₱577,709,733**	**₱303,803,067**	**₱165,613,582**	**₱1,047,126,382**
Movements with P&L impact				
Transfers				
From Stage 1	**(5,982,334)**	**3,163,352**	**2,818,982**	**–**
From Stage 2	**155,914**	**(176,818)**	**20,904**	**–**
From Stage 3	**608,007**	**–**	**(608,007)**	**–**
Newly originated financial assets*	**951,181,134**	**518,640,452**	**253,724,175**	**1,723,545,761**
Derecognition of financial assets	**(570,095,957)**	**(303,619,246)**	**(162,286,735)**	**(1,036,001,938)**

(Forward)

	2024			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Changes in the ECL model components	**(₱1,614,445)**	**₱2,805,933**	**₱2,239,489,243**	**₱2,240,680,731**
Total net P&L charge during the period	**374,252,319**	**220,813,673**	**2,333,158,562**	**2,928,224,554**
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	–	**(2,235,486,161)**	**(2,235,486,161)**
Allowance for credit losses, December 31	**₱951,962,052**	**₱524,616,740**	**₱263,285,983**	**₱1,739,864,775**

** Allowance on originated loans in 2024 that was retained in stage 1 and transferred to stages 2 and 3*

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Loans and Receivables				
Allowance for credit losses, January 1	₱143,415,346	₱26,378,339	₱18,746,874	₱188,540,559
Movements with P&L impact				
Transfers				
From Stage 1	(1,302,641)	750,414	552,227	–
From Stage 2	612,196	(938,272)	326,076	–
From Stage 3	3,828,450	2,678,031	(6,506,481)	–
Newly originated financial assets*	577,196,658	301,856,344	158,598,405	1,037,651,407
Derecognition of financial assets	(111,437,428)	(2,580,492)	(5,946,469)	(119,964,389)
Changes in the ECL model components	105,846,442	3,644,372	675,378,340	784,869,154
Total net P&L charge during the period	574,743,677	305,410,397	822,402,098	1,702,556,172
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(140,449,290)	(27,985,669)	(675,535,390)	(843,970,349)
Allowance for credit losses, December 31	₱577,709,733	₱303,803,067	₱165,613,582	₱1,047,126,382

** Allowance on originated loans in 2023 that was retained in stage 1 and transferred to stages 2 and 3f*

	2024			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Consumer Lending				
Allowance for credit losses, January 1	**₱577,663,275**	**₱303,778,826**	**₱162,844,295**	**₱1,044,286,396**
Movements with P&L impact				
Transfers				
From Stage 1	**(5,982,274)**	**3,163,352**	**2,818,922**	–
From Stage 2	**155,914**	**(161,540)**	**5,626**	–
From Stage 3	**608,007**	–	**(608,007)**	–
Newly originated financial assets*	**951,178,404**	**518,267,950**	**253,724,175**	**1,723,170,529**
Derecognition of financial assets	**(570,056,145)**	**(303,610,283)**	**(160,085,999)**	**(1,033,752,427)**
Changes in the ECL model components	**(1,789,738)**	**2,805,933**	**2,239,435,198**	**2,240,451,393**
Total net P&L charge during the period	**374,114,168**	**220,465,412**	**2,335,289,915**	**2,929,869,495**
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	–	**(2,235,470,678)**	**(2,235,470,678)**
Allowance for credit losses, December 31	**₱951,777,443**	**₱524,244,238**	**₱262,663,532**	**₱1,738,685,213**

** Allowance on originated loans in 2024 that was retained in stage 1 and transferred to stages 2 and 3*

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Consumer Lending				
Allowance for credit losses, January 1	₱143,353,721	₱25,823,280	₱14,571,942	₱183,748,943
Movements with P&L impact				
Transfers				
From Stage 1	(1,302,358)	750,414	551,944	–
From Stage 2	560,897	(700,257)	139,360	–
From Stage 3	2,557,094	2,587,933	(5,145,027)	–
Newly originated financial assets*	577,155,702	301,856,343	158,366,847	1,037,378,892
Derecognition of financial assets	(111,419,920)	(2,573,465)	(4,670,378)	(118,663,763)
Changes in the ECL model components	107,207,429	3,607,179	674,507,717	785,322,325
Total net P&L charge during the period	574,758,844	305,528,147	823,750,463	1,704,037,454
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(140,449,290)	(27,572,601)	(675,478,110)	(843,500,001)
Allowance for credit losses, December 31	₱577,663,275	₱303,778,826	₱162,844,295	₱1,044,286,396

** Allowance on originated loans in 2023 that was retained in stage 1 and transferred to stages 2 and 3*

	2024			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Commercial Lending				
Allowance for credit losses, January 1	**₱45,856**	**₱24,241**	**₱2,769,287**	**₱2,839,384**
Movements with P&L impact				
Transfers				
From Stage 1	**(60)**	**–**	**60**	**–**
From Stage 2	**–**	**(15,278)**	**15,278**	**–**
From Stage 3	–	–	–	–
Newly originated financial assets*	**2,569**	**372,502**	**–**	**375,071**
Derecognition of financial assets	**(39,675)**	**(8,963)**	**(2,200,736)**	**(2,249,374)**
Changes in the ECL model components	**175,325**	**–**	**54,045**	**229,370**
Total net P&L charge during the period	**138,159**	**348,261**	**(2,131,353)**	**(1,644,933)**
Other movements without P&L impact				
Write-offs, foreclosures and other movements	**–**	**–**	**(15,483)**	**(15,483)**
Allowance for credit losses, December 31	**₱184,015**	**₱372,502**	**₱622,451**	**₱1,178,968**

** Allowance on originated loans in 2024 that was retained in stage 1 and transferred to stages 2 and 3*

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Commercial Lending				
Allowance for credit losses, January 1	₱60,786	₱521,260	₱4,174,932	₱4,756,978
Movements with P&L impact				
Transfers				
From Stage 1	(283)	–	283	–
From Stage 2	18,659	(205,375)	186,716	–
From Stage 3	1,271,356	90,098	(1,361,454)	–
Newly originated financial assets*	40,696	–	231,558	272,254
Derecognition of financial assets	(17,508)	(5,868)	(1,276,091)	(1,299,467)

(Forward)

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Changes in the ECL model components	(₱1,327,850)	₱37,194	₱870,623	(₱420,033)
Total net P&L charge during the period	(14,930)	(83,951)	(1,348,365)	(1,447,246)
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	(413,068)	(57,280)	(470,348)
Allowance for credit losses, December 31	₱45,856	₱24,241	₱2,769,287	₱2,839,384

** Allowance on originated loans in 2023 that was retained in stage 1 and transferred to stages 2 and 3*

	2024			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Mortgage Lending				
Allowance for credit losses, January 1	**₱602**	**₱–**	**₱–**	**₱602**
Movements with P&L impact				
Transfers				
From Stage 1	–	–	–	–
From Stage 2	–	–	–	–
From Stage 3	–	–	–	–
Newly originated financial assets*	**161**	–	–	**161**
Derecognition of financial assets	**(137)**	–	–	**(137)**
Changes in the ECL model components	**(32)**	–	–	**(32)**
Total net P&L charge during the period	**(8)**	–	–	**(8)**
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	–	–	–
Allowance for credit losses, December 31	**₱594**	**₱–**	**₱–**	**₱594**

** Allowance on originated loans in 2024 that was retained in stage 1 and transferred to stages 2 and 3*

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Mortgage Lending				
Allowance for credit losses, January 1	₱839	₱33,799	₱–	₱34,638
Movements with P&L impact				
Transfers				
From Stage 1	–	–	–	–
From Stage 2	32,640	(32,640)	–	–
From Stage 3	–	–	–	–
Newly originated financial assets*	260	–	–	260
Derecognition of financial assets	–	(1,159)	–	(1,159)
Changes in the ECL model components	(33,137)	–	–	(33,137)
Total net P&L charge during the period	(237)	(33,799)	–	(34,036)
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	–	–	–
Allowance for credit losses, December 31	₱602	₱–	₱–	₱602

