LBP LEASING AND FINANCE CORPORATION
(A LANDBANK SUBSIDIARY)

ANNUAL REPORT 2024

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CORPORATE **PROFILE**

LBP LEASING AND FINANCE CORPORATION (LLFC, formerly LBP Leasing Corporation), a wholly owned subsidiary of Land Bank of the Philippines (LANDBANK) was established under the Corporation Code of the Philippines on March 17, 1983 to complement the product lines being offered by the Bank.

LLFC's leasing facilities make it easier for enterprises to expand, upgrade, or modernize their operations. Among others, leasing enables enterprises to:

- *Match financing terms with the earning potential of the capital asset.*
- *Preserve working capital and credit lines.*
- *Address existing or current budget limitation*

Based on the Amended Articles of Incorporation approved by SEC on November 3, 2015, LLFC's primary purposes are as follows:

- *Engage in direct leasing or financial leasing and to arrange or underwrite and administer leases of all kinds of equipment, machines, vehicles, facilities, appliances and all types of personal and real properties.*
- *Engage in the business of financing merchandise in all their various forms.*
- *Extend credit facilities for, and otherwise assist in the establishment, operation, development, expansion and/or reorganization of industrial, commercial, agricultural and other productive or profitable enterprises.*
- *Within the limits allowed by law, to make loans with or without such security as the Board of Directors may think fit.*
- *To the extent permitted by law, raise funds for the company's operations through the issuance of debt instruments and/or securitization of its assets.*

VISION, MISSION & CORE VALUES

VISION

By 2030, LLFC will be among the leading leasing and financing institution, playing a pivotal role in supporting the Philippine Government's efforts to foster a strong and sustainable economic development, through its inclusive and innovative financing solutions.

MISSION

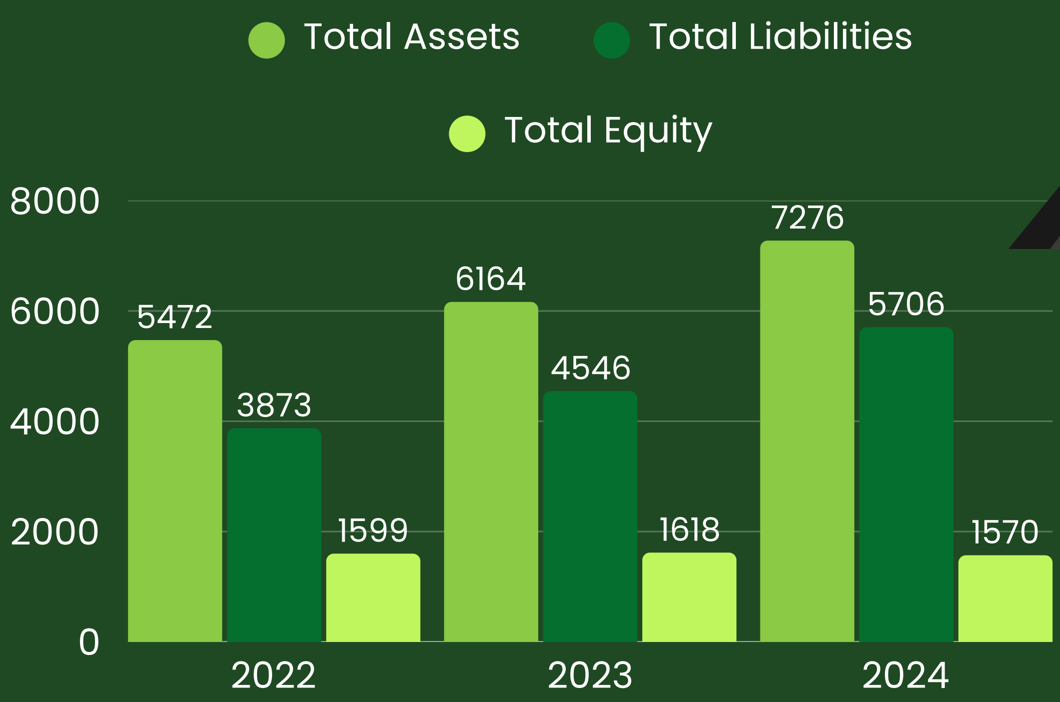
To provide broad spectrum of leasing and financial products and services to government agencies, LBP borrowers, and clients in the priority sectors that support the Philippine Development Plan.

CORE VALUES
(ADOPTED FROM LANDBANK)

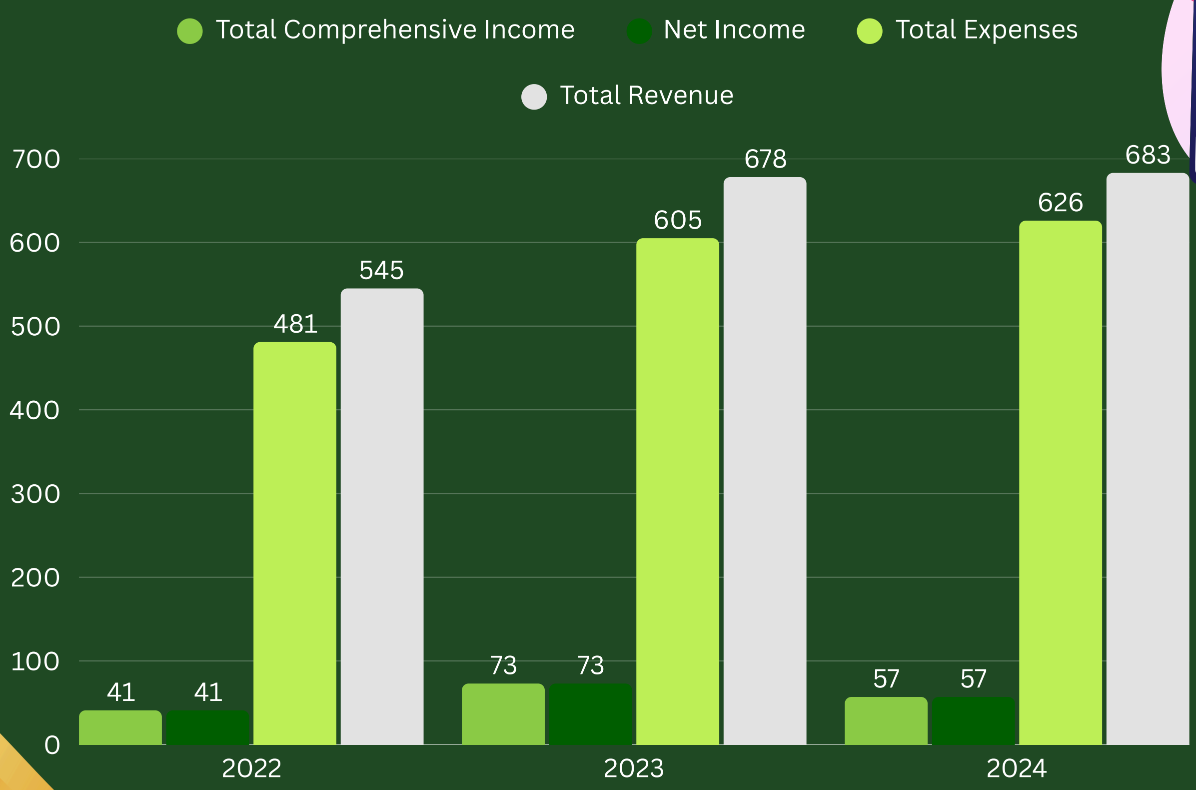
Innovation
Accountability
Customer Focus
Collaboration
Excellence
Social Responsibility
Resilience

OPERATIONAL HIGHLIGHTS (AMOUNT IN MILLIONS)

STATEMENT OF FINANCIAL POSITION



STATEMENT OF COMPREHENSIVE INCOME



2024 PERFORMANCE SCORECARD AND ACCOMPLISHMENT

The Vision, Mission, and Strategies outlined in the performance scorecard for the year 2024 were thoroughly reviewed and formally approved by the Board of Directors during their meeting on August 18, 2023. This strategic review process ensured alignment with the company's long-term goals and priorities. Following the approval, the finalized 2024 GCG-approved Performance Scorecard was officially received and documented in March 2024.

The 2024 Performance Scorecard accomplishment garnered an overall rating of 91.41% and was presented and approved by the Board of Directors' during its meeting on March 27, 2025.

COMPONENTS				2024 Approved Target	Accomplishement as of December 31, 2024 based on Unaudited PFRS FS	% of Accomplishment	Rating
	Objective/Measure	Formula	Weight				
SO1	Sustain Capital and Financial Growth through the effective and efficient use of resources						
SM 1	Increase Total Portfolio	Absolute amount of outstanding portfolio by end of December	15%	P 5.700 B	P 6.172 B	108.28%	15.00%
SM 2	Lower Net Past Due Rate	Total Past Due at the end of the period - Deferred Leasing Income, Unearned Credits, & Specific Loan Loss Provision over Total Portfolio	10%	5.00%	6.74%	65.20%	6.52%
SM 3	Increase Asset Size	Absolute amount of Total Assets by end of December	5%	P 5.900 B	P7.276 B	123.32%	5.00%
SM 4	Increase Net Income After Tax	Total Revenues Less Total Expenses	15%	P80.0M	P61.92 M	77.40%	11.61%
SM 5	Efficient Utilization of Corporate Operating Budget	Total Disbursement / Board - Approved Coporate Operating Budget (both net of PS cost)	5%	90%	59.11%	65.68%	3.28%
	SUB-TOTAL		50%				41.41%
SO 2	Provide financial products to achieve customer satisfaction and loyalty						
SM 6	Percentage of Portfolio Level allocated to priority sectors	Total amount of portfolio allocated to priority sector over Total portfolio at the end of the year	15%	90%	91.36%	101.51%	15%
SM 7	Percentage of Satisfied Customers	Number of respondents who gave a rating of at least Satisfactory/Total number of respondents	5%	95%*	External Services 99.63%	100%	5%
	SUB-TOTAL		20%				20.00%
SO 3	Enhance delivery of leasing and financing solutions						
SM 8	Percentage of Credit Approvals Processed within the Applicable Time	Total Number of Credit Approvals for New and Existing Clients Processed within the Applicable Processing Time / Total Number of Credit Approvals	15%	100% of credit applications processed within the applicable processing time**	100%	100%	15%
SO 4	Improve procedures, systems, and programs on a continuing basis						
SM 9	Implement Quality Management System	Actual accomplishment	5%	Maintenance of ISO 9001:2015 Certification	PASSED	100%	5%
	SUB-TOTAL		20%				20.00%
SO 5	Strengthen organizational competencies						
SM 10	Percentage of Employees Meeting Required Competencies	Competency Baseline 2024** - Competency Baseline 2023	5%	Improvement on the competency level based on 2023 year-end assessment ***	Improved competency level	100%	5%
SO 6	Optimize Linkages and Use of Information Technology						
SM 11	Implementation of IT Projects	Actual accomplishment	5%	100% completion of 2024 target ISSP Projects based on BOD aproved or DICT endorsed ISSP	100% Completed ISSP Projects	100%	5%
	SUB-TOTAL		10%				10.00%
	TOTAL		100%				91.41%

CORPORATE GOVERNANCE

LBP Leasing and Finance Corporation (LLFC or the "Corporation" is committed to maintain a strong corporate governance culture across the organization by adhering to good governance practices. LLFC has fully complied with the Code of Corporate Governance issued by GCG which is operationalized through its Manual of Corporate Governance.

The Board of Directors, Management, employees, and shareholders believe that corporate governance is a necessary component to enhance its long-term value to its stakeholders and improve financial performance of the Corporation thus they fully subscribe to comply with Good Governance Conditions.

GOVERNANCE STRUCTURE

BOARD OF DIRECTORS (BOD)

Composition

The BOD shall be composed of eleven (11) directors as provided in the Articles of Incorporation and By-Laws of the Corporation, at least two (2) of whom should be Independent Directors.

Independence of Directors

All directors exercise due diligence and independent judgment and make decisions objectively in the best interest of the Corporation.

The Chairperson and the President/CEO are separate and distinct from each other to achieve a balance of authority, clear accountability, and capacity for independent decision-making by the BOD. The Chairperson's primary responsibility is for leading the BOD and ensuring its effectiveness and adherence to good governance while the President/CEO is responsible for the supervision and direction of the day-to-day business affairs of the Corporation.

Appointment of Directors

As a GOCC, LLFC has Appointive Directors and "shall be appointed by the President of the Philippines from a shortlist prepared by the GCG."

The term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause, however, each Appointive Director shall continue to hold office until the successor is appointed and qualified.

Responsibilities

The primary function of the BOD is to provide effective leadership and direction to enhance the long-term value of the Corporation to its shareholders and other stakeholders. The BOD has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, financial performance reviews and corporate governance practices.

The principal duties of the BOD include the following among others:

- *The board of directors shall define the LLFC's corporate culture and values. It shall establish a code of conduct and ethical standards and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body.*
- *The board of directors shall be responsible for approving LLFC'S objectives and strategies and in overseeing management's implementation thereof.*
- *The board of directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel.*
- *The board of directors shall be responsible for approving and overseeing implementation of the LLFC'S corporate governance framework.*
- *The board of directors shall be responsible for approving LLFC's risk governance framework and overseeing management's implementation.*

Review of Risk Management System and Material Control

The BOD has thoroughly reviewed and assessed the Corporation's internal controls, risk management systems, and regulatory compliance for the year 2024.

CORPORATE GOVERNANCE

Board Meetings and Attendance

The BOD holds regular monthly meetings held every last Thursday of each month unless agreed otherwise. The schedule of the 2024 BOD meetings were presented and approved during the December 28, 2023, BOD meeting. In 2024, there were seventeen (17) BOD meetings conducted to evaluate and approve various matters related to LLFC's operations. All members of the BOD were present during the meetings. As such, 91.67% of the scheduled meetings for the year were successfully completed on time.

Name	Position	No. of Meetings Attended
Roberto U. Teo	Chairperson	17
Nanziancino M. Dilay	Vice-chairperson	17
Fritz M. Salazar	Member	17
Conrado S. Miñano Jr.	Member	17
Leticia V. Damasco	Member	17
Virgilio M. Sangutan	Member	17
Edgar Crisanto R. Violan	Member	17
Michael P. Arañas	Member	17
Alvin I. Kong	Member	17

Meeting without the President

At its meeting on December 17, 2024, the Board of Directors convened and carried out its proceedings without the presence of the President/CEO.

Release of Materials and Conduct of Meeting

To allow directors sufficient time to prepare for the meetings, the BOD and Board Committee materials are distributed at least three (3) working days prior to the scheduled meeting. Any additional matter or information requested by the directors is promptly furnished. For the year 2024, all materials were released in accordance with the required number of days prior to the scheduled meeting.

Management's proposals to the Board for approval provide background information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, conclusions and recommendations. Management also furnishes monthly reports to the BOD to provide sufficient information as to the results of operations and other matters for information and action of the BOD. Officers and employees who can provide additional insights into the matters to be discussed are requested to be present during the scheduled BOD and Board Committee meetings.

Remuneration of the Board

Each director shall receive per diems, allowances, and incentives in accordance with the guidelines promulgated by the Governance Commission for GOCCs (GCG).

Board Self-Assessment

The BOD has implemented a process for assessing the effectiveness of the Board as a whole and the contribution by each individual director to the effectiveness of the Board on an annual basis.

The members of the Board conduct an annual self-rating to measure the performance of the Board and Management by accomplishing the Board Self-Assessment Questionnaire. Chairperson of the Board shall provide parameters for the assessment of the President and CEO.

The BOD performance criteria are as follows:

- *Performance of Individual Directors*
- *Fulfillment of Board's Key responsibilities*
- *Quality of Board – Management Relationship*
- *Effectiveness of Board Processes and Meetings*
- *Board Structure*

For the year 2024, the BOD achieved an overall rating of 98.95% equivalent to "Superior" based on the assessment conducted which was completed on March 27, 2025. Results of the BOD assessments is disclosed in the LLFC website under the Corporate Governance Seal.

Pursuant to GCG MC No. 2014-03 the Board also performs the Performance Evaluation for Directors wherein they perform Self-Appraisal and Peer Appraisal as well as appraisal of the Chairperson. GCG generates the rating forms submitted and provides the Board Chairperson with the rating for each Director.

CORPORATE GOVERNANCE

BOARD-LEVEL COMMITTEES

To aid in complying with the principles of good corporate governance, the Board constituted five (5) BOD Committees:

- *Executive Committee,*
- *Audit Committee,*
- *Corporate Governance Committee (Compensation/Renumeration Committee)*
- *Risk Management Committee*
- *Related Party Transaction Committee.*

The composition and the roles of each committee including their meetings and attendance during the year are presented in the succeeding pages.

Board-Level Committee Assessment

The Board-level Committees assess their performance using the approved Guidelines on the Performance rating System of LLFC Board-Level Committees approved on March 7, 2025, by the Board of Directors.

The result of each Board-Level Committee Assessment for the year 2024 were 99.85% equivalent to a qualitative rating of "Superior". It is disclosed in the LLFC website under the Corporate Governance Seal.

EXECUTIVE COMMITTEE

Composition

Chairperson:	*Roberto U. Teo*
Members:	*Fritz M. Salazar*
	Edgar Cristanto R. Violan
	Conrado S. Miñano, Jr.
	Michael P. Arañas

Committee Role

The Executive Committee shall possess and may exercise all the powers on specific matters within the competence of the BOD particularly in the management and direction of the affairs of the Corporation and as may be delegated by the majority of the BOD subject to the limitations provided by the Corporation Code.

The Executive Committee performs the following:

- *Evaluate and approve lease/credit transactions and restructuring proposals in accordance with the Codified Approving and Signing Authorities;*
- *Evaluate and recommend to the Board for consideration and approval credit proposals coursed through the Executive Committee;*
- *Formulate and recommend credit policies for Board consideration and approval;*
- *Review and monitor the performance of credit facilities previously approved;*
- *Approve procurement and disposal of Corporate Assets and administrative services in accordance with the Codified Approving and Signing Authorities;*
- *Approve sale of Acquired Assets in accordance with the Codified Approving and Signing Authorities; and*
- *Perform such other duties and functions and/or assume such responsibilities as may be delegated by the Board of Directors.*

Meetings and Attendance for the Year

The ExCom met twelve (12) times during the year 2024. All scheduled meetings are attended by all members of the Committee. The detail of the attendance is also disclosed in the Corporate Governance Seal` section of the LLFC website.

CORPORATE GOVERNANCE

EXECUTIVE COMMITTEE

Accomplishments for the year 2024

Over the course of 2024, the Executive Committee approved forty-five (45) accounts and fourteen (14) other items, reflecting effective and timely decision-making. Furthermore, the ExCom endorsed fifty-seven (57) accounts and eighteen (18) additional items to the Board of Directors (BOD) for further review and approval, while also formally noting twenty-five (25) items.

For a complete overview of these discussions and the accompanying reports, please refer to the detailed records available on the LLFC website under the Corporate Governance Seal.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

Composition

Chairperson:	Nanziancino M. Dilay
Members:	Virgilio M. Sangutan
	Alvin I. Kong
	Leticia V. Damasco

Committee Role

The Audit Committee shall be responsible for overseeing senior management in establishing and maintaining adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency, and effectiveness of operations, and safeguarding of assets.

The Audit Committee shall also be responsible for the assessment of the reports from external auditors and regulatory agencies and ensure that management judiciously and appropriately acts on recommendations on significant deficiencies and/or material weaknesses identified.

The Audit Committee exercises office functional supervision of the Internal Audit Office and Compliance Management and endorses to the Board the appointment or removal of the IAO and CMO Heads as well as appraise their performance.

Meetings and Attendance for the Year

The Committee had seven (7) meetings in 2024. The Audit Committee members are all present in their scheduled meetings. The details of the attendance is also disclosed in the Corporate Governance Seal section of the LLFC website.

Certification of Adequacy of Internal Control

The Audit Committee has thoroughly reviewed and assessed the adequacy of the Corporation's internal controls, risk management systems, and regulatory compliance for the year 2024. The findings indicated that these systems were both adequate and effective. The results of this assessment were presented to, and subsequently approved by, the Board of Directors on December 17, 2024.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

Accomplishments for the year 2024

Throughout 2024, the Audit Committee conducted an extensive review of critical documents and reports, including the LLFC Compliance Manual and the LLFC Money Laundering and Terrorist Financing Prevention Program (MTPP) Manual. The committee also carefully examined the findings from the Audit Committee's validation of the PRS assessments. Additionally, the Audit Committee engaged in insightful presentations from the LBP Compliance Management Group, focusing on key regulatory compliance issues. The committee's comprehensive oversight extended to the results of audits in several key areas, including lease and loan operations, the Accounting Unit, the Human Resource Unit, and a Special Audit, ensuring thorough evaluations of operational efficiency and regulatory adherence.

For a complete overview of these discussions and the accompanying reports, please refer to the detailed records available on the LLFC website under the Corporate Governance Seal.

AUDIT COMMITTEE

Accomplishments for the year 2024

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMMITTEE
(COMPENSATION/ REMUNERATION COMMITTEE)

Composition

Chairperson:	*Roberto U. Teo*
Members:	*Edgar Crisanto R. Violan*
	Leticia V. Damasco
	Conrado S. Miñano, Jr.

Committee Role

The Corporate Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities and ensures the Board's effectiveness and its observance of corporate governance principles and guidelines.

It is also serves as the Compensation/ Remuneration Committee of the Corporation. The Committee shall also establish a formal and transparent procedure for developing a policy on remuneration of officers and employees to ensure that their compensation is consistent with the Corporation's culture, strategy and business environment in which it operates.

The Committee is responsible for the following:

- *Oversee the nomination process for members of the board of directors and for positions appointed by the board of directors.*
- *Oversee the continuing education program for the board of directors.*
- *Oversee the performance evaluation process.*
- *Oversee the design and operation of the remuneration and other incentives policy.*
- *Developing recommendations to the GCG for updating the CPCS and ensuring the the same continues to be consistent with the GOCC's culture, strategy, control environment, as well as the pertinent laws, rules, and regulations.*

Meetings and Attendance for the Year

The Committee had seven (7) meetings and one (1) via referendum in 2024. The Corporate Governance Committee members are all present in their scheduled meetings. The detail of the attendance is also disclosed in the Corporate Governance Seal section of the LLFC website.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMMITTEE

(COMPENSATION/ REMUNERATION COMMITTEE)

Accomplishment for the year 2024

Throughout 2024, the Corporate Governance Committee played a pivotal role in overseeing and enhancing governance frameworks by reviewing and discussing several key items. These included the results of the Validation of the Board-Level Committee PRS Assessment for CY2023, proposed revisions to the Strategic Performance Management System (SPMS), and updates to both the Corporate Governance Manual and the Human Resource Management Procedural Manual. Additionally, the Committee reviewed and endorsed a series of office circular guidelines to reinforce best practices and ensure alignment with evolving organizational objectives. In addition, three (3) items were formally noted during the year.

For a complete overview of these discussions and the accompanying reports, please refer to the detailed records available on the LLFC website under the Corporate Governance Seal.

CORPORATE GOVERNANCE

RISK MANAGEMENT COMMITTEE

Composition

Chairperson:	*Virgilio M. Sangutan*
Members:	*Leticia V. Damasco*
	Alvin I. Kong
	Nanziancino M. Dilay

Committee Role

The Risk Management Committee holds primary responsibility for the development, implementation, and oversight of the Corporation's risk management programs. The Committee will continuously monitor the risk landscape and provide strategic direction to mitigate potential risks, ensuring they are reduced to an acceptable level and do not hinder the Corporation's ability to achieve its strategic objectives.

The RiskCom is appointed by the Board of Directors to advise on LLFC's overall current and future risk appetite, monitor Management's adherence to the risk appetite statement, and report on the status of LLFC's organizational culture.

Meetings and Attendance for the Year

The Committee had ten (10) meetings in 2024. The Risk Management Committee members are all present in their scheduled meetings. The detail of the attendance is also disclosed in the Corporate Governance Seal section of the LLFC website.

CORPORATE GOVERNANCE

RISK MANAGEMENT COMMITTEE

Accomplishments for the year 2024

Throughout the year 2024, the Risk Management Committee achieved key milestones, including:

- *Fourteen (14) items were approved,*
- *Eleven (11) items were endorsed to the Board of Directors (BOD) for approval, and*
- *Forty-five (45) items were noted.*

Among the various items addressed, the Risk Management Committee approved and endorsed a wide range of policies, guidelines, manuals, and risk reports, including the Accomplishment Report and Plans and Programs of the Risk Management Office. Additionally, significant documents such as the Risk and Control Assessment Map, Liquidity Gap Reports, Report on Large Exposure, Sources and Uses of Funds, 2024 Industry Risk Assessment and 2024 Business Continuity Risk Assessment Plan were also approved.

For a comprehensive overview of these accomplishments, including the detailed reports and presentations discussed during the year, please refer to the LLFC website under the Corporate Governance Seal.

CORPORATE GOVERNANCE

RELATED-PARTY TRANSACTIONS COMMITTEE

Composition

Chairperson:	*Alvin I. Kong*
Members:	*Frtiz M. Salazar*
	Virgilio M. Sangutan
	Nanziancino M. Dilay

Committee Role

The Related Party Transaction Committee shall evaluate related party transactions to ensure that the transactions are at arm's length basis.

The Related Party Transaction Committee shall be primarily responsible for the evaluation and monitoring of transactions or dealings with related parties of LLFC, regardless of whether or not a price is charged. It shall include not only transactions that are entered into with related parties but also the outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

Meetings and Attendance for the Year

The Committee had ten (10) meetings and one (1) via referendum in 2024. The RPT members are all present in their scheduled meetings. The detail of the attendance is also disclosed in the Corporate Governance Seal section of the LLFC website.

Accomplishment for the year 2024

In 2024, the RPT Committee focused on key initiatives, including:

- *A detailed discussion on Landbank-related transactions,*
- *A comprehensive review of the RPT Committee Charter, and*
- *Acknowledgement of reports on Landbank Receivables and the Status of Service Vehicles and Drivers deployed within the Bank.*

For a complete overview of these discussions and the accompanying reports, please refer to the detailed records available on the LLFC website under the Corporate Governance Seal.

INTERNAL AUDIT

The Internal Audit Office, operating under the direct supervision of the Audit Committee, is responsible for providing an independent assessment and reasonable assurance regarding the adequacy and effectiveness of the Corporation's internal controls, risk management, and governance processes. Adopting a risk-based approach, the Internal Audit Office focuses on auditing key operational areas, taking into account risks identified and assessed within the risk management system when formulating its annual audit plan.

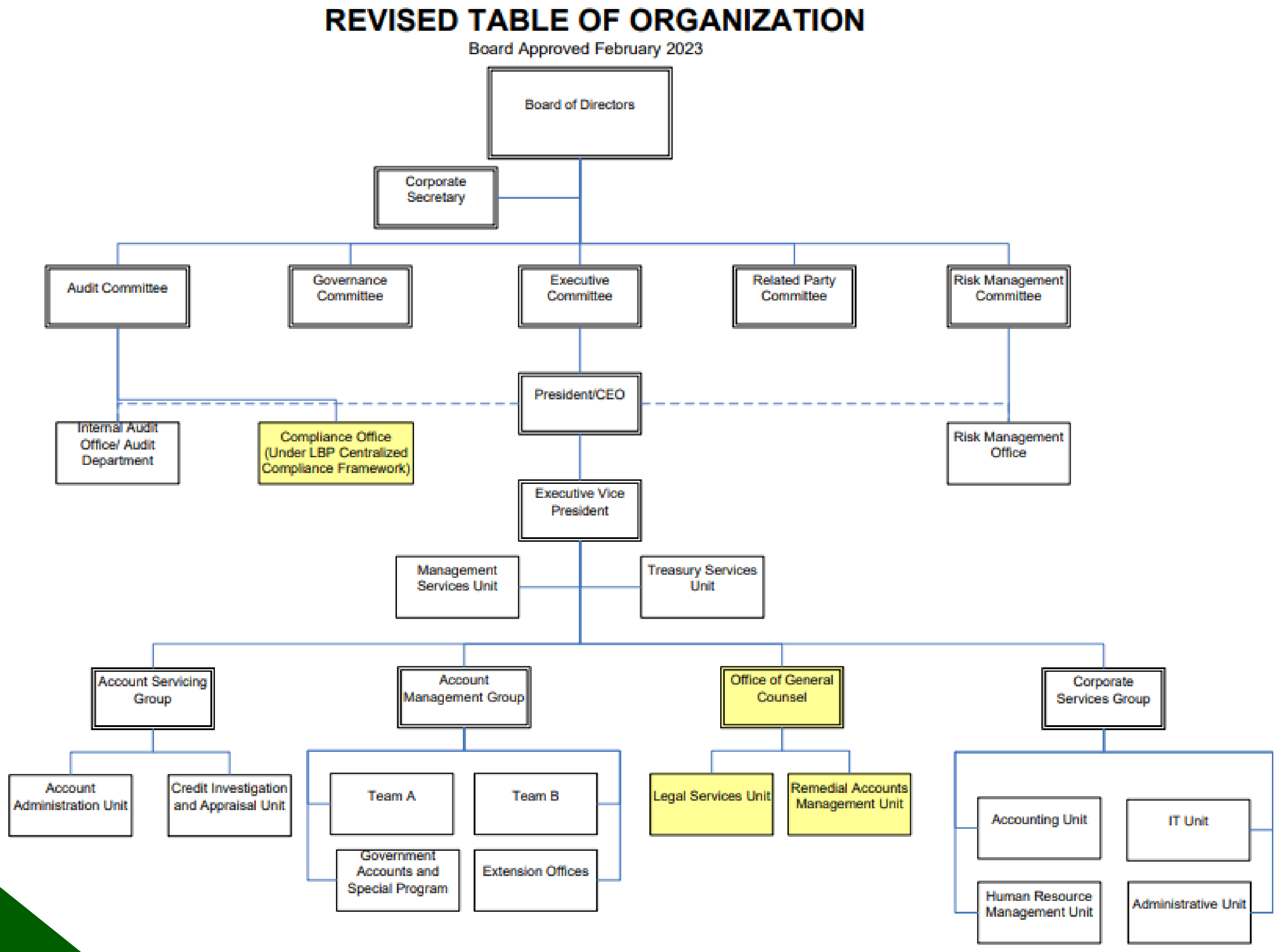
The Internal Auditor reports directly to the Audit Committee, which is responsible for the appointment and removal of the Head of Internal Audit. The scope of authority and responsibilities of the internal audit function are clearly defined in the approved Internal Audit Charter.

EXTERNAL AUDIT

The Commission on Audit (COA) is the designated external auditor of LLFC, in accordance with the mandate of the Philippine Constitution, which requires COA to audit all government entities, including Government-Owned and Controlled Corporations (GOCCs).

COA appoints a team of auditors empowered with the authority, responsibility, and duty to conduct a thorough and comprehensive audit of the Corporation's operations, covering financial, compliance, and performance aspects. The Corporation ensures that any non-audit services provided do not conflict with the external audit function, strictly adhering to COA's rules, regulations, and guidelines to maintain independence and uphold the integrity of the audit process.

ORGANIZATIONAL **STRUCTURE**



RISK MANAGEMENT

The Risk Management Office is responsible for developing and implementing guidelines and policies to ensure the effective management of risks across the Corporation. It plays a key role in identifying major risk exposures, assessing, and measuring the extent of these risks on an enterprise-wide basis as part of the Corporation's business operations.

The office also conducts independent monitoring and objective assessments of decisions to accept specific risks, ensuring that these decisions align with Board-approved policies on risk tolerance. Furthermore, it evaluates the effectiveness of corresponding risk mitigation measures to ensure that risks are properly managed and controlled.

The Corporation implements Enterprise Risk Management System (ERM). The adoption of ERM approach in risk management aims to:

- *Improved business process;*
- *Enhanced operational efficiency;*
- *Improved repayment rate;*
- *Optimized earning potential; and*
- *Embedded risk management culture.*

ERM is a process effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity and manage risk to be within its risk appetite. It provides reasonable assurance regarding achievement of the entity's objectives.

The Corporation maintains a risk register that identifies the material risks and the internal controls in place to manage and mitigate the risks. The risk register is reviewed annually by the Risk Management Committee.

The Risk Officer reports directly to the Risk Management Committee. The scope of authority and responsibility of the Risk Management Office enumerated in their approved Risk Committee Charter.

COMPLIANCE & ANTI-MONEY LAUNDERING

Beginning March 2021, LANDBANK implemented LBP Group Centralized Compliance Management (CCM) Framework. With this, the LANDBANK Compliance Officer was designated as LBP Group CCO. The Corporation for its part designated a Compliance Coordinator. Under the CCM Framework the LBP-CMO shall be responsible for the following:

- *visit the websites of various regulatory/ government agencies for new regulatory issuances and download the laws, rules and regulations applicable to the activities of the LBP Group,*
- *Identify the requirements and assess the compliance risk,*
- *Issues Compliance Bulletin and/or Business Unit Compliance Action Plan for appropriate action, information or reference*
- *Act as regulatory contact unit/liaison among LBP units, Subsidiaries, BSP, AMLC, COA and other regulatory agencies*
- *Manage/coordinate BSP examination, COA audit and AMLC inquiry*
- *Handle/coordinate submission of various adhoc regulatory requirements*
- *Handle clarification of pertinent provisions of laws, rules and regulations with the regulatory issuances*
- *Dissemination of new laws, rules & regulations and regulatory requirements to the LBP Units and Subsidiaries*
- *Clarification/interpretation of relevant laws, rules and regulations and guidance on implementation*
- *Research on regulations and compliance matters*
- *Compliance awareness training*
- *Review and update Compliance and MTTP Manual*
- *Conduct compliance monitoring and testing*
- *Report to Senior Management, various Committees and Board of Directors*

The Chief Compliance Officer (CCO) of the LBP Group reports directly to the LLFC Audit Committee. LLFC consistently submits the required Anti-Money Laundering Act (AMLA) reports to the LBP-AMLA DES, in accordance with the guidelines established by the Anti-Money Laundering Council (AMLC).

COMPLIANCE TO GOOD GOVERNANCE CONDITIONS

The Board, Management and Employees of LLFC fully complies with the Code of Corporate Governance governing GOCCs and as embodied in the Corporation's Manual of Corporate Governance, Citizen's Charter, No Gift Policy, and Quality Management System, among others.

Whistleblowing Policy

The Whistleblowing policy of the Corporation enables employees to report in good faith irregularities, misconduct or raise serious concerns internally with high-level of confidentiality and immunity so that appropriate remedial action could be taken. The guidelines also provide the rights of the whistleblower, protection of the whistleblowers, remedies and sanctions on the violation on the protection of confidentiality, retaliatory actions and false, misleading and malicious reports. It also emphasizes the oversight role of the Board particularly the Corporate Governance Committee in ensuring that the corporate governance principles are adhered to by employees.

Code of Conduct and Ethical Standard including No Gift Policy

The Corporation institutionalizes the highest ethical standards through the strict implementation of the provisions of RS 6713, An Act Establishing a Code of Conduct and Ethical Standards for Public Officials and Employees. Board and Officers of LBP Leasing and Finance Corporation are among the Public Officials defined in the aforementioned law.

In addition, the Corporation also adopts a Code of Conduct and Employees Discipline to ensure the maintenance of administrative discipline among its officers and employees based on the principle that discipline is fundamental to its success as an organization and as a business concern. As such everyone is required to fully comply with the Code of Conduct and Employees Discipline. The Human Resource Unit under Corporate Services Group monitors compliance in the Code of Conduct by preparing regular reports (i.e. tardiness, among others) and ensuring that offenses are properly sanctioned on a timely basis. The code including other related policies such as No Gift Policy and Anti-Sexual Harassment are disclosed, uploaded and available in the corporate website. Annually, employees and directors are asked to sign the Certificate of Compliance and Recommitment on the Code of Ethics. For year 2024, the cascading and signing of recommitment form was done on January 15, 2024.

Stakeholders' Interest

LBP Leasing and Finance Corporation had put in place various practices for the protection, fair treatment and dealings with all stakeholders. The needs and expectation of Relevant Interested Parties (RIPs) are documented and monitored.

Customers

LLFC is committed to providing the needs of its client's through quality service and relevant products and services that adds value to the client's business. The Corporation actively implements the Anti-Red Tape Act which prescribed the creation of Citizen's Charter which was made available to clients and the public assistance desk as well as the "No Noon Break Policy'. Because the Corporation strives for continuous improvement, it had adopted a system to immediately address complaints and suggestions by clients.

Directors/Officers and Employees

LLFC continues to promote betterment of it its officers and employees by sending them to various training and development programs during the year. ***ALL*** *employees as well as directors attended training for the year 2024. The trainings attended by employees and directors are disclosed in the Corporate Governance seal of the LLFC website.*

The Corporation also conducts regular fellowship activities to continue to nurture positive relationship among its Directors, officers and employees.

2024
EMPLOYEE
TRAINING & DEVELOPMENT

SCHEDULE OF EMPLOYEE TRAINING FOR THE YEAR 2024

TRAINING	NO. OF ATTENDEES	DATE	CONDUCTED BY	VENUE	PURPOSE
2024 Leaders and HR Symposium	4	September 24-25, 2024	Civil Service Institute - Civil Service Commission	Pasay City	Training
2024 Online Go Up Forum: Govt. Updates from BIR, DOLE, Pag-IBIG, Philhealth, and SSS	1	April 23, 2024	People Management Association of the Philippines	Zoom	Training
A Look Into the Recent Tax Issuances and Impact on Compliance	3	January 20, 2024	PICPA-MMR	Zoom	Training
AAO and ERF Forum 2024	2	June 27, 2024	GSIS	GSIS Conference Hall	Training
Adobe Illustrator CC 2024 Basic to Advance Training	1	November 8-10, 2024	Inventive Media	Karmela Building, Makati City	Training
AML CTF Fundamentals	66	April 4, 2024	Anti-Money Laundering Council	AMLC Portal	Training
AMLC Registration and Reporting Guidelines	64	May 21, 2024	Anti-Money Laundering Council	AMLC Portal	Training
AMLC Rregistration and Reporting Guidelines	2	July 30, 2024	Anti-Money Laundering Council	AMLC Portal	Training
Basic Corporate Finance Training	36	April 26, 2024	Development Center for Finance	Crown Regency Hotel, Makati City	Training
Certificate Course in Introduction to Organizational Development	1	May 20-24, 2024	Ateneo Center for Organization and Research and Development	Ateneo De Manila University Loyola Heights Campus	Training
Certification Course for Government Energy Managers	6	August 27-29, 2024	Meralco Power Aacdemy	Meralco Compound, Ortigas Pasig City	Training
Certified Paralegal Program	1	May 6, 8, 13, and 15, 2024	Certified Paralegals and Legal Researchers Training Center, Inc.	Zoom	Training
Change Management in the Workplace	62	October 7, 2024	Eckhon Malig - Learning and Beyond PH	MS Teams	Training
Common Errors in the Preparation of Financial Statements	3	January 27, 2024	PICPA-MMR	Zoom	Training
Conflict Resolution in the Workplace	59	July 1, 2024	Juan Roy - Regenerative Transformation Institute	MS Teams	Training
Credit Investigation Techniques	2	February 8, 2024	Credit Management Associations of the Philippines, Inc.	Zoom	Training
Cultural Awareness and Diversity in the Workplace Webinar	55	August 5, 2024	Mentor Myron Sta. Ana - MSS Business Solutions	MS Teams	Training
Cybersecurity Awareness Training	60	October 3, 2024	DICT Cybersecurity Bureau, Critical Infostructure Evaluation	MS Teams	Training
Data Privacy Orientation	1	September 9, 2024	National Privacy Commission	Zoom	Training
Ease of Paying Taxes in a Nutshell	8	May 7, 2024	PICPA-MMR	Zoom	Training
Effective Communication in the Workplace	61	April 1, 2024	Coach Elaine Roanne Ruiz, CLDP	MS Teams	Training
Emotional Intelligence at the Workplace Webinar	61	March 4, 2024	Kevin M. Adolfo	MS Teams	Training
EOPT Effect on CAS: Brace for Impact	3	May 16, 2024	Omniray Ventures, Inc.	Microtel by Wyndham, Mall of Asia	Training
Expanded Withholding Tax – What, Why and How	3	January 26, 2024	PICPA-MMR	Zoom	Training
Financial Talk for Women	64	March 14, 2024	Chinkee Tan	LLFC Boardroom	Training
Fire and Earthquake Seminar and Drill	1	April 18, 2024	SyciplLaw Condominium Corporation	SycipLaw Center	Training
Fundamentals of Cash Flow and Working Capital Management: Cash Flow Analysis, Budgeting and Forecasting Training	1	August 8, 2024	ARIVA Academy Philippines, Inc.	Astoria Plaza Ortigas, Pasig City	Training
Gender Sensitivity Training (Day 1)	53	October 15, 2024	Jemelle Z. Milanes - GAD Management Consultancy Services	MS Teams	Training
Gender Sensitivity Training (Day 2)	21	October 17, 2024	Jemelle Z. Milanes - GAD Management Consultancy Services	MS Teams	Training
Heads-Up on the April 15, 2024 Individual ITR Filing	3	March 13, 2024	PICPA-MMR	Zoom	Training
HR Connect SEA	2	May 8, 2024	SAP SuccessFactors	Grand Hyatt Manila, Taguig City	Training
Income Tax Treatment of Leases, Pensions, Forex and Interests	4	June 26, 2024	PICPA-MMR	Zoom	Training
Information Security Risk Assessment Retooling Session	18	August 8, 2024	LBP - Information Security Risk Management	MS Teams	Training
Introduction to the PPP Code and its IRR	3	November 12-13, 2024	PPP Center Capacity Building Activity	Zoom	Training
ISO 9001:2015 QMS Awareness Training	68	October 11, 2024	Princes Jinky P. Jalmasco - Head of Internal Audit Office	MS Teams & LLFC Boardroom	Training
LLFC 41st Anniversary Celebration	59	March 15, 2024	HR Unit and Committee	LLFC Boardroom	Training
Managing Burnout: Strategies for Maintaining Mental Health in the Workplace	2	March 9, 2024	PICPA-MMR	Zoom	Training
Mandatory Continuing Legal Education Program	2	February 2, 9, 16, and 23, 2024	New Era University - College of Law	Zoom	Training
Mental Health in a Pocket: Navigating the Mind Webinar	73	October 10, 2024	Dr. Francine DC Bofill - Bofill Psychological Services	MS Teams	Training
Microsoft365: Copilot Unveiling Seminar	3	March 7, 2024	TechOne	Discovery Primea, Makati City	Training
Microsoft365: High Level- Standard FastTrack Admin Training	2	April 16, 2024	TechOne Global Phils., Inc.	MS Teams	Training
Microsoft PL-300T00 - Microsoft Power BI Data Analyst	1	June 19-21, 2024	Lumify Work	Virtual - Lumify Portal	Training
MS 365 Admin Training	4	September 18, 2024	TechOne Global Phils., Inc.	AMLC Portal	Training
MS 365 User and Admin Training - Day 1	124	June 4, 2024	TechOne Global Phils., Inc.	MS Teams	Training
MS 365 User and Admin Training - Day 2	1	June 6, 2024	TechOne Global Phils., Inc.	MS Teams	Training
MS 365 User Training	19	June 5, 2024	TechOne Global Phils., Inc.	MS Teams	Training
Office Etiquette and Work Values Orientation	64	February 5, 2024	Dr. Lucia Bacal-Dela Cruz	MS Teams	Training
Orientation on Gender Analysis	13	November 15, 2024	Jemelle Z. Milanes - GAD Management Consultancy Services	MS Teams	Training
Orientation on Gender-Sensitive Disaster Risk Reduction	72	December 3, 2024	Florenz April L. Sausa - Aligne Management and Consultancy Services	MS Teams	Training
Orientation on Guidelines on Withdrawal of Consent, MSU Request - Document Reproduction Request Form and Product Orientation by LIBI	60	September 12, 2024	Atty. Joanna Marie Y. Pagsuyoin, Ianthe L. Ramo, & LIBI	MS Teams	Training
Orientation on HMO (Maxicare and PhilCare)	64	November 14, 2024	Maxicare and PhilCare	MS Teams	Training