** Allowance on originated loans in 2023 that was retained in stage 1 and transferred to stages 2 and 3*

	2024			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Other Financial Assets				
Allowance for credit losses, January 1	**₱13,076,414**	**₱17,317,106**	**₱16,793,517**	**₱47,187,037**
Movements with P&L impact				
Transfers				
From Stage 1	**(15,450)**	**8,043**	**7,407**	–
From Stage 2	–	**(145)**	**145**	–
From Stage 3	–	–	–	–
Newly originated financial assets*	**23,125,538**	**33,287,181**	**18,537,257**	**74,949,976**
Derecognition of financial assets	**(10,504,026)**	**(17,316,883)**	**(16,456,827)**	**(44,277,736)**
Changes in the ECL model components	**(2,536,993)**	**225,525**	**155,905,668**	**153,594,200**
Total net P&L charge during the period	**10,069,069**	**16,203,721**	**157,993,650**	**184,266,440**
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	–	**(155,896,166)**	**(155,896,166)**
Allowance for credit losses, December 31	**₱23,145,483**	**₱33,520,827**	**₱18,891,001**	**₱75,557,311**

** Allowance on originated loans in 2024 that was retained in stage 1 and transferred to stages 2 and 3*

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Other Financial Assets				
Allowance for credit losses, January 1	₱3,824,560	₱1,434,570	₱6,405,721	₱11,664,851
Movements with P&L impact				
Transfers				
From Stage 1	(39,877)	22,876	17,001	–
From Stage 2	3,355	(4,256)	901	–
From Stage 3	17,671	37,643	(55,314)	–
Newly originated financial assets*	13,063,227	17,218,453	10,657,505	40,939,185
Derecognition of financial assets	(2,660,530)	(114,043)	(60,125)	(2,834,698)
Changes in the ECL model components	9,893,414	518,803	52,868,743	63,280,960
Total net P&L charge during the period	20,277,260	17,679,476	63,428,711	101,385,447
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(11,025,406)	(1,796,940)	(53,040,915)	(65,863,261)
Allowance for credit losses, December 31	₱13,076,414	₱17,317,106	₱16,793,517	₱47,187,037

** Allowance on originated loans in 2023 that was retained in stage 1 and transferred to stages 2 and 3*

The corresponding movement of the gross carrying amount of the financial assets for year 2024, and its comparative figures are shown below:

	2024			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and Receivables (gross of unearned interest and discounts)				
Gross carrying amount, January 1	**₱11,366,741,691**	**₱371,686,942**	**₱178,637,585**	**₱11,917,066,218**
Transfers				
From Stage 1	**(67,952,451)**	**37,948,533**	**30,003,918**	–
From Stage 2	**1,269,959**	**(1,352,311)**	**82,352**	–
From Stage 3	**1,428,883**	–	**(1,428,883)**	–
Newly originated financial assets*	**18,443,625,350**	**622,106,536**	**2,494,707,880**	**21,560,439,766**
Derecognition of financial assets	**(11,173,581,743)**	**(368,777,600)**	**(172,292,161)**	**(11,714,651,503)**
Changes in balance	**(45,114,536)**	**(31,474,733)**	**(18,182,928)**	**(94,772,197)**
	7,159,675,462	**258,450,425**	**2,332,890,178**	**9,751,016,066**
Write-offs, foreclosures and other movements	–	–	**(2,235,486,161)**	**(2,235,486,161)**
Gross carrying amount, December 31	**₱18,526,417,153**	**₱630,137,367**	**₱276,041,602**	**₱19,432,596,123**

** Allowance on originated loans in 2024 that was retained in stage 1 and transferred to stages 2 and 3*

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Loans and Receivables (gross of unearned interest and discounts)				
Gross carrying amount, January 1	₱2,944,978,684	₱58,417,414	₱40,398,102	₱3,043,794,200
Transfers				
From Stage 1	(17,724,660)	9,452,418	8,272,242	–
From Stage 2	10,410,561	(12,615,639)	2,205,078	–
From Stage 3	16,195,298	4,055,230	(20,250,528)	–
Newly originated financial assets*	16,376,190,184	531,120,038	19,305,459,514	36,212,769,736
Derecognition of financial assets	(3,159,099,205)	(15,383,878)	(11,456,763)	(3,185,939,846)
Changes in balance	(4,663,759,881)	(175,372,972)	(18,470,454,669)	(23,309,587,522)
	8,562,212,297	341,255,197	813,774,874	9,717,242,368
Write-offs, foreclosures and other movements	(140,449,290)	(27,985,669)	(675,535,391)	(843,970,350)
Gross carrying amount, December 31	₱11,366,741,691	₱371,686,942	₱178,637,585	₱11,917,066,218

** Allowance on originated loans in 2023 that was retained in stage 1 and transferred to stages 2 and 3*

	2024			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Consumer Lending				
Gross carrying amount, January 1	**₱11,115,898,324**	**₱370,038,774**	**₱174,806,107**	**₱11,660,743,205**
Transfers				
From Stage 1	**(67,671,035)**	**37,948,533**	**29,722,502**	–
From Stage 2	**1,269,959**	**(1,277,102)**	**7,143**	–
From Stage 3	**1,428,883**	–	**(1,428,883)**	–
Newly originated financial assets*	**18,416,696,566**	**619,950,536**	**2,494,707,880**	**21,531,354,982**
Derecognition of financial assets	**(10,988,404,978)**	**(368,754,280)**	**(169,689,945)**	**(11,526,849,203)**
Changes in balance	**(30,211,347)**	**(30,945,913)**	**(17,984,087)**	**(79,141,347)**
	7,333,108,050	**256,921,774**	**2,335,334,610**	**9,925,364,432**
Write-offs, foreclosures and other movements	–	–	**(2,235,470,678)**	**(2,235,470,678)**
Gross carrying amount, December 31	**₱18,449,006,374**	**₱626,960,548**	**₱274,670,039**	**₱19,350,636,960**

** Allowance on originated loans in 2024 that was retained in stage 1 and transferred to stages 2 and 3*

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Consumer Lending				
Gross carrying amount, January 1	₱2,863,564,907	₱43,186,914	₱21,148,867	₱2,927,900,688
Transfers				
From Stage 1	(17,294,276)	9,452,418	7,841,858	–
From Stage 2	5,327,681	(6,219,359)	891,678	–
From Stage 3	3,862,441	3,930,959	(7,793,400)	–
Newly originated financial assets*	15,678,878,890	531,120,038	19,304,859,514	35,514,858,442
Derecognition of financial assets	(2,654,501,399)	(8,971,613)	(6,959,368)	(2,670,432,380)
Changes in balance	(4,623,490,630)	(174,887,981)	(18,469,704,932)	(23,268,083,543)
	8,392,782,707	354,424,462	829,135,350	9,576,342,519
Write-offs, foreclosures and other movements	(140,449,290)	(27,572,602)	(675,478,110)	(843,500,002)
Gross carrying amount, December 31	₱11,115,898,324	₱370,038,774	₱174,806,107	₱11,660,743,205

** Allowance on originated loans in 2023 that was retained in stage 1 and transferred to stages 2 and 3*

	2024			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Commercial Lending				
Gross carrying amount, January 1	**₱243,751,149**	**₱1,648,167**	**₱3,831,479**	**₱249,230,795**
Transfers				
From Stage 1	**(281,416)**	**–**	**281,416**	**–**
From Stage 2	**–**	**(75,209)**	**75,209**	**–**
From Stage 3	–	–	–	–
Newly originated financial assets*	**25,502,050**	**2,156,000**	–	**27,658,050**
Derecognition of financial assets	**(184,077,017)**	**(23,320)**	**(2,602,215)**	**(186,702,552)**
Changes in balance	**(12,757,229)**	**(528,820)**	**(198,841)**	**(13,484,890)**
	(171,613,612)	**1,528,651**	**(2,444,431)**	**(172,529,392)**
Write-offs, foreclosures and other movements	**–**	–	**(15,483)**	**(15,483)**
Gross carrying amount, December 31	**₱72,137,537**	**₱3,176,818**	**₱1,371,565**	**₱76,685,920**

** Allowance on originated loans in 2024 that was retained in stage 1 and transferred to stages 2 and 3*

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Commercial Lending				
Gross carrying amount, January 1	₱78,192,317	₱10,347,772	₱19,249,236	₱107,789,325
Transfers				
From Stage 1	(430,384)	–	430,384	–
From Stage 2	792,379	(2,105,779)	1,313,400	–
From Stage 3	12,332,858	124,271	(12,457,129)	–
Newly originated financial assets*	695,150,295	–	600,000	695,750,295
Derecognition of financial assets	(504,129,459)	(5,820,040)	(4,497,395)	(514,446,894)
Changes in balance	(38,156,857)	(484,990)	(749,737)	(39,391,584)
	165,558,832	(8,286,538)	(15,360,477)	141,911,817
Write-offs, foreclosures and other movements	–	(413,067)	(57,280)	(470,347)
Gross carrying amount, December 31	₱243,751,149	₱1,648,167	₱3,831,479	₱249,230,795

** Allowance on originated loans in 2023 that was retained in stage 1 and transferred to stages 2 and 3*

	2024			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Mortgage Lending				
Gross carrying amount, January 1	**₱7,092,218**	**₱–**	**₱–**	**₱7,092,218**
Transfers				
From Stage 1	–	–	–	–
From Stage 2	–	–	–	–
From Stage 3	–	–	–	–
Newly originated financial assets*	**1,426,734**	–	–	**1,426,734**
Derecognition of financial assets	**(1,099,748)**	–	–	**(1,099,748)**
Changes in balance	**(2,145,962)**	–	–	**(2,145,962)**
	(1,818,976)	–	–	**(1,818,976)**
Write-offs, foreclosures and other movements	–	–	–	–
Gross carrying amount, December 31	**₱5,273,242**	**₱–**	**₱–**	**₱5,273,242**

** Allowance on originated loans in 2024 that was retained in stage 1 and transferred to stages 2 and 3*

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Mortgage Lending				
Gross carrying amount, January 1	₱3,221,458	₱4,882,726	₱–	₱8,104,184
Transfers				
From Stage 1	–	–	–	–
From Stage 2	4,290,501	(4,290,501)	–	–
From Stage 3	–	–	–	–
Newly originated financial assets*	2,161,000	–	–	2,161,000
Derecognition of financial assets	(468,346)	(592,225)	–	(1,060,571)
Changes in balance	(2,112,395)	–	–	(2,112,395)
	3,870,760	(4,882,726)	–	(1,011,966)
Write-offs, foreclosures and other movements	–	–	–	–
Gross carrying amount, December 31	₱7,092,218	₱–	₱–	₱7,092,218

** Allowance on originated loans in 2023 that was retained in stage 1 and transferred to stages 2 and 3*

	2024			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Other Financial Assets				
Gross carrying amount, January 1	**₱207,997,118**	**₱20,897,661**	**₱20,821,696**	**₱249,716,475**
Transfers				
From Stage 1	**(298,403)**	**148,373**	**150,030**	–
From Stage 2	–	**(546)**	**546**	–
From Stage 3	–	–	–	–
Newly originated financial assets*	**366,680,451**	**39,489,667**	**23,306,272**	**429,476,390**
Derecognition of financial assets	**(173,482,835)**	**(20,709,675)**	**(20,639,310)**	**(214,831,820)**
Changes in balance	**(55,553,693)**	**123,463**	**156,317,527**	**100,887,297**
	137,345,520	**19,051,282**	**159,135,065**	**315,531,867**
Write-offs, foreclosures and other movements	–	–	**(155,559,879)**	**(155,559,879)**
Gross carrying amount, December 31	**₱345,342,638**	**₱39,948,943**	**₱24,396,882**	**₱409,688,463**

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
Other Financial Assets				
Gross carrying amount, January 1	₱67,668,133	₱2,348,642	₱9,994,806	₱80,011,581
Transfers				
From Stage 1	(469,749)	274,343	195,406	–
From Stage 2	70,760	(77,695)	6,935	–
From Stage 3	49,196	57,096	(106,292)	–
Newly originated financial assets*	65,741,097	2,210,775	4,105,487	72,057,359
Derecognition of financial assets	(54,988,240)	(481,659)	(104,840)	(55,574,739)
Changes in balance	140,951,327	18,363,098	59,771,109	219,085,534
	151,354,391	20,345,958	63,867,805	235,568,154
Write-offs, foreclosures and other movements	(11,025,406)	(1,796,939)	(53,040,915)	(65,863,260)
Gross carrying amount, December 31	₱207,997,118	₱20,897,661	₱20,821,696	₱249,716,475

Other financial assets include sales contract receivable, accrued interest receivable, and accounts receivable.

Allowances for credit losses in both years for Due from BSP, Due from other banks, Financial assets at FVOCI, Financial assets at amortized cost, including related accrued interest receivables of ₱13.7 million and ₱19.1 million for 2024 and 2023, respectively, and Security Deposits under Other Assets (Note 15) are immaterial in the financial statements, all of which are under Stage 1. These are financial assets with counterparties which are nearly credit risk-free.

Appendix 100 Section 11 of the Manual of Regulations for Banks (MORB), the Bangko Sentral ng Pilipinas (BSP) requires BSP Supervised Financial Institutions (BSFI) to set up general loan loss provision (GLLP) equivalent to 1 percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. BSFIs are not required to provide a 1 percent (1%) GP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments. No appropriation was made in 2024 and 2023 as the Bank has sufficient credit loss allowance to cover the GLLP requirement.

12. **Bank Premises, Furniture, Fixtures and Equipment and Right-of-Use Assets**

The composition of and movements in this account follow:

	2024					
	Land	**Building and Improvements**	**Office Equipment**	**Furniture and Fixtures**	**Right-of-Use Assets (Note 27)**	**Total**
Cost						
Beginning balance	**₱18,801,668**	**₱125,382,345**	**₱45,938,547**	**₱16,064,902**	**₱112,820,017**	**₱319,007,479**
Additions	**–**	**–**	**89,500**	**616,019**	**21,642,271**	**22,347,790**
Disposals	**(18,801,668)**	**(37,054,933)**	**(1,850,000)**	**(1,233,011)**	**–**	**(58,939,612)**
Balance at end of year	**–**	**88,327,412**	**44,178,047**	**15,447,910**	**134,462,288**	**282,415,657**
Accumulated depreciation						
Beginning balance	**–**	**58,367,390**	**29,648,125**	**12,665,276**	**56,341,642**	**157,022,433**
Depreciation (Note 21)	**–**	**18,759,116**	**10,400,822**	**3,241,172**	**26,827,059**	**59,228,169**
Disposals	**–**	**(25,602,182)**	**(1,850,000)**	**(1,233,011)**	**–**	**(28,685,193)**
Balance at end of year	**–**	**51,524,324**	**38,198,947**	**14,673,437**	**83,168,701**	**187,565,409**
Net book value at end of year	**₱–**	**₱36,803,088**	**₱5,979,100**	**₱774,473**	**₱51,293,587**	**₱94,850,248**

	2023					
	Land	Building and Improvements	Office Equipment	Furniture and Fixtures	Right-of-Use Assets (Note 27)	Total
Cost						
Beginning balance	₱18,801,668	₱129,608,315	₱46,800,054	₱15,875,582	₱112,820,017	₱323,905,636
Additions	–	2,407,402	2,536,380	189,320	–	5,133,102
Disposals	–	–	(3,397,887)	–	–	(3,397,887)
Others	–	(6,633,372)	–	–	–	(6,633,372)
Balance at end of year	18,801,668	125,382,345	45,938,547	16,064,902	112,820,017	319,007,479
Accumulated depreciation						
Beginning balance	–	40,632,693	21,790,995	9,566,233	31,179,371	103,169,292
Depreciation (Note 21)	–	17,734,697	11,255,017	3,099,043	25,162,271	57,251,028
Disposals	–	–	(3,397,887)	–	–	(3,397,887)
Balance at end of year	–	58,367,390	29,648,125	12,665,276	56,341,642	157,022,433
Net book value at end of year	₱18,801,668	₱67,014,955	₱16,290,422	₱3,399,626	₱56,478,375	₱161,985,046

No borrowing cost was capitalized as the additions to the bank premises, furniture and fixtures and office equipment are financed by the Bank's own fund. Others refer to adjustments to contract cost of leasehold improvements.

Gain on disposal of bank premises, furniture and fixtures and office equipment amounted to ₱2.0 million and ₱0.7 million in 2024 and 2023, respectively (Note 19). As of December 31, 2024 and 2023, bank premises, furniture and fixtures and office equipment of the Bank with gross carrying amount of ₱27.3 million and ₱30.1 million are fully depreciated but are still being used.

As at December 31, 2024 and 2023, the bank premises do not have indicators of impairment.

13. Investment Properties

Investment properties include land and buildings and improvements acquired by the Bank through foreclosure or acquired through settlement of loans.