SCHEDULE OF EMPLOYEE TRAINING FOR THE YEAR 2024

TRAINING	NO. OF ATTENDEES	DATE	CONDUCTED BY	VENUE	PURPOSE
Orientation on HMO (Maxicare and PhilCare)	64	November 14, 2024	Maxicare and PhilCare	MS Teams	Training
Orientation on Impact of Ease of Paying Taxes Act, Enhancement of Computerized Accounting System, Penalty Computation in the Schedule Lines, SOA Generation using Jet, Viewing of balances in the amortization schedule and Encoding of PDC	59	July 29, 2024	Angelique Javier, Christine Diokno & Michelle Amoncio	MS Teams	Training
Orientation on MTPP and Compliance Manual, New Hire Onboarding Program, and Digital Payments and Collections	64	June 21, 2024	Angelique Javier, Clariza G. Gonzales, Angelyn P. Sampaga, & Riza M. Hernandez	MS Teams	Training
Orientation on Revised Guidelines on Classification, Handling, Access and Disclosure of Information Assets, Revised Management Services Manual, Legal Case Management System, Admin Request, CIAU Request and Guidelines for Centralized Receipt of External Documents	65	March 22, 2024	Narmylin Ordonez, Ianthe Ramo, Rowanne Salcedo, Angelique Javier, & Melody Carmela C. Mercado	MS Teams	Training
Orientation on the Code of Conduct, Guidelines for Compensation on Overtime Work, Uniform Dress Code and Grooming, Guide to Internal Audit Rating System, Guidelines on the Implementation of Harmonized Client Satisfaction Measurement (CSM), Revised Whistleblowing Policy and Procedure, Guidelines on Customer Acceptance and Identification, Guidelines on the Adoption of the Standard Business Loan Application Form (SBLAF), and the LLFC Form Applications: IT, Accounting, and Call Report	68	January 22, 2024	Atty. Ed Vincent A. Albano III, Atty. Joanna Marie Y. Pagsuyoin, Clariza G. Gonzales, Luz M. Narciso, Alley J. Entienza, Riza M. Hernandez, Raizza L. Gonzales, Peter Paul I. Rigor, IT Unit, & Accounting Unit	MS Teams	Training
Overcoming Top Challenges in Internal Quality Audits Webinar	3	July 19, 2024	AMCD Management Consultancy Services	Zoom	Training
Philippine Finance Association 2024 National Convention	27	August 15-17, 2024	Philippine Finance Association	Baguio City	Training
PICPA NMMC 3rd General Membership Meeting "Understanding the Philippine Qualifications Framework in Government"	3	March 8, 2024	PICPA-MMR	Zoom	Training
Privacy Impact Assessment Workshop	71	November 7, 2024	Atty. Mhysel Anne C. Aquillo - National Privacy Commission	MS Teams	Training
Records Management and Disposition Seminar	22	February 6, 2024	Terence Michael A. Tablizo - National Archives of the Philippines	LLFC Boardroom	Training
SPMS and Competency Assessment Walkthrough	65	January 8, 2024	HR Unit	MS Teams	Training
Stepback Leadership: Edition for Women Empowerment	64	March 14, 2024	Lloyd Luna	LLFC Boardroom	Training
Targeted Financial Sanctions	66	July 24, 2024	Anti-Money Laundering Council	AMLC Portal	Training
Targeting "Deferred Income Tax": Simplified and Practical Approach	3	February 28, 2024	PICPA-MMR	Zoom	Training
Targeting Tax: Addressing Common Errors in Corporate Income Tax Calculation	3	February 21, 2024	PICPA-MMR	Zoom	Training
Tax Assessment: The Necessary Procedures and Possible Responses on the Issues and Findings on BIR Assessments	3	January 20, 2024	PICPA-MMR	Zoom	Training
Training for Executive Assistants	1	July 10, 2024	BusinessCoach, Inc.	Zoom	Training
Training Fundamentals - Fully Asynchronous Online Course	1	May 13, 2024	Philippine Society for Talent Development Inc.	Zoom	Training
Training on Factoring	4	March 5-6, 2024	International Finance Corporation	Assembly Hall, BSP Complex, Malate, Manila	Training
Training on RA 9184 and its 2016 Revised Implementing Rules and Regulations of LLFC	65	July 2-4, 2024	Rommel D. Rivera, Dr. Gilchor P. Cubillo, and Atty. Zenaida B. Bautista-Biteng - Government Procurement Policy Board	LLFC Boardroom	Training
Understanding Financial Statements	10	February 29, 2024	Powermax Consulting Group, Inc.	Zoom	Training
Updated 2021 version of Code of Ethics for Professional Accountants	3	February 28, 2024	PICPA-MMR	Zoom	Training
VAW-Bigyang Wakas: Ngayon Na Ang Oras Orientation	56	December 2, 2024	Dr. Francine DC Bofill - Bofill Psychological Services	MS Teams	Training
Walkthrough on Business Impact Analysis	16	February 13, 2024	LandBank-Operational Risk Management Department	MS Teams	Training

CORPORATE SOCIAL RESPONSIBILITY

CSR

Corporate Social Responsibility (CSR) is a fundamental pillar of modern business, and LBP Leasing and Finance Corporation (LLFC) is unwavering in its commitment to creating a lasting, positive impact through a variety of transformative initiatives. LLFC actively champions CSR programs that focus on advancing environmental sustainability, promoting meaningful community engagement, and upholding the highest standards of ethical business practices. In addition, the Corporation is dedicated to championing gender equality and making significant investments in the well-being, growth, and development of its employees. These forward-thinking initiatives not only strengthen LLFC's position as a responsible corporate entity but also provide invaluable opportunities to give back to society, contributing to its broader social, economic, and environmental objectives. Through these efforts, LLFC continues to foster a culture of responsibility and empowerment that aligns with both its corporate values and the collective goals of the communities it serves.

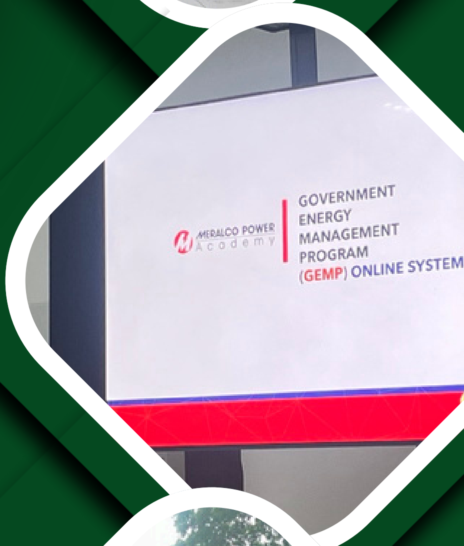
CSR

ENVIRONMENT

The Corporation continuously implements its energy conservation program, promoting the efficient use of energy across all levels of the organization. This initiative highlights LLFC's commitment to supporting government directives while ensuring operational efficiency, environmental responsibility, and long-term sustainability, in alignment with the Government's initiative to promote the Government Energy Management Program.

Pursuant to DOE DO No. 2023-02 0008, dated February 16, 2024, which outlines the Guidelines for Strengthening Energy and Conservation Professionals under the Government Energy Management Program (GEMP), registered Energy Efficiency and Conservation (EEC) professionals are required to undergo training, seminars, and/or workshops focused on energy efficiency, conservation, and management.

From August 27 to 29, 2024, LLFC's Energy Efficiency and Conservation Team participated in a 3-day training course designed to equip energy managers in the government sector with the essential competencies required to comply with DOE regulations on energy efficiency and conservation. The course covered vital areas such as the implementation and improvement of energy efficiency measures, energy monitoring and control, and the preparation of periodic energy utilization and conservation program reports. Furthermore, it enabled participants to better leverage opportunities and mitigate risks arising from the law, allowing them to effectively manage the energy consumption of facilities, equipment, and devices. This training ensures that LLFC's energy professionals are well-prepared to contribute to sustainable and efficient energy management within government institutions.



CSR

COMMUNITY

LANDBANK spearheaded the "Adopt-A-School Program" as part of its Corporate Social Responsibility (CSR) initiatives, allocating a substantial amount of Six Million Pesos (P6,000,000.00) to fund the repair and rehabilitation of 12 schools across the Philippines. While the amount allocated may not cover all the needs of the identified schools, LANDBANK took a proactive step in encouraging its subsidiaries to join the cause and contribute to this noble effort.

LLFC, one of LANDBANK's subsidiaries, embraced this opportunity to make a meaningful impact on the lives of students in public schools, reflecting the Corporation's strong commitment to its CSR programs and its responsibility to the community. The initiative aligns with LLFC's dedication to promoting Good Corporate Governance while fulfilling its role in enhancing educational opportunities for future generations. Additionally, this participation supports the Corporation's Gender and Development Program, in compliance with the Philippine Women's Commission's requirements.

On May 24, 2024, the LLFC BOD approved the participation and allocation amounting to One Million Pesos (P1,000,000.00) as contribution to the program. Among the selected schools for the program, LLFC chose to provide its support to Benhaan Elementary School, located in Mambajao, Camiguin Island, ensuring that the much-needed improvements will benefit the students and contribute to the school's growth and development. In addition, on September 11, 2024, the Department of Education (DepEd) and the LANDBANK signed a Memorandum of Understanding (MOU) to repair classrooms in 12 schools located in disaster-affected areas.

CUSTOMER AND EMPLOYEE SAFETY, HEALTH AND WELLNESS

LBP Leasing and Finance Corporation implemented a Guidelines on Occupational Safety and Health Standards which took effect on November 29, 2024. These guidelines ensure a safe and healthy working environment for all employees by minimizing risks and hazards in the workplace. This is achieved through comprehensive safety and health programs, compliance with legal requirements, and the promotion of health and wellness among workers consistent with the CSC-DOH-JMC No. 1 series of 2020.

Throughout the year 2024, LLFC organized and conducted several initiatives aimed at promoting employee and workplace wellness, fostering a positive environment that supports the overall health and well-being of its workforce. These activities were designed to encourage healthy behavior and enhance the quality of life for employees.

In addition to the wellness initiatives, LLFC employees participated in mandatory X-ray chest examinations on January 11, 2024, a requirement for securing a Sanitary Permit. To further promote a healthy and safe work environment, the company also implemented monthly pest control services and regular office disinfection. These measures are designed to minimize the spread of illness, maintain hygiene, and support the overall wellness of employees, fostering a safer and healthier workplace. Details are provided below:

Activity	Date Conducted	Remarks
X-Ray Examination	11-Jan-24	Normal Result
Health and Wellness Activities		All employees participated
Orientation on Office Etiquette and Work Values	5-Feb-24	
Emotional Intelligence at work	4-Mar-24	
Effective Communication	1-Apr-24	
Teamwork and Collaboration	6-May-24	
Conflict Resolution	1-Jul-24	
Cultural Competence and Diversity Awareness Webinar	5-Aug-24	
Healthy Minds, Healthy Workplace	10-Oct-24	
Pest Control	Various dates	Completed as scheduled
Office Disinfection	Various dates	Completed as scheduled

CLIENT SATIFACTION SURVEY

LLFC adopted the ARTA-issued Client Satisfaction Measure for the year 2024, which resulted in an outstanding overall rating of 99.63%. This measure was facilitated by a third-party service provider to ensure objectivity and accuracy. Despite the shift in methodology, LLFC has consistently received positive feedback from its customers, underscoring the company's unwavering commitment to delivering high-quality service. This exceptional rating not only highlights LLFC's dedication to customer satisfaction but also reinforces its ongoing commitment to meeting the needs of both its customers and stakeholders.

GENDER AND DEVELOPMENT

Pursuant to Republic Act 9710, also known as the Magna Carta of Women, all government agencies, offices, bureaus, instrumentalities, State Universities and Colleges, Government-Owned and Controlled Corporations (GOCCs), and Local Government Units (LGUs) are mandated to adopt gender mainstreaming strategies to promote and fulfill women's human rights, while eliminating gender discrimination within their systems, structures, policies, programs, processes, and procedures.

In 2024, LBP Leasing and Finance Corporation (LLFC) implemented a comprehensive range of Gender and Development (GAD) Programs, Activities, and Projects (PAPs) in alignment with its Plans and Budget for the year. Key activities included seminars on Gender Mainstreaming, conducting an Organizational Audit using the Gender Mainstreaming Evaluation Framework (GMEF), and the reconfiguration of the breastfeeding area, among other initiatives. Detailed GAD Plans and Programs for CY 2024 are available for review in the GAD Corner of LLFC's website.

Additionally, LLFC actively participated in various advocacy activities in observance of key events such as the Annual Celebration of National Women's Month with the theme "WE Make CHANGE Work for Women," and the "18-Day Campaign to End Violence Against Women" with the theme "UNiTEd for a VAW-free Philippines." Highlights of these impactful GAD activities can be accessed in the GAD Corner on LLFC's website, showcasing the Corporation's ongoing commitment to gender equality and women's empowerment.

LBP LEASING AND FINANCE CORPORATION
(A LANDBANK SUBSIDIARY)

UNAUDITED PFRS FINANCIAL STATEMENTS AS OF DECEMBER 31, 2024

LBP LEASING AND FINANCE CORPORATION
(Formerly LBP Leasing Corporation)
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
December 31, 2024 and 2023
(In Philippine Peso)

	Notes	2024	2023	2022 (as reclassified)
ASSETS				
Current assets				
Cash and cash equivalents	7	108,700,278	36,466,014	49,424,156
Financial Assets at Amortised Cost	8, 14	1,602,211,990	1,603,394,848	1,110,409,542
Other current assets	13	44,004,637	56,276,803	64,937,964
Total current assets		1,754,916,905	1,696,137,665	1,224,771,662
Non-current assets				
Financial Assets at Amortised Cost	8, 14	4,514,880,356	3,707,288,598	3,811,828,022
Investment properties, net	9, 14	11,704,000	30,206,300	3,730,500
Equipment and other property for lease, net	10	742,561,834	525,158,271	232,022,273
Property and equipment, net	11, 14	31,094,338	30,039,237	34,032,315
Non-current assets held for sale, net	12	31,821,995	635,000	-
Deferred tax asset	24	183,700,433	173,211,242	165,672,063
Other non-current assets	13	2,169,855	2,108,587	520,583
Total non-current assets		5,517,932,811	4,468,647,235	4,247,805,756
TOTAL ASSETS		7,272,849,716	6,164,784,900	5,472,577,418
LIABILITIES AND EQUITY				
LIABILITIES				
Current liabilities				
Financial Liabilities, current portion	15	3,126,931,728	2,414,908,113	2,254,237,459
Current portion of deposit on lease contracts	21	208,652,059	271,957,636	214,843,625
Inter-Agency Payables	16	20,539,323	15,935,801	13,456,460
Other payables	17	132,017,037	105,302,194	207,309,837
Total current liabilities		3,488,140,147	2,808,103,744	2,689,847,381
Non-current liabilities				
Financial Liabilities, net of current portion	15	1,149,666,667	1,080,666,667	710,000,000
Deposit on lease contracts, net of current portion	21	1,024,129,877	640,665,051	457,884,678
Retirement liability	22(b)	24,935,148	23,745,024	15,556,402
Total non-current liabilities		2,198,731,692	1,745,076,742	1,183,441,080
Total liabilities		5,686,871,839	4,553,180,486	3,873,288,461
Equity				
Capital stock	18(a)			
Issued capital		485,552,550	485,552,550	485,552,550
Additonal paid-in capital		113,970,900	113,970,900	113,970,900
Treasury stock		(20)	(20)	(10)
		599,523,430	599,523,430	599,523,440
Retained earnings	18(b)			
Appropriated		700,000,000	600,000,000	600,000,000
Unappropriated		299,565,519	425,192,056	409,468,406
		999,565,519	1,025,192,056	1,009,468,406
Accumulated other comprehensive income (loss)				
Remeasurement of retirement benefit obligation	22(b)	(13,111,072)	(13,111,072)	(9,702,889)
		(13,111,072)	(13,111,072)	(9,702,889)
Total equity		1,585,977,877	1,611,604,414	1,599,288,957
TOTAL LIABILITIES AND EQUITY		7,272,849,716	6,164,784,900	5,472,577,418

The Notes on pages 9 to 80 form part of these financial statements.

LBP LEASING AND FINANCE CORPORATION
(Formerly LBP Leasing Corporation)
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2024 and 2023
(In Philippine Peso)

	Notes	2024	2023
INTEREST INCOME			
Leases	8, 21	449,410,029	421,146,969
Loans	8	223,304,120	176,022,083
Deposits in banks	7	30,410	16,512
Others	7	-	-
		672,744,559	597,185,564
INTEREST EXPENSE			
Borrowed funds	15	240,167,361	187,855,740
NET INTEREST INCOME		432,577,198	409,329,824
OTHER INCOME			
Operating leases	8, 21	-	-
Other income	19	14,319,081	81,931,062
		14,319,081	81,931,062
DIRECT EXPENSES			
Security, messengerial, janitorial and contractual services	21	115,921,022	155,480,453
Provision for credit and impairment losses	14	41,956,762	48,362,178
Compensation and fringe benefits - Marketing operations	22(a)	23,241,603	26,110,411
Documentary stamp used	15	25,957,067	20,806,608
Depreciation-equipment and other property for lease	10	-	626,786
Insurance		6,414,314	8,273,820
Repairs and maintenance		490,589	1,424,865
Transfer mortgage and registration fees		732,217	1,535,839
		214,713,574	262,620,960
GROSS INCOME		232,182,705	228,639,926
GENERAL AND ADMINISTRATIVE EXPENSES			
Taxes, Insurance Premiums and Other Fees		42,225,654	36,154,811
Compensation and fringe benefits	22(a)	43,859,062	42,795,662
Depreciation/amortization	12	7,308,523	6,537,058
Other Maintenance and Operating Expenses	20	48,294,564	41,676,145
		141,687,803	127,163,676
NET INCOME BEFORE INCOME TAX		90,494,902	101,476,250
Income tax expense	24	28,576,314	31,278,460
NET INCOME AFTER TAX		61,918,588	70,197,790
OTHER COMPREHENSIVE INCOME/(LOSS)			
Item that will not be reclassified to profit and loss			
Remeasurement gain/(loss) on retirement benefit obligation	22(b)	-	(3,408,183)
TOTAL COMPREHENSIVE INCOME		61,918,588	66,789,607
EARNINGS PER SHARE	27	1.28	1.45

The Notes on pages 9 to 80 form part of these financial statements.

LBP LEASING AND FINANCE CORPORATION
(Formerly LBP Leasing Corporation)
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2024 and 2023
(In Philippine Peso)

	Issued Capital	Additional Paid-in Capital	Treasury Stock	Retained Earnings		Accumulated Other Comprehensive Gains/(Losses)	Total
				Unappropriated	Appropriated		
		Note 18(a)		Note 18(b)		Note 18(c)	
Balance, 1 January 2023	**485,552,550**	**113,970,900**	**(10)**	**409,468,406**	**600,000,000**	**(9,702,889)**	**1,599,288,957**
Cash dividend to National Government				(54,474,140)			(54,474,140)
Reacquisition of common stock			(10)	-			(10)
Reissuance of common stock				-			-
Net income for the year				70,197,790			70,197,790
Remeasurement gain on retirement benefit obligation						(3,408,183)	(3,408,183)
Balance, 31 December 2024	**485,552,550**	**113,970,900**	**(20)**	**425,192,056**	**600,000,000**	**(13,111,072)**	**1,611,604,414**
Cash dividend to National Government				(87,545,125)			(87,545,125)
Reacquisition of common stock				-			-
Reissuance of common stock				-			-
Appropriation of Retained Earnings				(100,000,000)	100,000,000		-
Net income for the year				61,918,588			61,918,588
Unrealized loss on Available for Sale Securities							-
Unrealized gain on exchange/foreclosure							-
Remeasurement gain on retirement benefit obligation						-	-
Balance, 31 December 2023	**485,552,550**	**113,970,900**	**(20)**	**299,565,519**	**700,000,000**	**(13,111,072)**	**1,585,977,877**
		-	-	-	-	-	-

The Notes on pages 9 to 80 form part of these financial statements.

LBP LEASING AND FINANCE CORPORATION
(Formerly LBP Leasing Corporation)
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2024 and 2023
(In Philippine Peso)

	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflow			
Interest received	662,344,605	593,618,860	466,506,710
Other income received	(45,962,212)	21,649,769	57,829,242
Cash received from clients	1,350,245,690	1,713,789,236	1,363,475,603
Total Cash Inflow	1,966,628,083	2,329,057,865	1,887,811,555
Cash Outflow			
Cash paid to clients	(1,816,798,979)	(1,995,586,400)	(1,543,086,525)
Cash paid to settle expenses	(265,220,761)	(266,997,615)	(383,282,363)
Interest paid	(260,117,979)	(198,481,891)	(105,671,285)
Income taxes paid	-	-	-
Total Cash Outflow	(2,342,137,719)	(2,461,065,906)	(2,032,040,173)
Net cash generated from/(used in) operating activities	(375,509,636)	(132,008,041)	(144,228,618)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflow			
Disposal of Investment property	-	-	11,656,000
Disposal of leased assets	12,554,550	12,554,550	10,051,084
Disposal of property and equipment	5,847,864	5,847,864	4,752,000
Cash Outflow			
Acquisitions of leased assets	(201,283,914)	(277,643,135)	(80,659,468)
Acquisitions of property and equipment	(38,386,308)	(2,518,832)	(10,781,761)
Net cash provided by/(used in) investing activities	(221,267,808)	(261,759,553)	(64,982,145)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflow			
Proceeds from borrowings under line of credit agreement	3,195,273,231	2,874,000,000	2,287,177,437
Reissuance of shares	0	0	0
Total Cash Inflow	3,195,273,231	2,874,000,000	2,287,177,437
Cash Outflow			
Payment of long term debt	(2,438,716,398)	(2,438,716,398)	(2,031,622,999)
Reacquisition of shares	0	(10)	0
Cash dividends paid	(87,545,125)	(54,474,140)	(58,134,200)
BIR Audit Tax Deficiency	-	-	(1,332,434)
Total Cash Outflow	(2,526,261,523)	(2,493,190,548)	(2,091,089,633)
Net cash provided by/(used in) financing activities	669,011,708	380,809,452	196,087,804
NET DECREASE IN CASH AND CASH EQUIVALENTS	72,234,264	(12,958,142)	(13,122,959)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	36,466,014	49,424,156	62,547,115
CASH AND CASH EQUIVALENTS AT END OF YEAR	108,700,278	36,466,014	49,424,156

The Notes on pages 9 to 80 form part of these financial statements.

LBP LEASING AND FINANCE CORPORATION
(A wholly owned subsidiary of Land Bank of the Philippines)
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023
(All amounts in Philippine Peso, unless otherwise stated)

1. GENERAL INFORMATION

1.1 Corporate Information

The LBP Leasing and Finance Corporation, *formerly LBP Leasing Corporation*, (LLFC or "the Corporation") was registered with the Securities and Exchange Commission on March 17, 1983 under SEC Registration No. 111115. It was granted by the SEC a license to operate as a finance company on March 18, 1983.

The Corporation's name was changed from LBP Leasing Corporation (LLC) to LBP Leasing and Finance Corporation (LLFC) effective November 3, 2015.

LLFC's registered address is at the 15th Floor Sycip Law Center, No. 105 Paseo De Roxas, Makati City.

The principal activities of LLFC are as follows:

(a) To engage in direct leasing or financial leasing and to arrange or underwrite and administer leases of all kinds of equipment, machines, vehicles, facilities, appliances and all types of personal and real property;

(b) To engage in the business of financing merchandise particularly but not limited to appliance, automobile, and truck retail sales, agricultural machinery and equipment and to engage in the business of commercial, agricultural and industrial financing, factoring and/or leasing, in all other various forms, within and without the Republic of the Philippines;

(c) To extend credit facilities for and otherwise assist in the establishment, operation, development, expansion and/or reorganization of industrial, commercial, agricultural and other productive or profitable enterprises;

(d) To make loans with or without such security, as the Board of Directors may think fit within the limits allowed by law; and

(e) To raise funds for the Corporation's operations through the issuance of debt instruments and/or securitization of its assets.

The Corporation is a wholly-owned subsidiary of Land Bank of the Philippines (LBP).

2. STATEMENT OF COMPLIANCE WITH PHILIPPINE FINANCIAL REPORTING STANDARDS/PHILIPPINE ACCOUNTING STANDARDS

The financial statements of the Corporation have been prepared in compliance with Philippine Financial Reporting Standards/Philippine Accounting Standards

(PFRSs/PASs) as modified by the application of the following financial reporting reliefs issued by the Bangko Sentral ng Pilipinas and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic:

- Staggered booking of allowance for credit losses over a maximum period of five years

The Board of Directors (BOD), through Resolution No. 25-__, approved and authorized for issuance the Corporation's financial statements as of and for the years ended December 31, 2024 and 2023 on March ___, 2025.

3. MATERIAL ACCOUNTING POLICIES

3.1 Basis of Financial Statement Preparation

The financial statements have been prepared under the historical cost basis, except when otherwise stated. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

These financial statements are presented in Philippine peso, the Corporation's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

3.2 Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Corporation presents all items of income and expenses in a single statement of comprehensive income.

The Corporation presents its statement of financial position broadly in order of liquidity. Analysis regarding recovery (asset) or settlement (liability) within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 25 to the financial statements.

Current versus Noncurrent Classification

The Corporation presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Corporation classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

3.3 Use of judgments and estimates

The preparation of financial statements in compliance with PFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise judgment in the most appropriate application of the accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and its effects are disclosed in Note 4.

3.4 Changes in accounting policies and disclosures

a. New standards and amendments issued and effective from January 1, 2025.

- Amendments to PAS 21, Lack of Exchangeability– This amendment specifies how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not.

b. New and Amended PFRS Issued But Not Yet Effective

The following is a list of other new and amended standards which are effective in future periods. The amount of quantitative and qualitative detail to be given about each of the standards will depend on each entity's own circumstances.

- Amendment to PFRS 17 and PFRS 9 — Comparative Information (Effective January 1, 2025) - The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. On December 15, 2021, the Philippine Financial and Sustainability Reporting Standards Council amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

The Corporation does not expect any other standards issued by the International Accounting Standards Board, but not yet effective, to have a material impact on the financial statements.

The Corporation is currently assessing the impact of these new accounting standards and amendments.

3.5 Financial instruments

Initial recognition

A financial asset or financial liability is recognized in the statements of financial position when the Corporation becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on its quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Day 1' difference

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

Classification of financial instruments

The Corporation classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Corporation's business model and its contractual cash flow characteristics.

Financial instruments

Financial assets and liabilities at FVPL.

Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual

pattern of short-term profit-taking; or

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Corporation had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Corporation may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

The Corporation does not have financial assets and liabilities at FVPL.

Financial assets at amortised cost

Financial assets shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method, less allowance for impairment, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortisation process. Financial assets at amortised cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as non-current assets.

The Corporation's cash and cash equivalents and financial assets at amortised cost, as disclosed in Notes 7 and 8, respectively, are included in this category.

Cash pertains to cash on hand and in banks.

Cash equivalents includes short-term placements with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

The financial assets at amortised account include the aggregate rental on finance lease transactions. Unearned income on finance lease transactions is shown as deduction from the "Financial Assets at Amortised Cost" account in the statement of financial position.

Financial assets at FVOCI

For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Corporation may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

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

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

The Corporation does not have financial assets at FVOCI.

Financial liabilities at amortised cost.

Financial liabilities are categorized as financial liabilities at amortised cost when the substance of the contractual arrangement results in the Corporation having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

The Corporation's financial liabilities and clients' deposits on lease contracts as disclosed in Notes 15 and 21, respectively, are included in this category.

Reclassification

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

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

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

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

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

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

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

Derecognition of financial assets and liabilities

Financial assets

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets, is derecognized when (1) the rights to receive cash flows from the asset have expired; (2) the Corporation 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; (3) the Corporation has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of ownership of the asset, or (4) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Corporation's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

Financial liabilities

A financial liability is derecognized 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, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10 per cent from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Corporation could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10 per cent threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instrument between Financial Liability and Equity Instrument

A financial instrument is classified as financial liability if it embodies a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Corporation; or

- 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.

If the Corporation does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

A financial instrument is an equity instrument only if:

- the instrument includes no contractual obligation to deliver cash or another financial asset to another entity; and

- if the instrument will or may be settled in the issuer's own equity instruments, it is either (a) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or (b) a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Impairment of financial assets at amortised cost and FVOCI

The Corporation records an allowance for "expected credit loss" (ECL) model based on the guidelines set by the Bangko Sentral ng Pilipinas (BSP) which is in accordance with the existing standards. This guideline shall be at the minimum, be observed in recording ECL.

The Corporation recognizes credit impairment/allowance for credit losses even before objective evidence of impairment becomes apparent.
The credit exposures of the Corporation are classified into three stages using the following time horizons in measuring ECL:

Stage of Credit Impairment	Characteristics	Time Horizon in measuring ECL
Stage 1	Credit exposure that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk	12 - month ECL
Stage 2	Credit exposure that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition	Lifetime ECL
Stage 3	Credit exposure with objective evidence of impairment, thus, considered as "non-performing"	Lifetime ECL

12 Month - ECL

The Corporation set up an allowance for loss provision equivalent to one per cent for all outstanding collectively financial assets that are not individually significant except those considered as risk-free under existing rules and regulations.

Lifetime ECL

Individually assessed financial assets are measured using lifetime ECL. The Corporation has established a provision matrix that is based on the minimum guidelines set by BSP.

Classification	Stage of Credit Impairment
Especially Mentioned	Stage 2
Substandard (underperforming)	Stage 2
Substandard (non-performing)	Stage 3
Doubtful	Stage 3
Loss	Stage 3

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Estimates of changes in future cash flow reflect and are directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Corporation to reduce any differences between loss estimates and actual loss experience.

Transfer from 12 - month ECL to Lifetime ECL

The Corporation transfers exposures from Stage 1 to Stage 2 or 3 when there is a significant increase in credit risk. Management set other indicators aside from missed payments which may place an exposure to increased its credit risk since initial recognition.

Transfer from Lifetime ECL to 12 - month ECL

The Corporation transfers exposures from Stage 3 to Stage 1 only when there is sufficient evidence to support their full collection. As a general rule, full collection is probable when payment of interest and/or principal are received for at least six months.

Interest income continues to be recognized based on the original EIR of the asset except those classified under "Stage 3" which recognizes interest income based on the amortized cost carrying amount of the asset (net of allowance for losses).

Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'recovery on charged-off assets' in the statement of comprehensive income.

Restructured Loans

Where possible, the Corporation seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR, except if classified under "Stage 3" criteria. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment losses' in the statement of comprehensive income.

Non-performing restructured exposures that have exhibited improvement in creditworthiness of the counterparty may only be transferred from Stage 3 to Stage 1 after a total of one year probation period; six months from Stage 3 to Stage 2, and another six months from stage 2 to Stage 1; or directly from Stage 3 to Stage 1, without passing through Stage 2, after 12 months.

Restructured accounts classified as "performing" prior to restructuring will be initially classified under Stage 2. Transfer from Stage 2 to Stage 1 will follow the six month rule on transfer from lifetime ECL to 12 - month ECL.

3.6 Investment property

Investment properties, which include land, are initially recorded at cost including transaction costs. Investment properties acquired in exchange of loans and receivables are recorded at the fair value of the properties on acquisition dates. Fair value is supported by market evidence and is determined by appraisers with sufficient experience with respect to both location and the nature of the investment property. Foreclosed properties are classified as "Investment property" from foreclosure dates.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are charged against current operations in the year in which costs are incurred. Depreciation is calculated on a straight-line basis using the useful life from the time of acquisition of investment properties ranging from five to ten years.

Subsequent to initial recognition, investment properties, except land, are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in "Gain on sale of properties" included under "Other Income" in the statement of comprehensive income in the period of retirement or disposal.

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

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Corporation as an owner-occupied property becomes an investment property, the Corporation accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

3.7 Property and equipment and Equipment and other property for lease (EOPL)

Property and equipment and EOPL are initially measured at cost. At the end of each financial reporting period, property and equipment and EOPL are measured at cost less any subsequent accumulated depreciation, amortization and impairment in value. The initial cost of an asset consists of its purchase price, directly attributable costs of bringing the asset to its working condition for its intended use and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures relating to an item of property and equipment and EOPL are recognized as addition to the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Corporation. The carrying amount of property and equipment and EOPL includes the cost of testing machinery to ensure that these function as intended and also all costs attributable to bringing the asset to the location and condition for it to be capable of operating. All repairs and maintenance costs are charged to the operations during the year in which these are incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the depreciable assets. Government agencies are guided by the revised estimated useful life of property and equipment prescribed under Government agencies are guided by the revised estimated useful life of property and equipment prescribed under Commission on Audit Circular No. 2017-004 dated December 13, 2017, with selected property and equipment applicable to the Corporation as follows:

Property and Equipment	Estimated Useful Life
Buildings	30 to 50 years
Transportation equipment (motor vehicle)	5 to 15 years
Office equipment, furniture and fixtures	2 to 15 years
Other property and equipment	2 to 15 years

The same COA circular dictates that the residual value of property and equipment is at least five per cent of the cost. The Corporation maintains 10 per cent residual value. The computation of the depreciation expense starts on the following month after the purchase/completion of property and equipment irrespective of the date within the month.

Equipment and other properties for lease are amortized over the terms of the leases or the estimated useful lives of the asset, whichever is shorter.

The carrying values of the property and equipment and EOPL are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in profit or loss.

An item of property and equipment and EOPL, including the related accumulated depreciation and impairment losses, if any, 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 included in profit or loss in the period the item is derecognized.

3.8 Non-current assets held for sale

Non-current assets held for sale include foreclosed collateral of delinquent customers that the Corporation intends to sell within one year from the date of classification as held for sale.

The Corporation classifies assets as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are carried at the lower of its carrying amount and fair value less costs to sell. Assets classified as held for sale are not subject to depreciation or amortization. If the Corporation has classified an asset as held for sale but the criteria for it to be recognized as held for sale are no longer satisfied, the Corporation shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or re-measurement of held for sale assets is recognized as part of Other Income account in the statement of comprehensive income.

3.9 Other assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at cost. Subsequently, these are charged to statements of comprehensive income as they are consumed in operations or as they expire with the passage of time.

Prepayments are classified in the statement of financial position as current assets and expected to be incurred within one year, otherwise, prepayments are classified as non-current assets.

Other assets pertain to expenditures which have future economic benefits and are not identified as financial assets, prepayments, or equipment. These are classified as current in the statement of financial position because the benefit from such assets are expected to be realized within one year from the financial reporting date, otherwise, they are classified as non-current.

3.10 Intangibles

Intangible assets acquired are separately measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost net of the amortization.

Intangible assets are amortized over the estimated useful life ranging from one to five years using the straight-line method and are assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization expense on intangible assets is recognized in the statements of comprehensive income in the expense category consistent with the function of the intangible asset.

The Corporation's intangible asset account comprised computer software and is lodged under the other asset account.

3.11 Impairment of non-financial assets

At each financial reporting date, the Corporation reviews the carrying amounts of non-financial assets to determine whether there is any indication of impairment. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of the assets is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to its present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Any impairment loss is recognized in profit or loss.

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

3.12 Inter-agency and other payables

Inter-agency and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest rate method. Inter-agency and other payables classified as current liabilities are measured at the undiscounted amount of cash to be paid, which is normally the invoice amount.

3.13 Provisions and contingencies

Provisions are recognized when: (a) the Corporation has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the separate financial statements. They are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

3.14 Dividends

Dividends are recognized when these become legally payable. Dividend distribution to equity shareholders is recognized as a liability in the Corporation's financial statements in the period in which the dividends are declared and approved by the Corporation's Board of Directors.

3.15 Equity

Common stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Corporation's equity holders until the shares are cancelled, reissued or disposed of.

The Corporation's retained earnings account is composed of:

<u>Appropriated retained earnings</u>

Appropriated retained earnings represent the portion of retained earnings that have been set aside by action of the Board of Directors for a specific use.

<u>Unappropriated retained earnings</u>

Unappropriated retained earnings represent the amount of accumulated profits and gains realized out of the normal and continuous operations of the Corporation after deducting distributions to stockholders and transfers to capital stock or other accounts, and which are:

- not appropriated by the Board of Directors for corporate expansion or projects;
- not covered by a restriction for dividend declaration under a loan agreement; and
- not required to be retained under special circumstances obtaining in the Corporation such as when there is a need for a special reserve for probable contingencies.

Treasury Shares

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Corporation's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense, including items previously presented under the separate statements of changes in equity, that are not recognized in profit or loss for the year. Other comprehensive income (loss) of the Corporation pertains to gain (loss) on remeasurement of retirement benefit obligation.

3.16 Revenue recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Corporation perform its obligations; (b) the Corporation's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Corporation's performance does not create an asset with an alternative use to the Corporation and the Corporation has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Corporation also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Corporation has assessed that it acts as a principal in all of its revenue sources.

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

(a) Interest Income

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased equipment constitutes the "Deferred Leasing Income". The deferred lease income is amortized over the term of the lease, commencing on the month the lease is executed, using the effective interest rate method. Residual values represent estimated proceeds from the disposal of equipment at the time the lease is terminated.

(b) Income from operating leases

Rent income arising from operating leases is recognized on a straight-line basis over the lease term and is recorded as part of "Other Income" in the statement of comprehensive income.

(c) Penalties and service fees

Penalties and service fees are recognized when earned or accrued when there is a reasonable degree to its collectability.

(d) Gain (Loss) on foreclosures

Gain (loss) on foreclosed asset is recognized upon collection of existing receivable through foreclosure of asset used as collateral wherein the fair market value of the asset received is greater (lesser) than the net carrying value of the receivable settled, respectively.

(e) Gain (Loss) from asset sold/exchanged

Gain (loss) on sale of asset sold/exchanged is recognized upon sale of an investment property, property and equipment or other properties acquired wherein the fair market value of the asset received is greater (less) than the outstanding balance of receivables sold.

(f) Other income

Other income is recognized in the period in which these are earned.

3.17 Costs and expenses recognition

Costs and expenses are recognized in profit or loss when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen and that can be reliably measured. Expenses are recognized in profit or loss on the basis of a direct association between the costs incurred and the earning of specific items of income; a systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the function of expense method. Cost of services are expenses incurred that are associated with services rendered. Operating expenses are cost attributable to administrative, marketing and other business activities of the Corporation.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a “qualifying asset” or an asset that necessarily takes a substantial period to get ready for its intended use or sale, are included in the cost of the asset. Other borrowing costs which consist of interest and other costs that the Corporation incurs in connection with borrowing of funds are recognized as expenses in the year in which these costs are incurred using the effective interest method.

3.18 Employee benefits

(a) Retirement benefit obligations

The Corporation has a funded non-contributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods. All re-measurements recognized in other comprehensive income account “Re-measurement gains (losses) on retirement plan” are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Corporation, nor can they be paid directly to the Corporation. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

(b) Compensated absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. These are included in "Accrued Other Expenses Payable" account at the undiscounted amount that the Corporation expects to pay as a result of the unused entitlement.

3.19 Leases

At the inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Corporation has the right to direct the use of the asset. The Corporation when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Corporation has the right to direct the use of the asset of either:
  - the Corporation has the right to operate the asset; or
  - the Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

Finance Lease

Corporation as Lessor.

Finance leases, where the Corporation transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statements of financial position under "Financial Assets at Amortised Cost" account. A lease receivable is recognized at an amount equal to the net investment in the lease. The difference between the gross lease receivable and the net investment in the lease is recognized as unearned finance income. All income resulting from the receivable is included as part of "Interest Income" in the statement of comprehensive income.

Operating Lease

Corporation as Lessee.

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

Right-of-use assets - The Corporation recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Right-of-use assets	Estimated Useful Life
Buildings	10-20 years
Transportation Equipment (motor vehicle)	7 years
Office Equipment, Furniture and Fixtures	5-10 years
Other Property and Equipment	5 years

If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

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

In calculating the present value of lease payments, the Corporation uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets - The Corporation applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Corporation does recognize right-of-use assets and lease liabilities for most leases. However, the Corporation has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

Corporation as Lessor.

Leases where the Corporation does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

The Corporation is both a lessee and a lessor under operating leases.