The composition of and movements in this account follow:

		2024	
	Land	**Building and Improvements**	**Total**
Cost			
Beginning balance	**₱6,808,759**	**₱2,620,937**	**₱9,429,696**
Additions	**11,620,520**	**1,388,930**	**13,009,450**
Disposals	**(13,980,024)**	**(925,376)**	**(14,905,400)**
Balance at end of year	**4,449,255**	**3,084,491**	**7,533,746**
Accumulated depreciation			
Beginning balance	–	**730,989**	**730,989**
Depreciation (Note 21)	–	**285,545**	**285,545**
Balance at end of year	–	**1,016,534**	**1,016,534**
Allowance for impairment losses			
Beginning balance	**5,694,762**	**730,969**	**6,425,731**
Provision for (reversal of) impairment (Note 23)	**(1,104,059)**	**16,898**	**(1,087,161)**
Disposals	**(956,670)**	–	**(956,670)**
Balance at end of year	**3,634,033**	**747,867**	**4,381,900**
Net book value at the end of the year	**₱815,222**	**₱1,320,090**	**₱2,135,312**

		2023	
	Land	Building and Improvements	Total
Cost			
Beginning balance	₱11,463,840	₱7,344,855	₱18,808,695
Additions	1,677,103	5,031,308	6,708,411
Disposals	(6,332,184)	(9,755,226)	(16,087,410)
Balance at end of year	6,808,759	2,620,937	9,429,696

(Forward)

	2023		
	Land	Building and Improvements	Total
Accumulated depreciation			
Beginning balance	₱–	₱3,538,330	₱3,538,330
Depreciation (Note 21)	–	392,207	392,207
Disposals	–	(3,199,548)	(3,199,548)
Balance at end of year	–	730,989	730,989
Allowance for impairment losses			
Beginning balance	8,678,097	1,222,009	9,900,106
Provision for impairment (Note 23)	621,519	1,158,018	1,779,537
Disposals	(3,604,854)	(1,649,058)	(5,253,912)
Balance at end of year	5,694,762	730,969	6,425,731
Net book value at the end of the year	₱1,113,997	₱1,158,979	2,272,976

The fair market values of investment properties amounted to ₱7.8 million and ₱9.8 million for the years ended December 31, 2024 and 2023, respectively.

The Bank sold certain investment properties, which resulted in a gain of ₱7.1 million and ₱4.9 million in 2024 and 2023, respectively (Note 19). The net proceeds from the said sale of certain investment properties amounted to ₱12.6 million and ₱10.7 million in 2024 and 2023, respectively. Total gain on foreclosure amounted to ₱1.2 million and ₱3.8 million in 2024 and 2023, respectively (Note 19).

The net carrying value of foreclosed properties of the Bank still subject to redemption period by the borrowers amounted to nil in 2024 and 2023.

14. Software Costs

The composition of and movements in this account follow:

	2024	2023
Software costs		
Beginning balance	**₱20,261,519**	₱18,659,846
Additions	**14,154,006**	1,601,673
Balance at end of year	**34,415,525**	20,261,519
Accumulated amortization		
Beginning balance	**20,044,546**	4,268,933
Amortization (Note 21)	**8,955,242**	15,775,613
Balance at end of year	**28,999,788**	20,044,546
Net book value at end of year	**₱5,415,737**	₱216,973

15. **Other Assets**

This account consists of:

	2024	2023
Security deposit (Note 27)	**₱62,801,600**	₱7,686,404
Prepaid expenses	**18,142,945**	11,448,700
Stationery and office supplies	**606,963**	531,728
Others	**101,236**	94,162
	₱81,652,744	₱19,760,994

Security deposit represents the deposits for the lease of printers, Bank's office space and parking slots which are refundable at the end of lease term (Note 27). This also includes cash collateral with payment card network processor, deposits required by utility service providers such as power and internet, and security guarantees placed with other banks with original maturity of one year. Interest income recognized for these placements amounted to ₱0.20 million and ₱0.15 million for the years ended December 31, 2024 and 2023, respectively.

Prepaid expenses consist mainly of prepayments on insurance, call services, and smart cards.

Others include prepaid documentary stamps, creditable withholding taxes and miscellaneous assets.

16. **Deposit Liabilities**

This account consists of:

	2024	2023
Savings deposit	**₱32,702,376,779**	₱15,735,393,247
Special savings deposit	–	21,492,806
	₱32,702,376,779	₱15,756,886,053

Interest rates on interest-earning deposit liabilities range between 3.00% to 4.25% and 3.00% to 5.00% per annum in 2024 and 2023, respectively. The related accrued interest payable amounted to ₱1.9 million and ₱1.2 million as of December 31, 2024 and 2023, respectively (Note 17).

On June 6, 2022, the Bank publicly launched its digital savings deposit without a fixed term or maturity which are withdrawable upon demand, that enables customers to receive payments or initiate financial transactions through the SeaBank mobile application. The interest rate for this product is based on prevailing market rates of other similar products, and ranges from 3.00% to 4.25% and 3.00% to 5.00% per annum in 2024 and 2023, respectively. As of December 31, 2024 and 2023, digitally enabled deposits amounted to ₱21.5 billion and ₱11.3 billion, respectively.

Effective May 1, 2023, the Bank discontinued its special savings deposit accounts. Balances as of December 31, 2023 represent deposits made prior to May 1, 2023 which were neither converted to regular savings deposit nor closed. As of December 31, 2024, there are no outstanding special savings deposit from prior years.

As of December 31, 2024 and 2023, the Bank is subject to reserve requirements equivalent to 0.00% and 1.00%, respectively. Available reserves are booked under 'Due from BSP' (Note 7).

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

Interest expense on deposit liabilities consists of:

	2024	2023
Savings deposit	**₱695,149,208**	₱460,929,523
Special savings deposit	**23,821**	1,438,351
	₱695,173,029	₱462,367,874

17. **Accrued Expenses and Other Liabilities**

This account consists of:

	2024	2023
Accounts payable (Note 25)	**₱2,349,428,016**	₱1,033,835,283
Accrued expenses	**153,655,002**	109,892,975
Taxes payable	**122,140,572**	66,764,893
Provision on asset retirement obligation (Note 27)	**10,594,393**	10,594,393
Accrued interest payable (Note 16)	**1,917,622**	1,218,853
Others	**6,390,533**	3,475,130
	₱2,644,126,138	₱1,225,781,527

Accounts payable is primarily composed of loan repayment funds received from borrowers to be applied on installment due date and amounts due to related parties amounting to ₱1,154.0 million and ₱424.0 million in 2024 and 2023, respectively (Note 25).

Accrued expenses include accrual of employee benefits, management and professional services, and utilities.

Taxes payable include gross receipts tax payable, withholding taxes payable and documentary stamp tax payable.

Others include unclaimed balances, statutory payables and employee insurance payable.

18. **Equity**

Capital Stock - Common

	Shares		Amount	
	2024	2023	**2024**	2023
Authorized				
Common stock - P100 par value	**31,000,000**	31,000,000	**₱3,100,000,000**	₱3,100,000,000
Common stock issued and outstanding				
Balance at beginning of year	**24,100,000**	16,000,000	**2,410,000,000**	1,600,000,000
Issuance of stocks	**5,400,000**	8,100,000	**540,000,000**	810,000,000
Balance at end of year	**29,500,000**	24,100,000	**₱2,950,000,000**	₱2,410,000,000

The total number of common shares outstanding as of December 31, 2024 is 29,500,000. This includes the 5,400,000 shares issued during the year to the Local Investor.

Book Value per Share

December 31, 2024	Total capital funds	**₱3,029,359,349**	**₱102.69**
	Total shares outstanding	**29,500,000**	
December 31, 2023	Total capital funds	₱1,515,403,675	₱62.88
	Total shares outstanding	24,100,000	

The total capital funds used in the above computation are those available to common stockholders, while the total shares outstanding include only common stocks. Book value per share during both years are presented in Philippine Peso.

Capital Management and Regulatory Capital

The BSP, as the lead regulator, 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 qualifying capital accounts of the Bank should not be less than an amount equal to ten percent of its risk-weighted assets.

The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio is total capital funds excluding:

(a) Unbooked valuation reserves and other capital adjustments as may be required by the BSP;
(b) Total outstanding unsecured credit accommodations to related interests (DOSRI);
(c) Deferred tax asset or liability;
(d) Accumulated equity in earnings of investee Bank where the Bank holds 50.00% or less but where the equity method of accounting has been applied; and,
(e) Appraisal increment on property and equipment other than those allowed to be recognized in connection with a merger or acquisition.

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

The amount of surplus funds available for dividend declaration is determined also on the 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 impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with 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 plus Tier 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 financial allied 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 allied undertakings;
(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 5.00% of total Tier 1 capital of the bank excluding Hybrid Tier 1; or (ii) 10.00% of the total outstanding unsecured 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 computing the denominator of the ratio.