3.20 Residual value of leased assets and deposits on lease contracts

The residual value of leased assets, which approximates the amount of lease deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the disposal of the leased asset at the end of the lease term. At the end of the lease term, the residual value receivable of the leased asset is generally applied against the lease deposit of the lessee when the lessee decides to buy the leased asset.

3.21 Related parties

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. The key management personnel of the Corporation and post–employment benefit plans for the benefit of the Corporation's employees are also considered related parties.

3.22 Income tax

Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Taxable income differs from net income as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current tax relating to items recognized directly in equity is recognized in equity and not in other comprehensive income. The Corporation periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate

Deferred tax

Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized using the liability method for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date.

Current and deferred tax are recognized in profit or loss for the period, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

3.23 Earnings per share

Basic earnings per share is calculated by dividing profit or loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any stock dividend.

3.24 Events after the financial reporting date

Post year-end events up to the date of the auditors' report that provide additional information about the Corporation's position at financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements, when material.

3.25 Contingencies

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. The estimates, assumptions and judgments are based on management's evaluation of relevant facts and circumstances as of the date of the financial statements. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

4.1 Estimates

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

Estimation of allowance Impairment of Financial assets at FVOCI

Financial assets at FVOCI are assessed as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In addition, the Corporation evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

Estimation of allowance for impairment loss on financial assets at amortised cost

The Corporation reviews its financial assets at amortised cost to assess impairment at least on an annual basis to assess whether additional provision for credit losses should be recognized. In particular, judgment 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 and actual results may differ, resulting in future changes to the allowance for credit losses.

In 2024 and 2023, Management has assessed an amount of P721,121,769 and P692,844,968 as doubtful of collection (Note 14). Accordingly, a provision for impairment was recognized in the statements of comprehensive income.

Estimation of useful lives of property and equipment, EOPL and investment properties

The Corporation estimates the useful lives of property and equipment, EOPL and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, EOPL and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property and equipment, EOPL and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment, EOPL and investment properties would increase recorded operating expenses and decrease non-current assets.

The estimated useful lives of investment properties, property and equipment, EOPL are set out in Notes 3.6 and 3.7.

Estimation of impairment of Investment properties, property and equipment, EOPL and non-current assets held for sale

The Corporation assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Corporation considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Corporation recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the assets' net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less cost to sell while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, the cash generating unit to which the asset belongs.

Allowance for impairment losses on Investment Properties amounted to nil and nil as of December 31, 2024 and 2023 (Note 9) while allowance for impairment losses on Property and Equipment amounted to nil and nil in 2024 and 2023 (Note 11). There are no impairment losses on EOPL for the years 2024 and 2023.

The carrying values of the Corporation's non-financial assets are as follows:

	2024	2023
Investment Properties (Note 9)	**30,206,300**	30,206,300
EOPL (Note 10)	**742,217,520**	525,158,271
Property and Equipment (Note 11)	**30,039,237**	30,039,237

Estimation of liability for retirement benefits cost

The determination of the Corporation's pension cost is dependent on the selection of certain assumptions used by actuaries in calculating such amount. Those assumptions include, among others, discount rate, expected rate of return on plan assets and salary increase rate. In accordance with PAS 19R, actual results that differ from the assumptions used are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The retirement benefit cost charged to operations under "General and Administrative Expenses" account amounted to P1,190,124 and P4,780,439 as at December 31, 2024 and 2023, respectively, as disclosed in Note 22(a).

The related liability stands at P24,935,148 and P23,745,024 as at December 31, 2024 and 2023, respectively, as disclosed in Note 22(b).

Realizability of deferred tax assets

The Corporation reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Corporation's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the following periods.

4.2 Judgments

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

Determination of functional currency

Based on the economic substance of the underlying circumstances relevant to the Corporation, the functional currency is determined to be the Philippine Peso. It is the currency that mainly influences the rendering of transport services and the cost of providing such services.

Classification of financial instruments

The Corporation exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Corporation's financial assets and liabilities are presented in Notes 7, 8 and 15.

Determination of fair value of financial assets

The Corporation carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Corporation utilized a different valuation methodology. Any changes in fair value of these financial assets would affect profit and loss and equity.

The fair value of the Corporation's financial assets is presented in Note 6.

Determination Whether an Arrangement Contains a Lease.

The Corporation assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 3.19. On adoption of PFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

Classification of leases

The Corporation has entered into various lease agreements both as a lessee and a lessor. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

Corporation as Lessor.

As a lessor, total rental earned from operating leases amounted to Nil in 2024 and 2023, as disclosed in Note 21.

Interest earned on finance lease arrangements amounted to P449,410,029 and P421,146,969 in 2024 and 2023, respectively, as disclosed in Note 21 to the financial statements.

Determining the lease term of contracts with renewal and termination options – Corporation as lessee.

The Corporation 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.

The Corporation has several lease contracts that include extension and termination options. The Corporation applies judgement 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 that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Corporation 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 (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

As a lessee, total rental expenses incurred from the leases amounted to P2,272,445 and P1,740,575 in 2024 and 2023, respectively, as disclosed in Notes 20 and 21.

Refer to Note 21 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Evaluating Deferred Tax

In determining the amount of current and deferred tax, the Corporation takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Corporation believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Corporation to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets recognized amounted to P183,700,433 and P173,211,242 as at December 31, 2024 and 2023, respectively, as disclosed in Note 24.

Management believes that the amount is fully recoverable.

5. FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

Principal financial instruments

The Corporation's principal financial instruments comprised cash, financial assets at amortised cost, advances from officers and employees, bills payable, trade and other payables and deposit on lease contracts.

The Corporation has exposure to the following risks arising from financial instruments:

- Credit Risk
- Interest Rate Risk
- Liquidity Risk

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Corporation's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and activities by the Corporation.

The Audit Committee oversees how management monitors and ensures compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks face by the Corporation. Risk management processes within the Corporation are audited by the Internal Audit Unit that examines both adequacy of the procedures and the Corporation's compliance with the procedures. The Internal Audit Unit discusses the results of all of its assessments with management and reports its findings and recommendations to the Audit Committee.

The Corporations' risk management policies are summarized below:

5.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This risk may further be classified as pre-settlement and settlement risk (PSR and SR, respectively). PSR is the risk that the obligor will fail to meet the terms of the contract and default before the contract's settlement date, prematurely ending the contract. SR, on the other hand, is the risk that the obligor will fail to deliver the terms of a contract with another party at the time of settlement. SR can be the risk associated with default at settlement and any timing differences in settlement between the Corporation and the counterparty. The management therefore carefully assesses and manages its exposures to both types of credit risks.

(a) Credit Risk Management

The Corporation manages credit risk by implementing adequate credit evaluation and approval processes as well as setting limits for individual borrowers, group of borrowers and industry segments. The Corporation maintains a general policy of avoiding excessive exposure in any particular sector of the Philippine economy. The Corporation actively seeks to increase its exposure to priority sectors as determined by Land Bank of the Philippines as its Parent Bank and other industry sector which it believes possess attractive growth opportunities. Conversely, it actively seeks to reduce its exposure in industry sectors where growth potential is minimal. Although the Corporation's leasing and financing portfolio is composed of transactions with wide variety of businesses, the results of operation and financial condition of the Corporation may be diversely affected by any downturn in these sectors as well as the Philippine economy in general.

The Corporation assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. In the Corporation's rating scale, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are reviewed and upgraded as necessary. The Corporation regularly validates the performance of the rating and their predictive power with regard to default events.

(b) Collateral and other credit risk mitigation

The amount and type of collateral required depends on an assessment of the credit risk of the obligor. The Corporation implements certain requirements regarding the acceptability of types of collateral and valuation.

Collateral comes in the form of financial and non-financial assets. The main types of collaterals obtained include liens over cash deposits, real estate properties, chattel mortgages and mortgages over residential properties. The Corporation also obtains guarantees from parent companies for loans of borrowing entities belonging to a group of companies.

The Corporation monitors market value of collateral, and requests for additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowances for credit losses.

The following table shows the breakdown of receivables as to collateral:

	2024	2023
Secured		
Property under finance lease	**2,728,357,338**	2,367,005,968
Real estate mortgage	**599,430,934**	580,448,218
Chattel mortgage	**3,279,138,234**	2,738,737,675
	6,606,926,506	5,686,191,861
Unsecured	**231,287,610**	317,336,553
	6,838,214,116	6,003,528,414

(c) Impairment assessment

The Corporation recognizes impairment losses based on the results of its specific (individual) and collective assessment of credit exposures. Impairment has taken place when there is a significant credit rating downgrade, infringement of the original terms of the contract, or when there is an inability to pay the principal or the interest beyond a certain threshold. These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

(d) Maximum exposure to credit risk before collateral held or other credit enhancements.

	2024		2023	
	Carrying Value	**Carrying Value**	Carrying Value	Carrying Value
Financial assets:				
Cash in Banks	**108,700,278**	**108,700,278**	36,366,014	36,366,014
Financial Assets at Amortised Cost	**6,606,926,548**	**6,606,926,548**	6,003,528,414	6,003,528,414
	6,715,626,826	**6,715,626,826**	6,039,894,428	6,039,894,428

The preceding table represents the maximum credit risk exposure of the Corporation at December 31, 2024 and 2023, without taking into account any collateral held or other credit enhancements as it is impracticable to determine the fair values of these collaterals held by the Corporation as security against its financial assets at amortised cost. The exposures set out above are based on gross carrying amounts as reported in the statement of financial position.

The Corporation does not have significant exposure to any individual customer or counter-party nor does it have any major concentration of credit risk related to any financial instrument. The credit exposure granted to Republic of the Philippines and/or its agencies/departments/bureaus are considered non-risk and not subject to any ceiling in accordance with BSP Circular No. 514.

The Corporation maintains it Cash in bank in its Parent Bank and with other universal banks which are highly rated among the top 10 in the country.

(e) Concentrations of risks of financial assets with credit risk exposure

The Corporation's main credit exposures at their carrying amounts, as categorized by industry sectors, follow:

As at December 31, 2024

	Cash	**Financial Assets at Amortised Cost**
Wholesale and retail trade	**0**	**652,314,950**
Manufacturing	**0**	**1,619,478,095**
Public utilities	**0**	**450,661,797**
Services	**0**	**1,186,278,492**
Banks and other financial institutions	**108,700,278**	**955,592,680**
Real estate	**0**	**114,837,402**
Public sector	**0**	**492,126,763**
Agriculture, fishing and forestry	**0**	**2,959,187**
Others	**0**	**529,279,048**
Total	**108,700,278**	**6,003,528,414**
Less: Allowance for probable losses/fair value changes	**0**	**(692,844,968)**
	108,700,278	**5,310,683,446**

As at December 31, 2023

	Cash	Financial Assets at Amortised Cost
Wholesale and retail trade	0	652,314,950

	Cash	Financial Assets at Amortised Cost
Manufacturing	0	1,619,478,095
Public utilities	0	450,661,797
Services	0	1,186,278,492
Banks and other financial institutions	36,366,014	955,592,680
Real estate	0	114,837,402
Public sector	0	492,126,763
Agriculture, fishing and forestry	0	2,959,187
Others	0	529,279,048
Total	36,366,014	6,003,528,414
Less: Allowance for probable losses/fair value changes	0	(692,844,968)
	36,366,014	5,310,683,446

(f) Credit Quality of Financial Assets

The credit quality of financial assets, net of unearned lease income, interest and discount but gross of allowance for credit losses is as follows:

As at December 31, 2024

	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Total**
Cash in Banks	**108,700,278**	**0**	**0**	**108,700,278**
Financial Assets at Amortised Cost	**4,337,228,678**	**5,176,325**	**1,661,123,411**	**6,003,528,414**
	4,373,594,692	**5,176,325**	**1,661,123,411**	**6,039,894,428**

As at December 31, 2023

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash in Banks	36,366,014	0	0	36,366,014
Financial Assets at Amortised Cost	4,337,228,678	5,176,325	1,661,123,411	6,003,528,414
	4,373,594,692	5,176,325	1,661,123,411	6,039,894,428

Neither past due nor impaired

When entering into new markets or new industries, the Corporation focuses on businesses with good credit rating in order to minimize the potential increase in credit risk exposure. Loans and lease receivables that are neither past due nor impaired are due from accounts that have appropriate and strong credit history, with minimal account defaults and whose receivables are fully recoverable based on past experiences.

Past due but not impaired

Past due loans and lease receivables are not considered impaired, unless other information is available to the contrary. Collateralized past due loans are not considered impaired when cash flows that may result from foreclosure of the related collateral are higher than the carrying amount of the loans.

Impaired

Impaired loans and lease receivables include accounts which are individually and collectively assessed for impairment. The total impairment provision for loans and lease receivables represents provision for individually and collectively impaired loans and lease receivables. Further information on impairment of loans and lease receivable is provided in Note 8.

5.2 Interest Rate Risk

The Corporation follows a prudent policy in managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Corporation is vulnerable to increase in market interest rates. However, in consideration of the adequate net interest margin between the Corporation's funding cost and its interest-earning assets; and favorable lease and financing terms which allow the Corporation to (a) re-price periodically as agreed, and (b) to re-price at any time in response to extraordinary fluctuations in interest rates, the Corporation believes that the adverse impact of any interest rate increase would be limited.

5.3 Liquidity Risk

Liquidity Risk is the risk that the Corporation is unable to grant additional credit and/or its failure to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the loss of clients and/or being in default on its obligations to its creditors.

The primary business of the Corporation entails the borrowing and re-lending of funds. Consequently, it is subject to substantial leverage, and may therefore be exposed to potential financial risks that accompany borrowing. In relation to its various borrowing arrangements, the Corporation is currently subject to certain requirements relating to the maintenance of acceptable liquidity and leverage ratios.

Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the Corporation's financial liabilities on contractual undiscounted repayment obligations.

As at December 31, 2024

	Up to 1 year	**Over 1 year to 3 years**	**Over 3 years**	**Total**
Bills Payable	**2,290,461,166**	**767,666,667**	**313,000,000**	**3,371,127,833**
Accounts Payable – Trade	**125,528,546**	**0**	**0**	**101,786,811**
Accrued Interest Payable	**23,385,183**	**0**	**0**	**22,660,136**
Other Payables	**132,017,037**	**0**	**0**	**105,302,194**
Deposits on Lease Contracts	**208,652,059**	**326,714,904**	**313,950,147**	**912,622,687**
	3,438,140,147	**1,094,381,571**	**313,950,147**	**4,846,471,865**

As at December 31, 2023

	Up to 1 year	Over 1 year to 3 years	Over 3 years	Total
Bills Payable	2,290,461,166	767,666,667	313,000,000	3,371,127,833
Accounts Payable – Trade	101,786,811	0	0	101,786,811
Accrued Interest Payable	22,660,136	0	0	22,660,136
Other Payables	105,302,194	0	0	105,302,194
Deposits on Lease Contracts	271,957,636	326,714,904	313,950,147	912,622,687

	2,792,167,943	1,094,381,571	626,950,147	4,513,499,661

Financial assets available to meet all of the liabilities include cash in bank and financial assets at amortised cost. The Corporation would also be able to meet unexpected net cash outflows by accessing additional funding sources.

6. FAIR VALUE MEASUREMENT

The Corporation's principal financial instruments comprised cash, financial assets at amortised cost, financial liabilities, other payables and deposits on lease contracts.

(a) Carrying Amount versus Fair Value

The following table compares the carrying amounts and fair values of the Corporation's financial assets and financial liabilities as at December 31, 2024 and 2023.

	2024		2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets:				
Cash and Cash Equivalents (Note 7)	**108,700,278**	**108,700,278**	36,366,014	36,366,014
Financial Assets at Amortised Cost (Note 8)	**6,606,926,548**	**6,606,926,548**	6,003,528,414	6,003,528,414
	6,715,626,826	**6,715,626,826**	6,039,894,428	6,039,894,428

	2024		2023	
	Cost	**Fair Value**	Cost	Fair Value
Financial liabilities:				
Bills Payable (Note 15)	**4,127,684,667**	**4,127,684,667**	3,371,127,833	3,371,127,833
Accounts Payable - Trade (Note 15)	**125,528,546**	**125,528,546**	101,786,811	101,786,811
Accrued Interest Payable (Note 15)	**23,385,183**	**23,385,183**	22,660,136	22,660,136
Other Payables (Note 17)	**132,017,037**	**132,017,037**	105,302,194	105,302,194
Deposit on Lease Contracts (Note 21)	**1,232,781,936**	**1,232,781,936**	912,622,687	912,622,687
	5,641,397,369	**5,641,397,369**	4,513,499,661	4,513,499,661

The Corporation considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Cash
- Trade and other payables

(b) Fair value hierarchy

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in its entirety into only one of the three levels.

(c) Valuation techniques

The methods and assumptions used by the Corporation in estimating the fair value of the financial instruments follow:

(i) Loans and other receivables

The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Bills payable

The estimated fair value of bills payable represents the discounted amount of estimated future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Deposits on lease contracts

Deposits on lease contracts are carried at amortised cost which represents the present value.

7. CASH AND CASH EQUIVALENTS

This account consists of:

	2024	2023
Cash in Banks	**108,600,278**	**36,366,014**
Cash on Hand	**100,000**	**100,000**
	108,700,278	**36,466,014**

Cash in banks earn interest at floating rates based on daily bank deposit rates. Annual interest earned on deposits in banks is 0.05 per cent in 2024 and 2023, respectively. Interest income earned from deposits in banks reported in the statements of comprehensive income totaled P30,410 and P16,512 for the years ended December 31, 2024 and 2023, respectively.

Cash on hand includes petty cash amounting of P100,000 as at December 31, 2024 and 2023.

8. FINANCIAL ASSETS AT AMORTISED COST

The current portion consists of:

	2024	2023
Finance Lease Receivables	**316,500,378**	525,523,410
Finance Lease Receivables – LBP	**46,198,021**	37,720,246
Loans and Receivables – Others	**1,284,483,433**	955,926,521

	2024	2023
Allowance for Probable Losses	**(268,570,495)**	(223,925,010)
	1,647,181,832	1,295,245,167
Accounts Receivable – Clients	**15,081,458**	12,620,057
Allowance for Probable Losses	**(4,393,098)**	(4,869,815)
	10,688,360	7,750,242
Accrued Interest Receivable	**24,457,378**	14,057,424
Allowance for Probable Losses	**(964,960)**	(999,049)
	23,492,418	13,058,375
Due from Parent Bank	**190,725,285**	289,442,648
Due from National Government Agencies	**604,581**	798,287
Due from Officers and Employees	**418,866**	418,095
Allowance for Probable Losses	**(2,328,856)**	(3,317,966)
	189,419,876	287,341,064
	1,602,211,991	1,603,394,848

The non-current portion consists of:

	2024	2023
Finance Lease Receivables	**2,900,260,226**	**2,065,467,250**
Allowance for Probable Losses	**(133,410,850)**	**(151,637,137)**
	2,766,849,376	**1,913,830,113**
Finance Lease Receivables – LBP	**310,467,798**	**386,267,981**
Allowance for Probable Losses	**(2,645,140)**	**(3,403,142)**
	307,822,658	**382,864,839**
Loans and Receivables – Others	**1,749,016,692**	**1,715,286,495**
Allowance for Probable Losses	**(308,808,370)**	**(304,692,849)**
	1,440,208,322	**1,410,593,646**
	4,514,880,356	**3,707,288,598**
Total Financial Asset at Amortised Cost	**6,117,092,347**	**5,310,683,446**

As at December 31, 2024, 55 per cent of the Corporations' finance lease and loans receivable are subject to interest re-pricing (2023: 55 per cent). The remaining loans earn annual fixed interest rates ranging from 2 per cent to 17.25 per cent and 2 per cent to 17.25 per cent in 2024 and 2023, respectively.

Due from Parent Bank represents amounts for the chauffeuring services rendered in relation to finance and operating lease facilities entered into with the Parent Bank and fleet management services for those vehicles with expired lease term but serviced by the Corporation.

Total revenues generated from finance and operating lease facilities with the Parent Bank amounted to P176,911,095 and Nil, respectively, in 2024 (2023: P248,792,973 for finance lease and Nil for operating leases) as disclosed in Notes 21 and 23 to the financial statements.