The Bank's regulatory capital position (in millions of Philippine pesos) as at December 31, 2024 and 2023 based on the submission to BSP and using the prescribed computation is as follows:

	2024	2023
Tier 1 Capital		
Common stock	**₱2,950.00**	₱2,410.00
Retained Earnings (Deficit)	**101.20**	(870.60)
Other comprehensive income	**(23.06)**	(25.12)
Deferred tax asset and intangible assets	**(459.27)**	(0.22)
	2,568.87	1,514.06
Tier 2 Capital		
General loan loss provision	**225.85**	152.44
Total qualifying capital	**₱2,794.72**	₱1,666.50
Total Risk Weighted Assets	**₱23,024.84**	₱14,869.75
Capital adequacy ratio	**12.14%**	11.21%
Tier 1 Capital adequacy ratio	**11.16%**	10.18%

The Bank is not engaged in trading and has minimal foreign currency denominated deposits from a bank which is subjected to immaterial market risk. The qualifying capital, risk-weighted asset and operational risk weight are based on BSP regulations.

The total risk weighted asset includes operational risk factor amounting to ₱1.2 billion and ₱51.2 million as of December 31, 2024 and 2023, respectively.

The level of Capital as at December 31, 2024 and December 31, 2023 can absorb losses or downward adjustment to Tier 1 Capital amount to ₱492.2 million and ₱179.8 million, respectively, before it falls lower than the 10.00% minimum level of capital or adequacy ratio.

As at December 31, 2024 and December 31, 2023, the Bank's minimum liquidity ratio stands at 47.86% and 36.50%, respectively, which are compliant with the BSP's minimum requirement of 20.00%.

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.

As at December 31, 2024 and 2023 BLR reported to the BSP is shown in the table below (amounts, except ratios, are expressed in millions of Philippine pesos):

	2024	2023
Capital exposure measure (Tier 1 Capital)	**₱2,568.87**	₱1,514.28
Total exposure measure*	**39,593.75**	19,169.16
Leverage ratio	**6.49%**	7.90%

**Includes on-balance sheet exposures*

As of December 31, 2024 and 2023, the Bank has surplus reserves amounting to ₱3.8 million for appropriation on the retirement benefit of its officers and employees.

Appendix 100 Section 11 of the Manual of Regulations for Banks, the Bangko Sentral ng Pilipinas (BSP) requires BSP Supervised Financial Institutions (BSFI) to set up general loan loss provision (GLLP) equivalent to 1 percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. BSFIs are not required to provide a 1 percent (1%) GP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments. No appropriation was made in 2024 and 2023 as the Bank has sufficient credit loss allowance to cover the GLLP requirement (Note 11).

19. Net Gains on Sale or Exchange of Assets

This account consists of:

	2024	2023
Net gain from foreclosure and repossession of investment properties (Note 13)	**₱9,659,419**	₱3,838,595
Gain from disposal of fixed assets (Note 12)	**1,986,881**	735,000
Gain (loss) from sale of investment properties (Note 13)	**(1,375,355)**	4,918,296
	₱10,270,946	₱9,491,891

In case the sale of investment properties is through installment, the difference between the present value of gross receivables and booked value of asset sold is recognized as an outright income under 'Net gains from sale of investment properties.'

20. Compensation and Fringe Benefits

	2024	2023
Salaries expense	**₱262,676,170**	₱209,544,070
Employee allowances and benefits	**120,264,368**	89,133,903
Provision for pension and other post-retirement benefits	**9,887,845**	6,693,928
Contribution to provident fund other than contributions to plan assets	**1,952,796**	697,452
Total	**₱394,781,179**	₱306,069,353

Employee allowances and benefits include bonuses, third party healthcare insurance and contributions to Social Security System, Philippine Health Insurance Corporation and Home Development Mutual Fund.

Retirement Benefits Obligations

In compliance with Republic Act (R.A.) 7641, the Bank's obligation is to provide a specific level of benefit for every year of service and will be paid lump sum upon retirement. The lump sum to be paid is directly related to the employees' basic salary in the final year of service multiplied by the number of years in service.

The retirement benefit is equivalent to the one-half month salary per year of service or fifteen (15) days plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of not more than five (5) days of service incentive leaves or approximately twenty-two and a half (22.5) days.

The Bank has obtained the latest actuarial valuation of its employees' retirement benefits as at December 31, 2024 computed using the projected unit credit method as of December 31, 2024 as required by PAS 19, *Employee Benefits* and PAS 26, *Accounting and Reporting of Retirement Plan*.

The reconciliation of the Retirement liability (Net defined benefit liability) of the Bank are as follows:

The reconciliation of the Retirement liability (Net defined benefit liability) of the Bank are as follows:

2024

	Net benefit cost in statements of comprehensive income						Remeasurement in other comprehensive income – Actuarial changes arising from					
	January 1, 2024	**Current service cost**	**Net Interest**	**Net pension expense**	**Contributions**	**Benefits paid**	**Changes in financial assumptions**	**Changes in demographic assumptions**	**Deviations of experience from assumptions**	**Return on plan assets**	**Other Comprehensive loss Subtotal**	**December 31, 2024**
Present value of defined benefit obligation	**₱36,891,951**	**₱7,939,359**	**₱2,250,409**	**₱10,189,768**	**–**	**(₱18,941,953)**	**(₱4,686,028)**	**₱–**	**₱3,430,583**	**₱–**	**(₱1,255,445)**	**₱26,884,321**
Fair value of plan assets	**(4,949,560)**	**–**	**(301,923)**	**(301,923)**	**(15,000,000)**	**18,941,953**	**–**	**–**	**–**	**83,489**	**83,489**	**(1,226,041)**
Net defined benefit liability	**₱31,942,391**	**₱7,939,359**	**₱1,948,486**	**₱9,887,845**	**(₱15,000,000)**	**₱–**	**(₱4,686,028)**	**₱–**	**₱3,430,583**	**₱83,489**	**(₱1,171,956)**	**₱25,658,280**

2023

	Net benefit cost in statements of comprehensive income						Remeasurement in other comprehensive income – Actuarial changes arising from					
	January 1, 2023	Current service cost	Net Interest	Net pension expense	Contributions	Benefits paid	Changes in financial assumptions	Changes in demographic assumptions	Deviations of experience from assumptions	Return on plan assets	Other Comprehensive loss Subtotal	December 31, 2023
Present value of defined benefit obligation	₱27,439,222	₱5,712,461	₱1,970,136	₱7,682,597	–	(₱3,260,363)	₱4,954,154	₱–	₱76,341	₱–	₱5,030,495	₱36,891,951
Fair value of plan assets	(13,769,762)	–	(988,669)	(988,669)	–	3,260,363	–	–	–	6,548,508	6,548,508	(4,949,560)
Net defined benefit liability	₱13,669,460	₱5,712,461	₱981,467	₱6,693,928	–	₱–	₱4,954,154	₱–	₱76,341	₱6,548,508	₱11,579,003	₱31,942,391

The following amounts were recognized in the financial statements for the years ended December 31, 2024 and 2023.

	2024	2023
Net pension expense	**₱9,887,845**	₱6,693,928
Remeasurement losses (gains) on retirement plan	**(1,171,956)**	11,579,003
Retirement liability	**25,658,280**	31,942,391

Movements in the cumulative remeasurement losses presented in equity in 2024 and 2023 follow:

	2024	2023
Balance as at January 1	**₱20,810,704**	₱9,231,701
Remeasurement losses (gains) during the year	**(1,171,956)**	11,579,003
Balance as at December 31	**₱19,638,748**	₱20,810,704

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions. The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2024	2023
Cash and cash equivalents	**₱1,232,704**	₱1,453,732
Government securities	**–**	3,469,378
Other payables	**(6,663)**	(58,611)
Expected earnings for the rest of the year	**–**	85,061
Fair value of plan assets	**₱1,226,041**	₱4,949,560

All plan assets do not have quoted prices in the active market except government securities. Cash and cash equivalents are with reputable financial institutions and are deemed to be standard grade.

The plan assets have diverse investments and do not have any concentration risk.

The principal actuarial assumptions used in determining the retirement liability for the Bank's retirement plan follow:

	2024	2023
Discount rate	**6.10%**	6.10%
Future salary increases	**5.00%**	6.00%

The average duration of the defined benefit retirement liability at the end of the reporting period is nineteen (19) years.

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

	2024		2023	
	Increase of 1.00%	**Decrease of 1.00%**	Increase of 1.00%	Decrease of 1.00%
Discount rate	**(₱3,814,358)**	**₱4,680,644**	(₱3,279,198)	₱3,980,704
Salary rate	**4,686,028**	**(3,896,844)**	3,908,806	(3,351,450)

Shown below are the maturity analysis of the undiscounted benefit payments of the Bank:

	2024	2023
Less than 1 year	**₱267,062**	₱223,023
More than 1 year to 5 years	**2,639,322**	24,400,005
More than 5 years to 10 years	**22,280,516**	16,978,342
More than 10 years to 15 years	**57,458,488**	46,875,619
More than 15 years	**877,423,651**	850,185,273

21. Depreciation and Amortization

	2024	2023
Depreciation		
Bank premises, furniture and fixtures and office equipment (Note 12)		
Right-of-use asset (Note 27)	**₱26,827,059**	₱25,162,271
Building and improvements	**18,759,116**	17,734,697
Office equipment	**10,400,822**	11,255,017
Furniture and fixtures	**3,241,172**	3,099,043
	59,228,169	57,251,028
Investment properties (Note 13)	**285,545**	392,207
	59,513,714	57,643,235
Amortization		
Intangible assets (Note 14)	**8,955,242**	15,775,613
	₱68,468,956	₱73,418,848

22. Administrative Expenses

This account is composed of the following:

	2024	2023
Service fee (Note 25)	**₱99,090,245**	₱91,269,603
Marketing expenses	**87,999,521**	18,360,084
Insurance	**46,096,211**	28,742,820
Customer banking card expenses	**22,656,178**	–
Fines and penalties	**15,917,208**	8,622,358
Logistics charges	**14,957,939**	–
Management and other professional fees	**14,505,979**	9,345,227
SMS expenses	**13,072,307**	15,651,591
Repairs and maintenance	**7,338,653**	3,791,401
Power, light and water	**6,842,629**	5,831,315
Security services	**5,688,669**	6,566,511
Information technology expenses	**4,346,702**	4,054,856
Stationery and supplies	**2,031,960**	1,321,176
Fuel and lubricants	**1,288,918**	1,000,423
Supervision fees	**1,223,138**	2,787,707
Postage, telephone, cables and telegrams	**1,051,747**	995,080
Others	**8,061,749**	14,384,945
	₱352,169,753	₱212,725,097

Service fee pertains to fees for digital banking and corporate IT services provided by a related party (Note 25).

Marketing pertains mainly to cashbacks, rewards, rebates and discounts offered to customers.

Insurance pertains mainly to premiums paid to Philippine Deposit Insurance Commission.

Customer banking card expenses pertains to cost of issued physical cards and card personalization.

Logistic charges pertain to delivery cost of debit cards.

Management and other professional fees are expenses incurred to third parties as consideration for managerial, technical and consultancy services rendered.

Others include litigation expenses, recruitment, rent, publicity, membership fees and dues, trainings and seminars, and miscellaneous expenses.

23. Provision for Credit and Impairment Losses

This account consists of:

	2024	2023
Provision for (reversal of) credit and impairment losses on		
Loans and other receivables (Note 11)	**₱3,116,971,412**	₱1,803,941,619
Investment properties (Note 13)	**(1,087,161)**	1,779,537
	₱3,115,884,251	₱1,805,721,156

24. Earnings (Loss) per Common Share

December 31, 2024	Net income	971,891,743	
	Total shares outstanding*	25,000,000	₱38.88
December 31, 2023	Net loss	(₱223,597,415)	
	Total shares outstanding*	21,900,000	(₱10.21)

**Weighted average number of common shares outstanding during the year*

As of December 31, 2024, and 2023, there were no potential common shares with a dilutive effect on the basic losses per share.

25. Related Party Transactions

Related party transactions are any transactions or dealings (including transfers of resources, services or any other obligations) between the Bank and its related parties, regardless of whether a price is charged. This definition also encompasses any outstanding transaction initially entered into with an unrelated party, which subsequently becomes a related party.

Parties are considered to be related if one is a subsidiary or affiliate of the other or any party that the Bank exerts direct or indirect over or exerts direct or indirect control over the Bank. Related parties include the Bank's directors, officers, stockholders and related interests ("DOSRI") and their close family members, corresponding persons in the Bank's affiliates and any person whose interests may pose potential conflict with the Bank's interest.

In the normal course of business, the Bank transacts with related parties consisting of its Sea Limited Group affiliates on an arm's length basis as at reporting dates. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the form of the relationship.

The Bank's policy on transactions with related parties is to ensure that these are made in the ordinary course of business and on arm's length terms, where the terms should be substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with non-related parties or would be prevailing if comparable transactions were entered into with non-related parties. Related party transactions should not involve more than the normal risk exposure (including of collectability) or present other unfavorable conditions for the Bank.

The summary of the Bank's transactions and outstanding balances with its related parties is as follows:

	December 31, 2024		
Account/Counterparty	**Amount/Volume**	**Outstanding Balance**	**Nature**
Affiliates and Other Related Parties			
Accounts receivable	**₱361,156,605,286**	**₱1,887,878,987**	Amounts are settled through corporate deposit accounts one to three banking days from transaction date. a. Loan payments received from customers related to digital loans channeled through an affiliate; b. Pre-funding for employees' reimbursement claims, partial salary credit and non-taxable allowances; c. Customer withdrawal and deposit transactions via an affiliate's mobile app to the customer's savings account, and vice-versa

(Forward)

Account/Counterparty	Amount/Volume	Outstanding Balance	Nature
	December 31, 2024		
Accounts payable	**124,798,243,959**	**1,153,518,831**	Amounts are settled through corporate deposit accounts mostly one banking day from transaction date. a. Loan disbursements to customers for digital loans coursed through an affiliate; b. Third-party channel for the disbursement of deposit acquisition costs; c. Payroll-related expense recharges for the year
Intangible asset	**6,355,305**	–	Purchase of digital bank business application, system development, and licensing fees.
Other assets	**391,918**	**391,918**	Prepayment for group term life insurance
Gain on sale or exchange of assets	**1,796,881**	–	Sale of branch premises (Note 27)
Other income	**14,016,162**	–	Fees on transactions made via affiliate's mobile app
Administrative expenses	**165,698,603**	–	Payments for administration, management and maintenance of digital banking system and corporate information technology system, HR shared services, facility manager's fee, scoring services, marketing related costs, group term life insurance, transfer of laptops and IT assets, and sale and leaseback of branch premises (Note 27)

Account/Counterparty	Amount/Volume	Outstanding Balance	Nature
	December 31, 2023		
Affiliates and Other Related Parties			
Accounts receivable	₱90,897,909,316	₱869,130,317	Amounts are settled through corporate deposit accounts one to three banking days from transaction date. d. Loan payments received from customers related to digital loans channeled through an affiliate; e. Pre-funding for employees' reimbursement claims, partial salary credit and non-taxable allowances;

Account/Counterparty	December 31, 2023 Amount/Volume	Outstanding Balance	Nature
			f. Customer withdrawal and deposit transactions via an affiliate's mobile app to the customer's savings account, and vice-versa
Accounts payable	75,601,197,871	423,959,871	Amounts are settled through corporate deposit accounts one banking day from transaction date. d. Loan disbursements to customers for digital loans coursed through an affiliate; e. Third-party channel for the disbursement of deposit acquisition costs; f. Payroll-related expense recharges for the year
Intangible asset	1,601,672	–	Purchase of digital bank business application, system development, and licensing fees.
Administrative expenses	₱91,269,603	–	Payments for administration, management and maintenance of digital banking system and corporate information technology system

DOSRI Loans

The amount of individual loans, guarantees and credit accommodations to each DOSRI, of which 70.00% must be secured, should not exceed the amount of their unencumbered deposits and the book value of their paid-in capital contribution in the Bank. In aggregate, loans to DOSRI, whether direct or indirect, generally should not exceed the total net worth of the Bank or 15.00% of the total loan portfolio of the Bank, whichever is lower. Within this aggregate ceiling, the total unsecured DOSRI loans must not exceed 30% of the allowable aggregate limit or the actual outstanding DOSRI loans, whichever is lower. The Bank complied with the restrictions on DOSRI loans as at December 31, 2024 and 2023.

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

Key Management Personnel Compensation

The key management personnel compensation shown as part of employee benefits under Compensation and Fringe Benefits account in the statements of comprehensive loss are as follows:

	2024	2023
Short-term employee benefits	**₱50,095,642**	₱50,007,586
Post-employment benefits	**2,948,700**	4,389,087
Total	**₱53,044,342**	₱54,396,673

Other than the amounts presented above, there is no termination, share-based payment and other benefits received by key management personnel.