<u>Finance lease receivables</u>

An analysis of the LLFC's finance lease receivables as at December 31, 2024 and 2023 is presented as follows:

	2024	2023
Finance Lease Receivables:		
Within 1 year	**90,846,597**	123,701,176
Beyond 1 year but not beyond 5 years	**1,699,451,322**	1,122,947,566
Beyond 5 years	**479,667,037**	483,325,925
	2,269,964,956	1,729,974,667
Residual value of leased assets:		
Within 1 year	**132,604,628**	290,222,852
Beyond 1 year but not beyond 5 years	**931,061,265**	565,676,986
Beyond 5 years	**5,131,800**	0
	1,068,797,693	855,899,838
Total minimum lease receivable	**3,338,762,649**	2,585,874,505
Less: Unearned Leasing Income		
Within 1 year	**43,921,705**	28,965,084
Beyond 1 year	**531,759,327**	430,704,167
	575,681,032	459,669,251
Net investment in finance lease receivables	**2,763,081,617**	2,126,205,254
Past due receivables		
Within 1 year	**50,951,561**	58,351,561
Beyond 1 year	**86,414,923**	83,034,837
	137,366,484	141,386,398
Restructured accounts		
Within 1 year	**0**	0
Beyond 1 year	**85,232,605**	104,063,834
	85,232,605	104,063,834
Past due - restructured accounts		
Within 1 year	**0**	0
Beyond 1 year	**0**	0
	0	0
Items in Litigation		
Within 1 year	**96,941,599**	93,135,207
Beyond 1 year	**225,678,393**	225,678,393
	322,619,992	318,813,600
	3,308,300,698	2,690,469,086
Less: Unearned Leasing Income		
Within 1 year	**10,922,302**	10,922,302
Beyond 1 year	**80,617,792**	88,556,124
	91,540,094	99,478,426
	3,216,760,604	2,590,990,660

	2024	2023
Finance Lease Receivables – LBP		
Within 1 year	**46,198,021**	39,903,707
Beyond 1 year but not beyond 5 years	**447,299,188**	132,936,999
Beyond 5 years	**0**	436,645,770
	493,497,209	609,486,476
Residual value of leased assets:		
Within 1 year	**0**	0

	2024	2023
	0	0
Total minimum lease receivable	**493,497,209**	609,486,476
Less: Unearned leasing income		
Within 1 year	**0**	2,183,461
Beyond 1 year	**136,831,390**	183,314,788
	136,831,390	185,498,249
Net investment in finance lease receivables – LBP	**356,665,819**	423,988,227

Loans and receivables – others

The breakdown of loans and receivables – others as at December 31, 2024 and 2023 are as follows:

	2024	2023
Loans and Receivables – Others		
Within 1 year	**734,935,122**	616,549,789
Beyond 1 year	**813,198,752**	601,587,660
	1,548,133,874	1,218,137,449
Past due receivables		
Within 1 year	**22,224,974**	33,337,721
Beyond 1 year	**4,800,820**	0
	27,025,794	33,337,721
Restructured accounts		
Within 1 year	**518,119,831**	186,195,224
Beyond 1 year	**653,287,382**	814,172,772
	1,171,398,213	1,000,367,996
Past due – restructured accounts		
Within 1 year	**65,549,552**	99,649,799
Beyond 1 year	**4,750,000**	5,101,313
	70,299,552	104,751,112
Items in litigation		
Within 1 year	**163,566,980**	84,961,618
Beyond 1 year	**360,000,000**	360,000,000
	523,566,980	444,961,618
	3,340,424,413	2,801,555,896
Less: Unearned Interest Income		
Within 1 year	**219,913,026**	64,767,630
Beyond 1 year	**87,011,262**	65,575,250
	306,924,288	130,342,880
	3,033,500,125	2,671,213,016

Summary of Financial Assets at Amortised Cost

Loans and lease receivables

	2024	2023
Finance lease receivables	**3,216,760,604**	2,590,990,660
Finance lease receivables – LBP	**356,665,819**	423,988,227
Loans and receivables - others	**3,033,500,125**	2,671,213,016

	6,606,926,548	5,686,191,903

Other receivables

	2024	2023
Due from Parent bank	**190,725,285**	289,442,648
Accounts receivable – clients	**15,081,458**	12,620,057
Accrued interest receivable	**24,457,378**	14,057,424
Due from officers and employees	**418,866**	418,095
Due from national government agencies	**604,581**	798,287
	231,287,568	317,336,511

Interest and lease income on receivables

Interest and lease income on receivables as presented in the statements of comprehensive income follows:

	2024	2023
Lease Contracts Receivables	**449,410,029**	421,146,969
Loans and Receivables	**223,304,120**	176,022,083
	672,714,149	597,169,052

Reconciliation of credit losses

A reconciliation of the allowance for credit losses for financial assets at amortised cost by class is as follows:

As at December 31, 2024

	Finance lease receivables	**Loans and receivables – others**	**Other receivables**	**Total**
At January 1, 2024	**220,708,441**	**462,949,697**	**9,186,830**	**692,844,968**
Provisions during the year	**0**	**40,256,067**	**1,700,695**	**41,956,762**
Write-offs during the year (Note 14)	**0**	**0**	**0**	**0**
Foreclosures and adjustments	**(22,488,130)**	**12,008,780**	**(3,200,611)**	**(13,679,961)**
At December 31	**198,220,311**	**515,214,544**	**7,686,914**	**721,121,769**
Specific impairment provision	**192,148,438**	**499,432,523**	**5,773,615**	**697,354,576**
Collective impairment provision	**6,071,873**	**15,782,021**	**1,913,299**	**23,767,193**
Total impairment provision	**198,220,311**	**515,214,544**	**7,686,914**	**721,121,769**
Gross amount of loans specifically determined to have significant increase in credit risk since initial recognition before deducting individually-assessed credit losses	**415,156,498**	**1,527,708,255**	**13,057,670**	**1,955,922,423**

As at December 31, 2023

	Finance lease receivables	Loans and receivables – others	Other receivables	Total
At January 1, 2023	159,877,419	492,440,066	9,148,856	661,466,341
Provisions during the year	876,980	46,102,460	975,437	47,954,877
Write-offs during the year (Note 14)	0	0	0	0
Foreclosures and adjustments (Note 9, 14)	59,954,042	(75,592,829)	(937,463)	(16,576,250)
At December 31	220,708,441	462,949,697	9,186,830	692,844,968
Specific impairment provision	191,880,672	402,481,656	6,284,421	600,646,749
Collective impairment provision	28,827,769	60,468,041	2,902,409	92,198,219
Total impairment provision	220,708,441	462,949,697	9,186,830	692,844,968

Gross amount of loans specifically determined to have significant increase in credit risk since initial recognition before deducting individually-assessed credit losses	356,208,930	1,294,253,405	10,661,075	1,661,123,410

BSP Reporting

Regulatory Relief for Bank Supervised Financial Institutions (BSFIs) Affected by the Corona Virus Disease 2019 (COVID-19)

The Monetary Board, in its Resolution No. 397 dated March 13, 2020, approved the granting of temporary regulatory and rediscounting relief measures to BSFIs. All BSFIs are eligible to avail of the regulatory relief package specified in Annex A under Memorandum M-2020-008 within one year from March 8, 2020, the date of declaration of the President of the state of public health emergency under Presidential Proclamation No. 922. The period of eligibility may be extended depending on the developments of the COVID-19 situation.

The Corporation applied for a relief for staggered booking of allowance for credit losses from Bangko Sentral ng Pilipinas on March 1, 2021. Total amount of allowance for staggered booking amounted to P251,740,571 for accounts with aggregate total lease and loan balance of P944,308,528. The said application was approved on June 27, 2021 with a reckoning start date of February 2021 until February 2026.

Details of finance lease receivable as to industry/economic sector and collateral type at December 31 are as follows:

(a) As to industry/economic sector (in per cent)

	2024	2023
Services	**22.23**	19.76
Manufacturing	**31.72**	26.98
Banks and other financial institutions	**12.02**	15.92
Public sector	**3.81**	8.20
Wholesale and retail trade	**10.27**	10.87
Public utilities	**6.72**	7.51
Real estate	**5.22**	1.91
Agriculture, fishing and forestry	**0.17**	0.05
Others	**7.85**	8.80
	100.00	100.00

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30 per cent of total loan portfolio. However, BSP Circular No. 514 and BSP Manual of Regulations for Banks and Non-Bank Financial Intermediaries, specifically provide that loans, other credit accommodations and guarantees to the Republic of the Philippines (ROP) and/or its agencies/departments/bureaus, which are credit granted to public sectors, shall be considered non-risk and not subject to any ceiling.

As to collateral

	2024	2023
Secured		
Property under finance lease	**2,728,357,338**	2,367,005,968
Real estate mortgage	**599,430,934**	580,448,218

Chattel mortgage	**3,279,138,234**	2,738,737,675
	6,606,926,506	5,686,191,861
Unsecured	**231,287,610**	317,336,553
	6,838,214,116	6,003,528,414

BSP Circular No. 351 allows non-banks with no unbooked valuation reserves and capital adjustments required by the BSP to exclude from non-performing classification those receivables from customers classified as 'Loss' in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said loans shall not be accrued.

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

	2024	2023
Total NPLs	**956,034,352**	927,632,370
Less: NPLs fully-covered by allowance for credit losses	**(536,731,093)**	(570,813,003)
	419,303,259	356,819,367

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

	2024	2023
Secured	**956,034,328**	927,632,345
Unsecured	**24**	25
	956,034,352	927,632,370

9. INVESTMENT PROPERTIES

These include acquired land and buildings that are held to earn rentals, or for capital appreciation, or both. The movements of the Investment Property account are presented below:

	2024	2023
Cost		
At January 1	**30,206,300**	4,830,500
Additions	**11,704,00**	26,883,300
Disposal	**0**	0
Transfer to NCAHS	**(30,206,300)**	(1,507,500)
At December 31	**11,704,000**	30,206,300
Allowance for Impairment		
At January 1	**0**	1,100,000
Transfer to NCAHS	**0**	(1,100,000)
Disposal	**0**	0
At December 31	**0**	0
Net book value		
December 31	**11,704,000**	30,206,300

LLFC foreclosed various lands and condominium unit realizing a gain on foreclosure amounting to P10,474,436 and P10,474,436 in 2024 and 2023, respectively as disclosed in Note 19 under Gain on Exchange of Non-financial Asset.

The Corporation sold foreclosed land in 2022 with a total carrying value of 6,302,484 on which it realized a gain of P5,353,516, as disclosed in Note 19 to the Financial Statements under the Gain on Sale of Non-financial Asset.

The aggregate market value of investment properties as at December 31, 2024 and 2023 amounted to P35,420,300 and P35,420,300, respectively. The fair value has been determined based on valuations made by in-house appraisers or accredited independent appraisers. Valuations were based on information on the prevailing market value of similar or comparable real properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuation were made.

Management is exhausting all available options to dispose the said investment properties which includes conducting regular bidding throughout the year.

10. EQUIPMENT AND OTHER PROPERTY FOR LEASE

The Corporation enters into financial lease transactions with various lessees either by property lease, purchase from equipment suppliers or by sale and leaseback with lease terms ranging from 24 to 180 months. The cost of the equipment acquired, and expenses incurred during the construction of buildings in the case of property leases are initially booked under 'Equipment and Other Property for Lease – Finance Lease' until the Certificate of Acceptance from client is received, and the corresponding implementation memorandum is approved for booking to 'Lease Contract Receivables'.

The Corporation also entered into an operating lease with its Parent Bank, with lease terms ranging from 12 to 60 months, involving vehicles. The operating lease transaction with the Parent bank has been fully terminated on December 31, 2022. The vehicles booked in 'Equipment and Other Property for Lease – Operating Lease' are the remaining vehicles previously leased to the Parent Bank that are for disposal.

The details pertinent to the Corporation's EOPL are as follows:

	2024	2023
Finance lease	**742,217,520**	524,532,623
Operating lease	**344,314**	625,648
	742,561,834	525,158,271

Equipment and other property for lease under finance lease comprises of releases for the contractors and capitalized interest expenses for the construction of a building (for property lease) currently in progress as of December 31, 2024 and 2023.

As of December 31, 2024, and 2023, a total of P28,544,665 and P20,675,665 representing borrowing costs on the construction of a building currently in progress, were capitalized as Equipment and Other Property for Lease – Finance Lease (See Note 15).

A roll forward analysis of EOPL under operating leases is presented in the succeeding table:

	2024	2023
Cost		
At January 1	**6,256,486**	42,414,869
Disposals	**(2,813,338)**	(36,158,383)
At December 31	**3,443,148**	6,256,486
Accumulated depreciation		
At January 1	**5,630,838**	36,606,419
Depreciation for the year	**0**	626,786
Disposals	**(2,532,004)**	(31,602,367)
At December 31	**3,098,834**	5,630,838
Allowance for Impairment		
At January 1	**0**	0
Addition	**0**	351,964
Disposal	**0**	(351,964)
At December 31	**0**	0
Net book value, December 31	**344,314**	625,648

Depreciation charges amounting to Nil and P626,786 for 2024 and 2023, respectively, are lodged under the Depreciation-EOPL account under Direct Expenses as shown in the statement of comprehensive income.

In 2024 and 2023, the Corporation sold vehicles previously covered by operating lease agreements with a total carrying value of P4,204,052 and P4,204,052 on which it realized a gain of P8,350,498 and P8,350,498, as disclosed in Note 19 to the financial statements.

11. PROPERTY AND EQUIPMENT

The composition of and movement in this account are as follows:

As at December 31, 2024

	Building and improvements	Furniture and Fixtures	Transportation Equipment	Other properties acquired	Total
Cost					
At January 1	42,566,207	17,265,812	10,149,950	0	69,981,969
Additions	0	6,233,713	0	2,735,000	8,968,713
Reclass to NCAHS	0	0	0	(2,735,000)	(2,735,000)
Disposals	0	(1,539,145)	0		(1,539,145)
At December 31	42,566,207	21,960,380	10,149,950	0	74,676,537
Accumulated depreciation					
At January 1	24,742,000	10,301,566	3,899,166	0	38,942,732
Depreciation for the year	1,256,776	2,158,027	1,609,893	1,526,805	6,551,501
Reclass to NCAHS	0	0	0	(1,526,805)	(1,526,805)
Disposals	0	(1,385,230)	0	0	(1,385,230)
At December 31	25,998,776	11,074,363	5,509,059	0	43,582,198
Allowance for impairment					
At January 1	0	0	0	0	0
Addition	0	0	0	0	0
Disposal	0	0	0	0	0
At December 31	0	0	0	0	0

	Building and improvements	Furniture and Fixtures	Transportation Equipment	Other properties acquired	Total
Net book value	**15,567,431**	**10,866,017**	**4,640,891**	**0**	**31,074,339**

As at December 31, 2023

	Building and improvements	Furniture and Fixtures	Transportation Equipment	Other properties acquired	Total
Cost					
At January 1	42,566,207	16,239,279	7,852,750	3,099,875	69,758,111
Additions	0	1,026,533	2,297,200	2,949,603	6,273,336
Reclass to NCAHS	0	0	0	(310,000)	(310,000)
Disposals	0	0	0	(5,739,478)	(5,739,478)
At December 31	42,566,207	17,265,812	10,149,950	0	69,981,969
Accumulated depreciation					
At January 1	24,485,224	8,404,900	2,072,175	641,587	35,603,886
Depreciation for the year	1,256,776	1,896,666	1,826,991	1,296,671	6,277,104
Reclass to NCAHS	0	0	0	(82,500)	(82,500)
Disposals	0	0	0	(1,855,758)	(1,855,758)
At December 31	25,742,000	10,301,566	3,899,166	0	39,942,732
Allowance for impairment					
At January 1	0	0	0	121,910	121,910
Addition	0	0	0	55,337	55,337
Disposal	0	0	0	(177,247)	(177,247)
At December 31	0	0	0	0	0
Net book value	16,824,207	6,964,246	6,250,784	0	30,039,237

As at December 31, 2024 and 2023, the total cost of fully-depreciated property and equipment still in use by the Corporation amounted to P_________ and P7,889,854, respectively.

LLFC foreclosed other properties realizing a gain on foreclosure amounting to P4,044,162 and P70,000 in 2024 and 2023, respectively, as disclosed in Note 19 under the Gain on Exchange of Non-Financial Assets.

The Corporation recognized total depreciation/amortization charges in the amount of P7,308,523 in 2024 and P7,163,844 in 2023, as shown in the Direct and General and Administrative Expense sections in the statements of comprehensive income, with details as follows:

	2024	2023
Direct Expense		
Equipment and Other Properties for Lease (Note 10)	**0**	626,786
General and Administrative Expense		
Property and Equipment	**6,926,272**	6,277,104
Intangibles (Note 13)	**382,251**	259,954
	7,308,523	6,537,058
	7,308,523	7,163,844

Management has reviewed the carrying values of the Corporation's property and equipment as of December 31, 2024 and 2023 for impairment. Based on the results of its evaluation, the Corporation booked no allowance for impairment for years 2024 and 2023.

12. NON-CURRENT ASSETS HELD FOR SALE

This account pertains to a group of assets that will be disposed of through sale or otherwise, in a single transaction. Thus, these assets are available for immediate sale at its present condition and management believes that such sale is highly probable.

	2024	2023
Cost		
At January 1	**635,000**	0
Disposal	**(227,500)**	
Reclassification from PPE and Investment Properties	**31,414,495**	635,000
At December 31	**31,821,995**	635,000
Allowance for Impairment		
At January 1	**0**	0
Addition	**0**	0
Disposal	**0**	0
At December 31	**0**	0
Net book value, December 31	**31,821,995**	635,000

No impairment losses have been recognized to the account as it was believed that the market value exceeded its fair value as of reporting date. Valuations were conducted by both in-house and third party appraisers on the basis of information on the prevailing market value of similar properties and taking into account the economic conditions prevailing at the time the valuation were made.

13. OTHER ASSETS

Current and non-current classification of other assets as at December 31, 2024 and 2023 are as follows:

As at December 31, 2024

	Due within 1 year	Due beyond 1 year	Total
Prepaid Expense	**11,106,402**	**0**	**11,106,402**
Prepaid Income Tax (Note 24)	**36,219,620**	**0**	**36,219,620**
Creditable Withholding Taxes	**13,562,060**	**0**	**13,562,060**
Security and Utility Deposits	**0**	**1,210,485**	**1,210,485**
Stationeries and Supplies – Unissued	**1,010,501**	**0**	**1,010,501**
Intangibles	**943,064**	**0**	**943,064**
Other Investments	**0**	**16,000**	**16,000**
Other Assets	**0**	**306**	**306**
	62,841,647	**1,226,791**	**64,068,438**

As at December 31, 2023

	Due within 1 year	Due beyond 1 year	Total
Prepaid Expense	16,487,997	0	16,487,997
Prepaid Income Tax (Note 24)	29,945,250	0	29,945,250
Creditable Withholding Taxes	8,807,213	0	8,807,213
Security and Utility Deposits	0	1,210,485	1,210,485
Stationeries and Supplies – Unissued	1,036,343	0	1,036,343
Intangibles	0	881,796	881,796
Other Investments	0	16,000	16,000
Other Assets	0	306	306

	56,276,803	2,108,587	58,385,390

Creditable withholding taxes are being used to reduce tax obligation such as withholding tax on VAT and percentage taxes and Income Tax Payable, respectively (Note 16 and 24).

An Intangible Asset, as defined in Philippine Accounting Standard 38, is a non-physical asset having a useful life greater than one year. The Corporation applied this standard to software licenses and operating system of a computer, that whenever a computer software is purchased and does not form as an integral part of the related hardware, this computer software is treated as an intangible asset.

In accordance with paragraph 9.2 under COA Resolution No. 2006-006 dated January 31, 2006, and as it is probable that future economic benefits attributable to the assets shall flow to the Corporation, the computer software are recognized at cost, and reported herein as net of accumulated amortization. Amortization is based on the straight line method less 10 per cent residual value.

Movements of the Intangibles account are as follows:

	2024	2023
Cost		
At January 1	**5,386,128**	4,464,119
Additions	**922,009**	922,009
At December 31	**5,386,128**	5,386,128
Accumulated Amortization		
At January 1	**4,504,332**	4,244,378
Amortization for the year	**259,954**	259,954
At December 31		4,504,332
Net book value, December 31	**881,796**	881,796

The Corporation recognized amortization charges in the amount of P382,251 and P259,954 in 2024 and 2023, respectively, as shown in the General and Administrative Expense sections in the statements of comprehensive income.

14. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

Changes in the allowance for probable losses are as follows:

	2024	2023
At January 1		
Finance Lease Receivables	**220,708,441**	159,877,419
Loans and Receivables - Others	**462,949,697**	492,440,066
Other Receivables	**9,186,830**	9,148,856
Investment Properties	**0**	1,100,000
Property and Equipment	**0**	121,910
	692,844,968	662,688,251
Provisions for the Year	**41,956,762**	48,362,178
Write-Offs	**0**	0
Disposal	**0**	(529,211)
Accounts Charged-Off/Other Adjustments (Note 8 and 9)	**(13,679,961)**	(17,676,250)

At December 31	**721,121,769**	692,844,968

Allocations of allowance for credit and impairment losses are as follows:

	2024	2023
Finance Lease Receivables	198,220,311	220,708,441
Loans and Receivables - Others	515,214,544	462,949,697
Other Receivables	7,686,914	9,186,830
Investment Properties	0	0
Property and Equipment	0	0
	721,121,769	692,844,968

With the foregoing level of allowance for credit and impairment losses, Management believes that LLFC has sufficient allowance provided for losses that may arise from the non-collection or non-realization of its receivables and other risk assets.

15. FINANCIAL LIABILITIES

This account consists of:

	2024	2023
Bills Payable	**4,127,684,667**	3,371,127,833
Accounts Payable – Trade	**125,528,546**	101,786,811
Accrued Interest Payable	**23,385,183**	22,660,136
At December 31	**4,276,598,396**	3,495,574,780

Current and non-current classification of financial liabilities as at December 31, 2024 and 2023 are as follows:

As at December 31, 2024

	Due within 1 year	**Due beyond 1 year**	**Total**
Bills Payable	**2,978,018,000**	**1,149,666,667**	**4,127,684,667**
Accounts Payable – Trade	**125,528,546**	**0**	**125,528,546**
Accrued Interest Payable	**23,385,183**	**0**	**23,385,183**
	3,126,931,729	**1,149,666,667**	**4,276,598,396**

As at December 31, 2023

	Due within 1 year	Due beyond 1 year	Total
Bills Payable	2,290,461,166	1,080,666,667	3,371,127,833
Accounts Payable – Trade	101,786,811	0	101,786,811
Accrued Interest Payable	22,660,136	0	22,660,136
	2,414,908,113	1,080,666,667	3,495,574,780

Bills payable represents peso borrowings from various banks in the form of promissory notes.