26. **Income Tax**

Current Income Tax

Pursuant to Republic Act (RA) No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, starting July 1, 2023, the Minimum Corporate Income Tax (MCIT) rate is restored from 1.00% to 2.00%. For the 2023 taxable year, the MCIT rate is 1.00% from January 1 to June 30, and 2.00% from July 1 to December 31. Resulting to an average MCIT rate of 1.50%, applicable to gross income earned in 2023. Meanwhile, Gross interest income from bond investments and other deposit substitutes are subject to final tax rate of 20.00% in 2024 and 2023.

The MCIT based on modified gross income is computed and compared with the Regular Corporate Income Tax (RCIT). Any excess of MCIT over RCIT is deferred and can be used as tax credit against future income tax liability for the next three years. In addition, Net Operating Loss Carry Over (NOLCO) is allowed as a deduction from taxable income in the next three years from the date of inception, except for the NOLCO recognized in 2020 and 2021. Pursuant to the implementation of RA No. 11494, otherwise known as Bayanihan to Recover as One Act, the Bureau of Internal Revenue, in its Revenue Regulations 25-2020 allowed the NOLCO incurred for taxable years 2020 to 2021 can be carried over as deduction against gross income for the next five (5) consecutive taxable years following the year of such loss.

As of December 31, 2024 and 2023, the Bank's corporate income tax payable after deducting all its available tax credits are as follow:

	2024	2023
RCIT	**₱317,815,764**	₱–
MCIT	–	28,667,010
Less:		
Prior year excess tax credits	–	260,997
Excess MCIT over RCIT	**28,979,984**	
Income tax paid first three quarters under MCIT	–	15,389,410
Income tax paid first three quarters under RCIT	**173,702,380**	–
Creditable withholding tax BIR Form 2307 (CWT)	**1,883,674**	636,695
Income Tax Payable	**₱113,249,726**	₱12,379,908

As of December 31, 2024, the Board of Directors approved the write-off of customer loans aggregating to P2.39 billion.

Income tax expense (benefit) presented in the income statement consists of the following:

	2024	2023
RCIT	**₱317,815,764**	₱–
Final	**78,008,211**	₱71,714,037
MCIT	–	28,667,010
Deferred	**(482,824,728)**	(590,018)
	(₱87,000,753)	₱99,791,029

The Bank accounts for the tax consequences of transactions and other events in the same way it accounts for the transactions or other events themselves, it is inherent in the recognition of an asset or liability that that asset or liability will be recovered or settled, and this recovery or settlement may give rise to future tax consequences which should be recognized at the same time as the asset or liability.

As of December 31, 2023, the Bank opted not to recognize deferred tax assets due to its assessment as at date that probable future taxable income will not be available against which the deductible temporary difference can be utilized. However, for the taxable year 2024, the Bank opted to recognize deferred tax assets on its allowance for credit losses and MCIT payment. As of December 31, 2024, the Bank's operations yielded net taxable income and expects to generate taxable income in the succeeding years, which may result to realization of deferred tax assets.

The details of net deferred tax asset (liability) follow:

	2024	2023
Deferred tax asset on:		
Allowance for impairment and credit losses	**₱453,855,521**	₱–
Deferred tax liability on:		
Fair value of investment properties	**(332,254)**	**(321,477)**
	₱453,523,267	**(₱321,477)**

Revenue Memorandum Circular (RMC) No. 99-2023 clarified the computation of gain to be reported as other taxable income on the sale of real property classified as ordinary assets by those business not engaged in real estate. The taxable gain is computed by deducting the book value of the real property from the selling price indicated in the sales invoice.

As of December 31, 2024 and 2023, the Bank recognized taxable gain on its disposal of foreclosed assets amounting to ₱8.6 million and ₱5.3 million, respectively.

The Bank did not recognize deferred tax assets on the following differences:

	2024	2023
Retirement liability	**₱25,658,280**	₱31,942,391
Lease liability over right-of-use asset	**5,394,379**	4,038,914
Allowance for credit losses	–	1,094,313,419
NOLCO	–	45,112,724
MCIT	–	28,979,984
	₱31,052,659	₱1,204,387,432

Details of the Bank's MCIT of December 31, 2024 follows:

Year of Inception	Original Amount	Used amount in 2024	Expired Amount	Remaining Balance	Expiry Year
2023	₱28,667,010	₱28,667,010	₱–	₱–	2026
2021	312,974	312,974	–	–	2024
	₱28,979,984	₱28,979,984	₱–	₱–	

Details of the Bank's NOLCO as of December 31, 2024 follows:

Year of Inception	Original Amount	Used Amount in 2023	Used amount in 2024	Expired Amount	Remaining Balance	Expiry Year
2022	₱530,359,854	₱485,247,197	₱45,112,657	₱–	₱–	2025
2021	16,607,329	16,607,329	–	–	–	2026
	₱546,967,183	₱501,854,526	₱45,112,657	₱–	₱–	

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

	2024	2023
Statutory income tax	**₱221,222,748**	(₱30,951,596)
Tax effects of:		
Changes in unrecognized DTA	**(309,912,785)**	128,494,194
Non-deductible items	**20,900,605**	19,488,344
Interest income subjected to final tax	**(19,211,321)**	(17,059,292)
Income exempt from tax	–	(180,621)
Effective income tax	**(₱87,000,753)**	₱99,791,029

27. **Leases**

In 2021, the Bank leased an office space in The Podium Tower, Mandaluyong City for administrative and back-office support operations. The lease contract has a term of 4.5 years and is renewable upon mutual agreement of both parties. The contract includes an annual escalation clause of 5.00% per annum. Security deposit related to this lease amounted to ₱3.3 million (Note 15).

In 2022, the Bank leased six units of printers located in the Podium office. The lease contract has a term of 4 years and is renewable upon mutual agreement of both parties. The contract does not include an escalation clause. Security deposit related to this lease amounted to ₱0.4 million (Note 15).

In 2024, the Bank leased an office space in the Gateway Tower. The lease contract has a term of 3.25 years and is renewable upon mutual agreement of both parties. The contract includes an annual escalation clause of 3% per annum. Security deposit related to this lease amounted to ₱1.9 million (Note 15).

Sale and leaseback transaction

In November 2024, the Bank executed sale and leaseback transactions with a related party involving its land and buildings for the remaining operating physical branches in Laguna (Notes 12 and 25). The initial lease term is one year, with the Bank retaining an option for early termination at its convenience. The total annual cash outflow for leases amounts to ₱2.5 million. As a result of these transactions, the Bank recognized a gain of ₱1.8 million (Note 19). Security deposit related to these leases amounted to ₱0.6 million (Note 15).

The carrying amount of right-of-use assets recognized and the movements during the period are disclosed in Note 12.

Set out below are the carrying amount of the lease liabilities and the movements during the period:

	2024	2023
Balance at beginning of year	**₱49,922,896**	₱71,626,641
Additions	**21,642,271**	–
Accretion of interest	**1,800,711**	2,540,847
Payments	**(27,272,306)**	(24,244,592)
Balance at end of year	**₱46,093,572**	₱49,922,896

Asset retirement obligation
Under the terms of the office space lease, the Bank is required to restore the leased premises to its original condition that existed at the inception of the lease. Accordingly, at the inception of the lease, the Bank capitalized an amount as part of its right-of-use assets and recognized asset retirement obligation amounting to ₱10.6 million (Note 17).

Future minimum rentals payable under non-cancellable leases follow:

	2024	2023
Within one year	**₱32,274,164**	₱25,412,148
After one year but not more than 5 years	**15,689,657**	26,712,434
	₱47,963,821	₱52,124,582

28. Events after the Report Date

In October 2024, the Bank's shareholders, SeaMoney Holding PH and the Local Investor, entered into a Share Purchase Agreement ("Agreement"), pursuant to which 100.00% of the shares of stock of the Bank would be acquired by MariBank Singapore Private Limited ("MariBank"), a subsidiary of Sea Limited. The acquisition was preapproved by the BSP Monetary Board on December 5, 2024.

The final purchase consideration was paid by MariBank to SeaMoney Holding PH and the Local Investor on March 10, 2025.

Post-acquisition, the Bank will be a wholly owned subsidiary of MariBank.

29. Commitments and Contingencies

The following are the significant commitments and contingencies involving the Bank:

a) The Bank has no pending legal cases arising from its normal operation that will put the Bank as defendant as a result of violation of transactions against its clients and depositors.
b) The Bank had no outstanding issuances of bank guarantees and other similar credit instruments that will put the Bank into obligation in case of non-compliance by the buyer.
c) The Bank had no outstanding outward and inward bills for collection at the end of the year.
d) In the normal course of business, the Bank incurs contingent liabilities that are not present in the accompanying financial statements. No specific disclosures on such contingent liabilities are made because any such disclosures would prejudice the Bank's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Bank and its legal counsel believe

that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

e) The following is a summary of commitments and contingencies at their equivalent peso contractual amounts as of December 31, 2024 and 2023:

	2024	2023
Items held as collateral/safekeeping	**₱359**	₱464

30. Notes to Statements of Cash Flows

The following is the summary of principal non-cash activities that relate to the analysis of the statements of cash flows:

	2024	2023
Recognition of right-of-use asset (Note 12)	**₱21,642,270**	–
Recognition of lease liability (Note 27)	**21,642,270**	–
Additions of investment properties in settlement of loans (Note 13)	**13,009,450**	6,708,411
Additions to sales contract receivable in settlement of loans (Note 13)	**1,384,563**	1,823,761
Fair value changes in financial assets at FVOCI (Note 8)	**₱891,975**	₱35,298,975

31. Approval for the Release of the Financial Statements

The financial statements of the Bank for the year ended December 31, 2024 (including the financial statements and other data from previous year presented) were authorized for issue by the Bank's Board of Directors (BOD) on March 24, 2025.

32. Supplementary Information Required under BSP MORB Section 174

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

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

	2024	2023
Return on average equity	**42.77%**	(18.37%)
Return on average assets	**3.40%**	(1.45%)
Net interest margin	**18.03%**	15.82%

Description of Capital Instruments Issued

	2024		2023	
	Shares	**Amount**	Shares	Amount
Common stock - 100 par value				
Authorized	**31,000,000**	**₱3,100,000,000**	31,000,000	₱3,100,000,000
Issued and outstanding				
Balance at beginning of year	**24,100,000**	**2,410,000,000**	16,000,000	1,600,000,000
Issuance at 100 per share	**5,400,000**	**540,000,000**	8,100,000	810,000,000
Balance at end of year	**29,500,000**	**₱2,950,000,000**	24,100,000	₱2,410,000,000

In 2024 and 2023, the Bank issued 5,400,000 shares and 8,100,000 shares, at par value of ₱100, respectively.

Significant credit exposures as to industry/economic sector
Based on BSP benchmark an exposure is significant if it amounts to at least 30.00% of the total loan exposure or at least ten percent (10.00%) of Tier 1 capital.

	2024		2023	
	Amount*	**%**	Amount*	%
Loans to individuals primarily for personal use purposes – others	**₱18,576,360,747**	**95.60%**	₱–	–
Wholesale and retail trade, repair of motor vehicles, motorcycles	**727,009,780**	**3.74%**	40,494,614	0.34%
Real estate activities	**31,724,339**	**0.16%**	38,175,558	0.32%
Activities of households for own use	**31,430,420**	**0.16%**	11,604,380,779	97.39%
Salary-based general-purpose consumption	**21,076,243**	**0.11%**	23,068,046	0.19%
Construction	**15,137,637**	**0.08%**	17,179,658	0.14%
Accommodation and food service activities	**13,323,437**	**0.07%**	13,506,246	0.11%
Agriculture, forestry and fishing	**5,184,730**	**0.03%**	7,896,259	0.07%
Manufacturing	**3,954,884**	**0.02%**	6,537,630	0.05%
Transportation and storage	**2,288,854**	**0.01%**	159,132,391	1.34%
Education	**161,896**	**0.01%**	579,295	0.01%
Human health and social work activities	–	**0.00%**	45,284	0.01%
Other service activities	**2,567,903**	**0.01%**	2,998,351	0.03%
	₱19,430,220,870	**100.00%**	₱11,913,994,111	100.00%

**net of unamortized discount and other deferred credits*

The BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of the total loan portfolio. As of December 31, 2024 and 2023, due to the digital nature of the loans to individuals, the portfolio is concentrated to activities of household for personal use and loans to individuals for personal use purposes, respectively. During the current year, the Bank reclassified the digital loans previously categorized under activities of households for own use to loans to individuals for personal use purposes and wholesale and retail trade, repair of motor vehicles, motorcycles. This reclassification seeks to better reflect their nature. The adjustment does not affect the total reported exposure. To maintain consistency with previously submitted reports to the BSP, the comparative figures presented herein have not been restated.

Breakdown of total loans as to security and status
The following table shows the breakdown of receivable from customers as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31, 2024 and 2023:

	2024		2023	
	Amount*	**%**	Amount*	%
Unsecured	**₱19,292,001,909**	**99.29%**	₱11,746,622,437	98.60%
Secured	**138,218,961**	**0.71%**	167,371,674	1.40%
	₱19,430,220,870	**100.00%**	₱11,913,994,111	100.00%

**net of unamortized discount and other deferred credits*

The following table shows the breakdown of receivables from customers net of unamortized discount and deferred credits as to performing and non-performing as of December 31, 2024 and 2023:

	2024	2023
Performing*		
Consumer	**₱19,074,983,814**	₱11,485,826,012
Commercial	**75,290,590**	242,439,105
Mortgage	**5,273,243**	7,092,218
	19,155,547,647	11,735,357,335
Non-performing*		
Consumer	**273,301,658**	174,805,297
Commercial	**1,371,565**	3,831,479
	274,673,223	178,636,776
	₱19,430,220,871	₱11,913,994,111

**net of unamortized discount and other deferred credits*

Information on related party loans
As required under existing BSP rules and regulations, the Bank discloses loans and other credit accommodations granted to its DOSRI. These loans and other credit accommodations were made substantially on the same terms as with other individuals and businesses of comparable risks and were subject of prior Board approval and entailing BSP reportorial requirements.

Existing banking regulations also limit the total amount of credit exposure to each of the Bank's DOSRIs, at least 70.00% of which must be secured, to the total of their respective deposits and book value of their respective unencumbered deposits and, if any, book value of their respective paid-in capital contribution in the Bank. In the aggregate, the Bank's total credit exposure to all its DOSRIs should not exceed its net worth or 15.00% of its total loan portfolio, whichever is lower, with any unsecured portion thereof not exceeding the lower between 30.00% of the aggregate limit or of the total actual exposure. However, loans and other credit accommodations to DOSRIs that are secured by assets considered by the BSP as non-risk are exempt from these ceilings.

BSP MORB Sections 341 to 345 provide the rules and regulations governing credit exposures to DOSRI.

The following table shows information relating to the loans, other credit accommodations and guarantees classified as related party loans and DOSRI accounts under regulations existing prior to BSP Circular No. 423 and new DOSRI loans and other credit accommodations granted under said circular.

Information on related party loans as of December 31, 2024 and 2023 are as follows:

	2024		2023	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI Loans)**	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Total outstanding accounts	**₱–**	**₱–**	₱–	₱–
Percent of DOSRI/related party loans to total loan portfolio	**0.00%**	**0.00%**	0.00%	0.00%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	**0.00%**	**100.00%**	0.00%	0.00%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	**0.00%**	**0.00%**	0.00%	0.00%
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	**0.00%**	**0.00%**	0.00%	0.00%

Aggregate amount of secured liabilities and assets pledged as security
As of December 31, 2024 and 2023, there are no assets pledged as collateral for any of the Bank's liabilities.

Commitments and contingent liabilities
The following is a summary of commitments and contingencies at their equivalent peso contractual amounts as of December 31, 2024 and 2023:

	2024	2023
Items held as collateral/safekeeping	**₱359**	₱464

33. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) as mandated by RR No. 15-2010. These taxes and licenses information have to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The Bank reported and/or paid the following types of taxes.

Taxes and Licenses
This includes all other taxes such as gross receipts tax, fringe benefit tax, license and permit fees, and documentary stamp tax for the year ended December 31, 2024.

Gross receipts tax	₱299,157,182
License and permit fees	43,918,110
Real property tax	2,007,464
VAT on finance lease liabilities	3,272,420
Documentary stamp tax	5,930,621
Others	1,481,392
	₱355,767,189

Withholding Taxes
Details of remittances and balances as of December 31, 2024 of withholding taxes are as follows:

	Total Remittances	Balance
Withholding taxes on compensation	₱40,455,401	₱3,370,860
Final withholding taxes	142,356,124	15,249,125
Expanded withholding taxes	7,384,480	988,809
	₱190,196,005	₱19,608,794

Tax Assessments and Cases
As of December 31, 2024, the Bank received Letter of Authority for the taxable year 2023 from the Bureau of Internal Revenue.