Interest rates on bills payable range from 5.75 to 7.50 per cent in 2024 and 5.00 to 7.25 per cent in 2023, respectively.

Bills payable are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as of December 31, 2024 and 2023 are partially secured with terms of original maturity ranging from 30 days to 18 years. Interest expense on borrowings amounted to P240,167,361 and P187,855,740 for the years ending December 31, 2024 and 2023, respectively, as stated in the Statements of Comprehensive Income. Documentary stamp used for the borrowings amounted to P25,957,067 and P20,806,608 for the years ending December 31, 2024 and 2023, respectively, as stated in the Statements of Comprehensive Income.

Total interest expense as presented in the statements of comprehensive income, is net of P28,544,665 in 2024 and P20,675,665 in 2023 representing finance charges on borrowings used to finance the construction of a property lease facility, which were capitalized as EOPL in accordance with the provisions of PAS 23 on Borrowing Costs (Note 10).

As at December 31, 2024 and 2023, there are no defaults or breaches on these promissory notes.

Trade accounts payable represents liabilities to suppliers with credit terms ranging from 30 to 120 days from invoice date inclusive of retention fees related to lease contracts with clients, as applicable.

16. INTER-AGENCY PAYABLES

This account consists of payables to the following:

	2024	2023
Due to BIR	**19,379,762**	14,903,976
Due to GSIS	**772,999**	706,721
Due to Pag-ibig Fund	**121,047**	102,883
Due to Philhealth	**265,515**	222,221
	20,539,323	15,935,801

All other inter-agency payables were remitted to the Agency concerned in January 2025 Due to BIR remittances will be net of applicable creditable withholding tax booked under Other Assets (Note 13). The Corporation transitioned its membership from SSS to GSIS effective August 1, 2023.

17. OTHER PAYABLES

This account consists of:

	2024	2023
Accounts payable – Others	**39,449,532**	7,164,725
Accrued expenses – Others	**43,771,701**	64,561,298
Miscellaneous Liabilities	**48,795, 804**	33,576, 171
	132,017,037	105,302,194

Accounts Payable – Others include retention fees related to administrative related matters, non-trade payables and due to employees.

Accrued expenses – others include costs of security, messengerial, and janitorial services amounting to P17,296,222and P34,577,264 in 2024 and 2023, respectively, payable to a service corporation and monetary value of employees' leave credits amounting to P11,193,834and P11,125,288 in 2024 and 2023, respectively.

Miscellaneous liabilities represent advance payments received from various clients that will be applied against registration and mortgage fees.

As of December 31, 2024, and 2023, the balances comprising this account will mature within the next 12 months from respective reporting dates.

18. EQUITY

(a) Capital Stock

The Corporation has 50,000,000 authorized ordinary shares at P10 par value per share. The pertinent information on the components of the Corporation's capital stock as of December 31, 2024 and 2023 is presented hereunder:

	2024	2023
	No. of Shares	
Issued and paid	**48,555,255**	48,555,255
Treasury Stock	**(2)**	(2)
Total outstanding shares	**48,555,253**	48,555,253

As of January 1, 2022, there is an outstanding one treasury share which was reacquired in the previous years. During 2023, one issued and paid outstanding share was reacquired due to resignation of one director.

(b) Retained earnings

Dividend declaration

In compliance with Republic Act No. 7656 requiring the GOCCs to declare and remit dividends to the National Government (NG) of at least 50 per cent of their annual earnings, the Board of Directors of LLFC approved the declaration of cash dividends to the NG through a Resolution No. 23-077 dated April 26, 2023 amounting to P54,474,140 or P1.1219 per share on the 48,555,254 common stocks held by all stockholders as of date of record, December 31, 2022.

The Board of Directors of LLFC also approved the declaration of cash dividends to the NG through a resolution dated April 19, 2022, amounting to P51,191,805 or P1.0543 per share on the 48,555,254 common stocks held by all stockholders of date of record, December 31, 2021.

Additional cash dividend amounting to P6,942,395 for dividend year 2020 was declared and paid on March 2022 in compliance with the Republic Act No. 7656.

Appropriation of retained earnings

On December 10, 2024, the Board of Directors of LLFC through its Resolution No. 24-255, approved the appropriation of retained earnings amounting to P700,000,000 for the business expansion. The business expansion will be used in the planned merger with UCPB Leasing and Finance Corporation (ULFC) which is expected to materialize by 2025. This will also be used for the financing requirements for several property lease projects for offices of various government agencies, one of which is already on-going while several others are in negotiation stage.

Retained earnings-unappropriated

(c) Accumulated Other Comprehensive Gains/(Losses)

	Remeasurement on Retirement Benefit Obligation
Balance, January 1, 2023	**(13,111,072)**
Add/(Deduct):Transactions during the year (Note 22b)	0
Balance, December 31, 2023	**(13,111,072)**
Add/(Deduct): Transactions during the year (Note 22b	0
Balance, December 31, 2024	**(13,111,072)**

19. OTHER INCOME

This account is composed of:

	2024	2023
Fleet management service chauffeuring fees (Note 23)	**2,256,888**	33,200,503
Fleet management service fees (Note 23)	**530,400**	4,113,600
Loss on sale of non-financial assets (Note 9, 11)	**(6,877,600)**	2,141,391
Gain on sale of equipment and other properties for lease (Note 10)	**8,350,498**	8,350,498
Gain on exchange of non-financial asset (Note 9, 11)	**4,044,162**	10,544,436
Recovery from charged-off assets	**0**	0
Miscellaneous Income	**6,014,734**	23,580,634
	14,319,081	81,931,062

The Fleet management service fees and Fleet management service chauffeuring fee represent income recognized in operating and maintaining a fleet of vehicles for the Parent Bank.

Miscellaneous income pertains to penalties and surcharges paid by clients.

20. OTHER MAINTENANCE AND OPERATING EXPENSES

Other maintenance and operating expenses lodged under General and Administrative Expenses account in the statements of comprehensive income is comprised of:

	2024	2023
Litigation/assets acquired expenses	**11,309,986**	11,300,403
Representation and entertainment	**5,097,739**	4,710,380
Transportation and travelling	**4,943,783**	4,516,322

	2024	2023
Security, messengerial, janitorial and contractual services	**5,110,601**	4,220,111
Information technology	**3,627,769**	3,219,427
Repairs and maintenance	**1,326,149**	1,798,763
Rent (Note 21)	**2,272,445**	1,740,575
Power, light and water	**1,560,000**	1,404,583
Fuels and lubricants	**1,258,819**	1,237,274
Membership fees and dues	**1,515,447**	1,093,304
Postage, cables, telephone and telegram	**1,398,780**	1,060,591
Advertising and publicity	**1,828,077**	838,222
Management and other professional fees	**1,724,655**	747,449
Stationeries and supplies used	**2,397,659**	288,498
Data processing charges	**419,131**	98,413
Bank charges	**43,592**	34,521
Periodicals and magazines	**5,000**	5,000
Fines, penalties and other charges	**0**	3,281
Miscellaneous expenses	**2,454,932**	3,359,028
	48,294,564	41,676,145

21. LEASE COMMITMENTS

The Corporation has the following lease commitments:

Corporation as lessor

The Corporation enters into finance lease agreements over various assets. An analysis of the Corporation finance lease receivables is shown in Note 8.

Interest income earned from finance leases amounted to P449,410,029 and P421,146,969 in 2024 and 2023, respectively, as presented in the statements of comprehensive income.

The Corporation also entered into operating leases on certain motor vehicles. These operating leases are from periods ranging from six to 60 months with equal monthly rental payments as set forth in the lease agreement. The operating lease has been terminated in June 2022.

The carrying amount of lease deposits payable to the respective lessees as of December 31, 2024 and 2023 are presented in the table below:

	2024	2023
Finance leases	**1,221,674,736**	901,515,487
Operating leases	**11,107,200**	11,107,200
	1,232,781,936	912,622,687

The breakdown of deposits on finance and operating leases by contractual settlement dates as at December 31, 2024 and 2023 is as follows:

	2024	2023
Due within 1 year	**208,652,059**	271,957,636
After 1 year up to maturity	**1,024,129,877**	640,665,051
	1,232,781,936	912,622,687

Operating lease commitments

Chauffeuring services related to the lease and fleet management of vehicles are presented under the Direct Expense – Security, Messengerial, Janitorial and Contractual Services in the statements of comprehensive income. Details of which are as follows:

	2024	2023
Finance lease	**115,921,022**	126,528,327
Operating lease	**0**	0
Fleet Management	**0**	28,952,126
	115,921,022	155,480,453

Corporation as lessee

Short-term and leases of low-value assets

On July 1, 2021, the Corporation entered into an operating lease agreement with a National Government Agency (NGA) wherein seven parking slots were designated for LLFC's use at a monthly rental rate of P5,625 per vehicle. The lease agreement can be terminated any time by both the lessor and lessee. As of end of December 2024 there are only 4 parking slots being rented.

In November 2023, the Corporation entered into an operating lease agreement with a private entity for an office space (349.44 sqm) and 3 parking spaces located at Sycip Law Centre. This serves as additional space for both LLFC and ULFC, which is in anticipation of the merger. The aggregate monthly rental rate amounted to P308,649.60.
Rental fees paid to the lessors for the years ended December 2024 and 2023 totalled P2,272,445 and P1,740,575 (Note 20), respectively.

The operating lease agreements, being temporary, may be extended or cancelled at the option of either of the parties provided that a prior written notice is given. As such, no future minimum lease payments are expected to be made.

22. PERSONNEL SERVICES

(a) Compensation and employee benefits

Expenses recognized for compensation and employee benefits are presented below:

	2024	2023
Salaries and wages	**44,343,755**	45,000,673
Bonuses	**7,821,864**	8,263,142
Retirement benefit cost	**1,190,124**	4,780,439
Directors' remuneration	**4,359,000**	3,918,000
Social security cost	**5,923,953**	3,888,463
Other benefits	**3,461,969**	3,055,356
	67,100,665	68,906,073

Personnel Services benefits include annual salaries, paid leaves, bonuses and other non-monetary benefits. The expenses accrued for the compensated absences of the employees recorded under Salaries and Wages account for the years CY 2024 and 2023 amounted to P2,369,601 and P2,527,944, respectively. The accrued compensated absences refers to the monetary value of the accumulated leave credit of employees.

The breakdown of Personnel Services as to direct and general and administrative expense as at December 31, 2024 and 2023 is as follows:

	2024	2023
Direct expense – marketing operation	**24,241,603**	26,110,411
General and administrative expense	**43,859,062**	42,795,662
	67,100,665	68,906,073

(b) Retirement benefits

(i) Characteristics and funding

prepaid

The Corporation has a funded non-contributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The retirement plan provides retirement benefits (equivalent to 22.5 days pay for every year of service) after satisfying certain age and service requirements.

The funds are administered by LBP Trust Banking Group (LBP-TBG) which is responsible for investment strategy of the plan.

The Retirement Trust Fund account with LBP-TBG was opened on November 28, 2012. Prior to the opening of Retirement Trust Fund account with LBP and the availability of the Funding Actuarial Valuation report, the Corporation accrues Retirement Costs based on actual services rendered by the employees and Article V of the LBP Subsidiaries Retirement Benefit Plan which defines the percentage of entitlement of incumbents to retirement benefits. Among the salient provisions of the Trust Agreement are the following:

- The Trustor (LLFC) shall deliver and pay to the Trustee such sums representing the annual contributions of the Trustor as provided in the Plan, starting with the contributions for the year 2012 in the amount of Six Million Seven Hundred Fifty One Thousand One Hundred Fifty Pesos and 86 Centavos (P6,751,150.86) Philippine Currency.

- The Trustor waives all its rights and interests to the money or properties which are and will be paid or transferred to the Fund, to the extent required to provide the benefits payable pursuant to the Plan.

- The Trustee shall administer the Fund to be held in trust for the purpose stated in and subject to all the terms and conditions of this Agreement as well as the Plan, which shall be deemed part of this Agreement. It shall invest and re-invest the Fund, together with all increments and proceeds in fixed-income government securities.

- The Trustee has the right and power to cause any asset acquired from the investment/re-investment of the fund to be held, registered and issued in its own name as Trustee or in the name of its nominee, provided, that the books and records of the Trustee shall at all times show that all such properties are part of the Fund. It shall open and maintain savings and/or checking account as may be determined necessary from time to time in the performance of the trust and the authority herein conferred to the Trustee as well as pay all costs, fees, charges and such other expenses connected with the investments, administration, preservation and maintenance of the Fund and to charge the same to the Fund.

- The Trustee shall exercise any right or privileges pertaining to the bonds, securities or other properties held in trust. It shall open a savings account with its own commercial banking sector, for and in the name of the Fund wherein all funds awaiting investments and those received as contribution or by way of income or earnings from the investment/re-investments of the fund may be deposited temporarily. The Trustee shall execute and deliver any and all documents and to perform any act which may be deemed necessary or proper to carry out the powers granted.

- In the management of the Fund, the Trustee shall pay to the members or the beneficiaries the benefits under the Plan upon written advice of the Trustor. It shall keep and maintain books of accounts and/or records of the management and operations of the fund, which the Trustor or its authorized representative may inspect from time to time during office hours. It shall, at the end of every calendar quarter, submit the financial reports, i.e. Balance sheet, Statement of Income and Expenses, Schedule of Investments, Investment Activity Report statements and such other reports as may be requested by the Trustor. Such reports shall be deemed conclusive should the Trustor fail to object thereto in writing within 30 days from receipt thereof. The Trustor shall administer the funds held in trust with such degree of skill and care as a prudent man would exercise in the conduct of an enterprise of like character and with similar aims. It shall secure the Tax Exemption Certificate from the Bureau of Internal Revenue so that the Plan may be entitled to tax exemption benefits as provided by law.

- For its services, the Trustee shall be entitled to a fee equivalent to 0.5 per cent per annum of the average total assets of the Fund, computed daily and collected after the end of each calendar quarter, subject to a minimum of P10,000.00 per year. The Trustee is hereby authorized to debit its fee from the Fund. The above fee is quoted with the understanding that the same may be reviewed at the request of either party and adjusted in a mutually satisfactory basis.

- Except for fraud, bad faith or gross negligence, the Trustee shall not be liable for any loss or depreciation in the value of the Fund resulting from the investments or re-investments thereof as authorized herein, or from the performance of any act in accordance with the provision of this Agreement. This Agreement does not guarantee a yield, return or income on the investments/re-investments of the fund as the same can fall as well as rise depending on prevailing market conditions and is not covered by the Philippine Deposit Insurance Corporation (PDIC). Losses, if any, shall be for the account of the Trustor.

- This Agreement shall remain in full force and effect until the termination of the Plan, unless sooner terminated by either party hereto by giving a 30 day advance written notice to the other.

  The Corporation's retirement plan is exposed to the following risks:

  - Interest rate risk: decreases/increases in the discount rate used will increase/decrease the defined benefit obligation
  - Longevity risk: changes in the estimation of mortality rates of current and former employees.
  - Salary risk: increases in future salaries increase the gross defined benefit obligation.

(ii) Actuarial assumptions

Management has engaged the services of an independent appraiser to undertake an actuarial valuation of LLFC's plan assets and present value of its defined benefit obligation using the Accrued Benefit Actuarial Cost Method (Projected Unit Credit) and in accordance with the provision of PAS 19, as revised (PAS 19R).

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation are as of December 31, 2023.

The valuation results are based on the employee data as of the valuation dates provided by the Corporation to the independent appraiser. The discount rate assumption is based on the Banker of the Philippines (BAP) PHP Bloomberg BVAL reference rates (BVAL) benchmark reference curve for the government securities market (previously the PDEx (PDST-R2) market yields on government bonds) as of the valuation dates considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

The sensitivity analysis was conducted to determine based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant. Management believes that as of the reporting date, changes in the discount rate and future salary increase will not significantly affect the retirement obligation of the Corporation. Management believes that retirement obligation will not be sensitive to the salary rate increases because it is expected to be within the same level of the remaining life of the obligation while the discount rate is not expected to drastically increase or decrease at its existing level.

The principal actuarial assumptions used as at the statements of financial position date follows:

	2024	2023
Discount rate	**6.07%**	6.07%
Expected rate of return on plan assets	**6.07%**	6.07%
Salary projection rate	**9.00%**	9.00%
Mortality rate	**2017 Philippine Intercompany Mortality Table**	2017 Philippine Intercompany Mortality Table

Disability rate	**The Disability Study, Period 2 Benefit 5 (Society of Actuaries)**	The Disability Study, Period 2 Benefit 5 (Society of Actuaries)
Normal retirement age	**60**	60
Projected retirement credit	**22.5 days pay per year of service**	22.5 days pay per year of service
Actuarial cost method	**Projected unit credit method**	Projected unit credit method
Manner of benefit payment	**Lump sum**	Lump sum
Withdrawal rates		
19-24	**6.06%**	6.06%
25-29	**9.46%**	9.46%
30-34	**6.45%**	6.45%
35-39	**3.42%**	3.42%
40-44	**7.52%**	7.52%
45-49	**3.50%**	3.50%
50-54	**0.00%**	0.00%
≥55	**5.05%**	5.05%

The summary of valuation results as at the statements of financial position date follows:

	2024	2023
Number of lives covered	**63**	63
Average age in years	**41.0**	41.0
Expected average remaining working lives of employees	**19.00**	19.00
Average years of past service	**9.5**	9.5
Annual covered payroll	**43,254,084**	43,254,084
Present value of defined benefit obligation (DBO)	**49,499,486**	49,499,486
Current service cost (CSC)	**3,632,408**	3,632,408
Fair value of plan assets	**25,754,462**	25,754,462
Deficit / (Surplus)	**23,745,024**	23,745,024
Contributions	**0**	0
Benefits paid from plan assets	**910,379**	910,379
Benefits paid from booked reserved	**0**	0
Settlements from plan assets	**0**	0
Settlements from booked reserved	**0**	0

As of December 31, 2024, the principal balance of the retirement fund stands at P23,745,024 and as compared to P23,745,024 as of December 31, 2023.

(iii) Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation		**Fair value of plan assets**		**Net defined liability**	
	2024	2023	**2024**	2023	**2024**	2023
Balance, 1 January	**40,338,607**	40,338,607	**(24,782,205)**	(24,782,205)	**15,556,402**	15,556,402
Service cost – current	**3,632,408**	3,632,408	**0**	0	**3,632,408**	3,632,408
Interest cost (income)	**2,892,278**	2,892,278	**(1,744,247)**	(1,744,247)	**1,148,031**	1,148,031
Included in profit or loss	**6,524,686**	6,524,686	**(1,744,247)**	(1,744,247)	**4,780,439**	4,780,439

Employer Contribution	**0**	0	**0**	0	**0**	0
(a) Actuarial loss (gain) from:						
- Demographic Assumptions	**(676,743)**	(676,743)	**0**	0	**(676,743)**	(676,743)
- Financial assumptions	**4,390,939**	4,390,939	**0**	0	**4,390,939**	4,390,939
- Experience adjustments	**(167,624)**	(167,624)	**0**	0	**(167,624)**	(167,624)
(b) Return on plan assets (excluding interest)	**0**	0	**(138,389)**	(138,389)	**(138,389)**	(138,389)
Included in other comprehensive income	**3,546,572**	3,546,572	**(138,389)**	(138,389)	**3,408,183**	3,408,183
Benefits Paid	**(910,379)**	(910,379)	**910,379**	910,379	**0**	0
Balance, December 31	**49,499,486**	49,499,486	**(25,754,462)**	(25,754,462)	**23,745,024**	23,745,024

Retirement costs are included in the "General and Administrative Expenses" account in the statements of comprehensive income, and the Corporation, having opted to avail of the Optional Standard Deduction (OSD) accordingly, did not recognize any deferred tax assets or liabilities on re-measurement gains and losses and net benefit obligation.

(iv) Allocation of Plan Assets

Cash and cash equivalents	40.78%
Debt instruments – Government Bonds	58.47%
Others (Market gains/losses, Accrued receivables, etc.)	0.75%
	100.00%

The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the Retirement Plan Trustee may make changes at any time.

(v) Maturity Analysis: 10-year Projection of Expected Future Benefit Payments

Year	Amount
2024	9,059,678
2025	1,912,197
2026	3,462,982
2027	11,228,178
2028	4,595,332
2029 – 2033	18,781,827

23. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation enters into transactions with its Parent Bank, Land Bank of the Philippines. Under the Corporation's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The transactions with related parties are settled in cash.

Provisions are held against receivables from related parties in 2024 and 2023 are broken down as follows:

	2024	2023

Finance Lease Receivables - LBP	**2,949,201**	3,622,425
Due from Parent Bank	**1,907,253**	2,894,426
	4,856,454	6,516,851

The total amount of transactions which have been entered into with Land Bank of the Philippines for the relevant financial years, gross of allowance for losses are as follows:

	2024	2023
Cash in banks	**108,600,278**	36,366,014
Due from Parent Bank (Note 8)	**190,725,285**	289,442,648
Finance Lease Receivables - LBP (Note 8)	**356,665,819**	423,988,227
Bills payable	**728,768,000**	1,156,544,500
Deposit on lease contracts	**72,852,930**	72,852,930
Accrued interest payable	**5,924,559**	9,157,371
Accounts Payable	**13,598**	0
Accrued Expense Payable	**11,874,292**	12,204,037
Miscellaneous liabilities	**3,635,487**	2,681,717
	1,479,060,248	2,003,237,444

The income and expenses in respect of the above enumerated transactions included in the financial statements are as follows:

	2024	2023
Finance lease income (Note 8)	**176,911,095**	248,792,973
Fleet management service fees (Note 19)	**530,400**	4,113,600
Fleet management service chauffeuring fees (Note 19)	**2,256,888**	33,200,503
Interest income on deposits	**30,410**	16,512
Interest and finance charges	**70,822,347**	63,716,094
Miscellaneous Expenses	**278,586**	574,973
	250,829,726	350,414,655

a) Bills payable and Interest and Financing Charges

Interest rates on borrowings from the parent company ranges from 5.75 per cent to 7.50 per cent. The loans are partially secured by assignment of receivables with terms of maturity ranging from 90 days to 18 years.

(b) Finance Lease Income

The Corporation is leasing motor vehicles to its Parent Bank for a period of seven years.

(c) Operating Lease Income

The Corporation is leasing motor vehicles to its Parent Bank for a period of three years with renewal option included in the contracts.

(d) Fleet Management Services

The Corporation continues its chauffeuring and other vehicle services to its Parent Bank until such time the Parent Bank disposed and replaced the expired lease vehicles.

(e) Other Related Party Transactions

Other related party transactions conducted in the normal course of business include regular banking transactions, borrowings and sharing of certain operating expenses.

The key management personnel compensations are as follows:

	2024	2023
Salaries and other short-term benefits	**13,964,656**	14,126,006
Post-employment benefits	**1,798,370**	1,798,370
Directors' remuneration	**6,978,222**	6,718,787
	22,741,248	22,643,163

24. INCOME TAX EXPENSE

The income tax expense consists of:

	2024	2023
Current	**39,452,839**	38,817,639
Deferred	**(10,489,191)**	(7,539,179)
	28,963,648	31,278,460

The reconciliation between the income tax expense computed at the statutory income tax rate of 25 per cent in 2024 and 2023, and the provision for income tax expense as shown in the statements of comprehensive income is as follows:

	2024	2023
Net income before income tax	**93,077,127**	101,476,250
Add:		
General and administrative expenses	**141,687,805**	127,163,676
Gross income	**234,764,932**	228,639,926
Less: Optional Standard Deduction (40% of the total of gross income and net amount of non-deductible and non-taxable expenses amounting to P30,160,845 in 2024 and P30,160,845 in 2023)	**76,953,578**	103,513,704
Net income subject to income tax	**157,811,354**	125,126,222
Income tax computed at statutory tax rate of 25%	**39,452,839**	31,281,556
Tax effect of:		
Interest income subject to final tax	**(4,128)**	(4,128)
Interest in arbitrage	**1,032**	1,032
Income tax expense	**39,449,743**	31,278,460

Prepaid Income tax, after deducting creditable withholding taxes and quarterly income tax payments, amounts to P 36,219,620 and P29,945,250 as of December 31, 2024 and 2023, respectively, as shown in Note 13, respectively.

Under Philippine tax laws, the Corporation is subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid consist of gross receipts tax and documentary stamp tax.

Income taxes include corporate income tax and final taxes paid at the rate of 20 per cent, which is a final withholding tax on gross interest income from deposits with banks.

Current tax regulations provide that the Regular Corporate Income Tax (RCIT) rate shall be 25 per cent and interest allowed as a deductible expense shall be reduced by an amount of 20 per cent of interest income subjected to final tax.

The regulations also provide for Minimum Corporate Income Tax (MCIT) of 1.50 per cent and 1.50 per cent on modified gross income for 2024 and 2023, respectively. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the NOLCO is allowed as deduction from taxable income in the next three years from the year of inception.

MCIT computed at 1.50 per cent and one per cent of gross profit amounted to P3,521,474 and P3,890,284 in 2024 and 2023, respectively.

Republic Act No. 9504, An Act Amending National Internal Revenue Code, provides that starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40 per cent of gross income may be claimed as an alternative deduction in computing for the RCIT.

The Corporation has opted to use OSD in 2024 and 2023. The presentation of the Statements of Comprehensive Income reflects the "Gross Income" which was the basis in computing the OSD to arrive at the taxable income. Direct expenses incurred to provide the services as provided in Section 4 of RA 16-2008 was presented as a deduction from the gross revenue.

Details of the deferred tax assets and liabilities recognized in the statements of financial position are as follows:

At December 31, 2022	**P165,672,063**
Charged to operations	7,539,179
At December 31, 2023	**P173,211,242**
Charged to operations	10,489,191
At December 31, 2024	**P183,700,433**

25. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Gross of Allowance for Probable Losses)

	2024			2023		
	Due within 1 year	**Due beyond 1 year**	**Total**	Due within 1 year	Due beyond 1 year	Total
Financial assets						
Cash and cash equivalents	**108,600,278**	**0**	**108,600,278**	36,466,014	0	36,466,014
Financial Assets at Amortised Cost	**2,091,046,192**	**4,514,880,356**	**6,606,926,548**	1,836,506,688	4,167,021,726	6,003,528,414
	2,199,646,470	**4,514,880,366**	**6,715,526,826**	1,872,972,702	4,167,021,726	6,039,994,428
Non-financial assets						
Investment properties	**0**	**11,704,000**	**11,704,000**	0	30,206,300	30,206,300
Equipment and other property for lease, net	**0**	**742,561,834**	**742,561,834**	0	525,158,271	525,158,271
Property and equipment, net	**0**	**31,094,337**	**31,094,337**	0	30,039,237	30,039,237
Non-Current Asset Held for Sale	**0**	**31,821,995**	**31,821,995**	0	635,000	635,000

	2024			2023		
	Due within 1 year	**Due beyond 1 year**	**Total**	Due within 1 year	Due beyond 1 year	Total
Other assets	**62,841,647**	**1,226,791**	**64,068,438**	56,276,803	2,108,587	58,385,390
	62,841,647	**818,408,957**	**881,250,604**	56,276,803	588,147,395	644,424,198
Total assets	**2,262,488,117**	**5,334,289,313**	**6,684,418,626**	1,929,249,505	4,755,169,121	6,684,418,626
Financial liabilities						
Bills payable	**2,978,018,000**	**1,149,666,667**	**3,371,127,833**	2,290,461,166	1,080,666,667	3,371,127,833
Accounts Payable – Trade	**125,528,546**	**0**	**101,786,811**	101,786,811	0	101,786,811
Accrued interest payable	**23,528,183**	**0**	**22,660,136**	22,660,136	0	22,660,136
Other payables	**132,017,037**	**0**	**105,302,194**	105,302,194	0	105,302,194
Deposits on lease contracts	**208,652,059**	**1,024,129,877**	**912,622,687**	271,957,636	640,665,051	912,622,687
Inter-agency payable	**15,935,801**	**0**	**15,935,801**	15,935,801	0	15,935,801
Retirement liability	**0**	**24,935,148**	**23,745,024**	0	23,745,024	23,745,024
Total Liabilities	**3,488,140,147**	**2,198,731,692**	**4,553,180,486**	2,808,103,744	1,745,076,742	4,553,180,486

26. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Corporation has not set-off financial instruments in 2024 and 2023 and does not have offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party of the lease agreement will have the option to settle such amount on a net basis in the event of default of the other party. As such, the Corporation's lease contract receivables from the lessees amounting to P2,527,234,331 and P2,527,234,331 as of December 31, 2024 and 2023, respectively, can be offset by the amount of lease deposits amounting to P901,515,487 and P901,515,487 as of December 31, 2024 and 2023 (Note 21), respectively. The balance of lease contract receivables net of lease deposit amounted to P1,625,718,844 and P1,625,718,844 as of December 31, 2024 and 2023, respectively.

27. EARNINGS PER SHARE

The financial information pertinent to the derivation of earnings per share follows:

	2024	2023
Net income after tax	**61,198,588**	70,197,790
Weighted average number of outstanding shares (Note 18a)	**48,555,253**	48,555,253
Basic Earnings Per Share	**1.28**	1.45

There were no outstanding dilutive potential common shares as at December 31, 2024 and 2023.

28. CONTINGENCIES

In the ordinary course of business, the Corporation incurs contingent liabilities and commitments arising from normal business transactions which are not reflected in the accompanying financial statements. As at December 31, 2024, Management does not anticipate significant losses from these contingencies and commitments that would adversely affect the Corporation's financial position and results of operations.

29. EVENTS AFTER THE REPORTING DATE

Cash Dividend Declaration

On April 25, 2024, the Board of Directors of LLFC, through its Resolution No. 24-078, approved the declaration of cash dividends amounting to P87,545,125.00 or P1.803 per share on the 48,555,254 common stocks held by all stockholders as of date of record, December 31, 2023. For the year 2023, the dividend remittance amounted to 75 per cent of the net earnings of the year as mandated by the Department of Finance.

Merger with ULFC

The requirements for the merger of LLFC and UCPB Leasing and Finance Corporation (ULFC) were submitted to the Governance Commission for GOCCs (GCG) for evaluation and endorsement. The recommendation for the merger was taken up by the GCG En Banc during their March 26, 2024 meeting. The same have been endorsed to the Office of the President for issuance of Executive Order.

On August 8, 2024, the Office of the President issued Executive Order 65 s. 2024 Approving the Merger of LLFC and ULFC with LLFC as the Surviving Entity. Immediately thereafter the required documents for submission to Securities and Exchange Commission were completed and submitted to SEC on October 30, 2024. On February 28, 2025, SEC released the Certificate of the Filing of Articles and Plan of Merger, Certificate of Increase in Capital Stock, Certificate of Filing of Amended Articles of Incorporation and Certificate of Filing of Amended By-Laws.

The joint Technical Working Group composed of LANDBANK, LLFC and ULFC officers continue to meet regularly to work on the approved pre-merger activities to ensure a smooth transition during the merger implementation.

30. SUPPLEMENTARY INFORMATION ON REVENUE REGULATIONS

A. REVENUE REGULATIONS (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued RR No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRSs and such other standards and/or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

1. LLFC is a non-VAT entity under Philippine tax laws per RR No. 9-2004. LLFC is subject to percentage and other taxes (presented as Taxes and Licenses in the statement of comprehensive income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax. LLFC was also designated by the BIR as withholding tax agent under RR No. 17-2003 and RR No. 12-94, as amended.

In compliance, LLFC pays the corresponding GRT on all items treated as gross income, and fringe benefit tax (FBT) on the benefits provided to its officers in accordance with the tax law and revenue regulation prescribing FBT. LLFC withheld corresponding taxes on payments of compensation of employees, fees to directors and cost or purchase price to contractors and suppliers of goods.

2. The documentary stamp taxes paid/accrued on loans availed and renewed during the year totalled P25,957,067 (Note 15).

3. Other taxes paid during the year recognized under Taxes and Licenses account are the following:

Particulars	Amount
a. Local	
Realty Taxes	2,124,424
Licenses	1,689,420
Community Tax Certificate	10,500
b. National	
Tax Clearance Application	200
SEC Filing Fees for Merger	2,679,181
Gross Receipt Tax	32,627,000
	39,130,725

4. The amount of withholding taxes paid for the year amounted to:

Compensation and benefits	5,454,691
Expanded withholding taxes	16,808,405
Final Withholding taxes	140,621
VAT and other percentage taxes	35,892,876
	58,296,593

5. The Corporation has no pending tax court cases nor tax assessment notices from the BIR.

B. REVENUE REGULATIONS (RR) Nos. 19-2011 and 2-2014

RR No. 2-2014 prescribes the new income tax forms to be used for income tax filing starting CY 2013. Pursuant to Section 244, in relation to Sections 6(H), 51(A)(1) and 51(A)(2) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are issued to prescribe the use of revised income tax forms with bar codes, and to reflect the changes in information required from said forms. This will also enable the said forms to be read by an optical character reader for ease in scanning.

In the case of corporations using BIR Form No. 1702, the taxpayer is now required to include as part of its notes to the audited financial statements, which will be attached to the income tax return (ITR), the schedules and information on taxable income and deductions to be taken.

1. Sales/Receipts/Fees

	Taxable Amount under Regular Rate
Sale of services	672,714,149

Lease of Properties	0
	672,714,149

2. Cost of Sales/Services

	Amount under Regular Rate
Direct Charges - Salaries, Wages and Benefits	23,241,603
Direct Charges - Outside Services	115,921,022
Direct Charges - Others	287,433,906
	426,596,531

3. Non-Operating and Taxable Other Income

	Amount under Regular Rate
Gain on sale	1,472,898
Miscellaneous income - net	15,428,409
	16,901,307

4. Optional Standard Deduction (OSD)

Republic Act (RA) No. 9504, An Act Amending National Internal Revenue Code, provides that starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40 per cent of gross income may be claimed as an alternative deduction in computing for the RCIT.

The Corporation has opted to use the OSD. The presentation of the Statement of Comprehensive Income reflects the "Gross Income" which was the basis in computing the OSD to arrive at the taxable income. Direct expenses incurred to provide the services as provided in Section 4 of RA No. 16-2008 was presented as a deduction from the gross revenue.

5. Taxes and Licenses

The documentary stamp taxes paid/accrued on loans availed and renewed during the year totalled P25,957,067.

Other taxes paid during the year recognized under Taxes and Licenses account are the following:

Particulars	**Amount**
b. Local	
Realty Taxes	2,124,424
Licenses	1,689,420
Community Tax Certificate	10,500
b. National	
Tax Clearance Application	200
SEC Filing Fees for Merger	2,679,181
Gross Receipt Tax	32,627,000
	39,130,725

31. OTHER SUPPLEMENTARY INFORMATION

A. In compliance with the Revised Securities Regulation Rule 68 issued by Securities and Exchange Commission, the following are the financial soundness indicators of the Corporation:

	2024	2023
Current ratio	0.60	0.60
Acid test ratio	0.58	0.58
Solvency ratio	0.03	0.03
Debt to equity ratio	2.83	2.83
Asset to equity ratio	3.83	3.83
Interest rate coverage ratio	1.54	1.54
Return on equity	4.37	4.37
Return on assets	1.21	1.21
Net profit margin	10.34	10.34

B. In compliance with BSP Circular No. 1075 dated February 7, 2020, the following are basic quantitative indicators of financial performance of the Corporation:

	2024	2023
Return on average equity	4.37	4.37
Return on average assets	1.21	1.21
Net profit margin	10.34	10.34

LBP LEASING AND FINANCE CORPORATION
(A LANDBANK SUBSIDIARY)

BOARD OF DIRECTORS

AS OF
DECEMBER 31, 2024

LLFC BOARD OF DIRECTORS

ROBERTO U. TEO

CHAIRPERSON

Mr. Roberto U. Teo, 75 years old, was appointed as a Member of the Board of Directors of LBP Leasing and Finance Corporation in June 2017. He currently holds the esteemed position of Chairperson of the Board, where his leadership and vision have been instrumental in shaping the Corporation's strategic direction. In addition to his role as Chairperson, Mr. Teo actively contributes to the organization's success as a key member of both the Executive Committee and the Corporate Governance Committee.

In these pivotal leadership roles, Mr. Teo has consistently demonstrated his commitment to upholding the highest standards of corporate governance, financial integrity, and organizational sustainability. His strategic oversight ensures that the corporation remains agile and resilient in a dynamic business environment, fostering long-term growth and the continued success of LBP Leasing and Finance Corporation. Mr. Teo's extensive experience and deep understanding of the financial sector have made him a highly respected figure, known for his ability to navigate complex challenges and inspire confidence in his leadership. His contributions to the corporation's governance and growth make him a driving force behind its continued success.

Mr. Roberto U. Teo boasts an extensive and distinguished career in public administration and management, with a strong track record of leadership in Davao City. He has served in several key roles, including Assistant City Administrator for Operations, Assistant City Administrator for Administration, and Economic Enterprise Manager. Additionally, he played a critical role as the Chief of the Davao City Investments Promotions Center, where he was instrumental in fostering economic development and promoting Davao as a hub for investment. His leadership extended to national level involvement as well, having served as a former Board Member of the Tourism Infrastructure and Enterprise Zone Authority (TIEZA), where he represented the interests of travel and tours enterprises.

Mr. Teo's educational background is equally impressive. He earned his Bachelor of Science in Chemical Engineering from De La Salle College in 1971. In 1974, he obtained a Master's in Business Management from the prestigious Asian Institute of Management. To further deepen his expertise in business and management, Mr. Teo attended executive education programs in Pennsylvania, USA, where he completed the Program for Executives in 1978 and the Economics Fall Program from 1977 to 1978. These formative experiences provided him with a solid foundation in both technical and strategic management, which he has successfully applied throughout his career.

In 2024, Mr. Teo has further strengthened his expertise through a series of specialized training programs, including the AML CTF Fundamentals, AMLC Registration and Reporting Guidelines, Basic Corporate Finance Training, and Targeted Financial Sanctions. These advanced courses have equipped him with a deep understanding of financial compliance, corporate governance, and regulatory frameworks, enabling him to provide strategic leadership and ensure robust risk management practices. Mr. Teo's continuous commitment to professional development empowers him to drive the organization's success with a well-rounded approach to financial and operational oversight.

With his rich experience in both local government and business, as well as his continued focus on learning and leadership, Mr. Teo is a driving force behind the growth and success of LBP Leasing and Finance Corporation. His broad expertise in governance, economic development, and risk management makes him an invaluable asset to the corporation.

LLFC BOARD OF DIRECTORS

NANZIANCINO M. DILAY

VICE-CHAIRPERSON

Mr. Nanziancino M. Dilay, 75 years old, was appointed as a Director of LLFC in July 2019, bringing a wealth of experience and leadership to the Board. Currently serving as the Vice-Chairperson of the LLFC Board of Directors, Mr. Dilay plays a pivotal role in steering the Corporation's strategic direction. He also serves as the Chairperson of the Audit Committee, where he ensures rigorous financial oversight and transparency. In addition, Mr. Dilay is an active member of the Risk Management Committee, contributing his expertise to the Corporation's efforts in identifying, mitigating, and managing risks to ensure long-term sustainability and success.

With his extensive background in governance and financial oversight, Mr. Dilay has become a trusted leader within the organization, providing invaluable guidance to maintain the highest standards of accountability, transparency, and operational excellence. His commitment to the effective management of risk and corporate governance significantly strengthens LLFC's position in a competitive and evolving business landscape.

Before joining LLFC, Mr. Dilay had a distinguished career spanning multiple sectors. He served as a Director at Philippine Pharma Procurement from 2017 to 2019, contributing to the organization's growth and operational efficiency. Additionally, Mr. Dilay spent over two decades with the Bureau of Customs, from 1992 to 2014, where he held various key positions, including leadership roles that helped shape the agency's policies and operations. Prior to his tenure at the Bureau of Customs, Mr. Dilay was a Technical Assistant at the Supreme Court of the Philippines from 1973 to 1992, providing critical support to the judicial system during his years of service.

Mr. Dilay is also academically accomplished. He earned his Bachelor of Arts in Political Science from San Sebastian College – Manila in 1970, laying the foundation for his career in public service and governance. Later, in 2011, he earned a Master's in Customs Administration from the Philippine Maritime Institute, furthering his expertise in the regulatory and operational aspects of customs management.

In 2024, Mr. Dilay has significantly enhanced his professional qualifications through a range of specialized training programs, including the AML CTF Fundamentals, AMLC Registration and Reporting Guidelines, Basic Corporate Finance Training, and Targeted Financial Sanctions. He also attended the 2024 National Convention of the Philippine Finance Association, further deepening his knowledge in financial compliance, corporate governance, and risk management. These training initiatives empower Mr. Dilay with the expertise to navigate complex financial landscapes, ensuring that he continues to contribute effectively to the organization's strategic goals and regulatory compliance efforts.

With his broad experience in both government and private sectors, as well as his strong educational foundation, Mr. Dilay is an indispensable asset to the LLFC Board, contributing significantly to its strategic goals and governance efforts. His deep understanding of public administration, financial oversight, and risk management continues to strengthen the Corporation's operations and long-term success.

MICHAEL P. ARAÑAS

MEMBER/PRESIDENT AND CEO

Mr. Michael P. Arañas, 78 years old, has been a valued member of the LLFC Board since July 30, 2020, and has played a significant role in driving the Corporation's strategic growth and operational success. In November 2021, he was appointed President and Chief Executive Officer (CEO), a position in which he leads with a forward-thinking vision, focusing on long-term sustainability, innovation, and excellence. Under his leadership, LLFC has continued to thrive, achieving new milestones and expanding its presence in the industry.

In addition to his CEO role, Mr. Arañas is an active member of the Executive Committee, where he contributes to shaping and executing the Corporation's strategic initiatives, ensuring that each decision aligns with the company's mission and vision for growth. His leadership is instrumental in steering the organization toward greater success while maintaining a strong focus on operational efficiency and financial stability. Beyond his role at LLFC, Mr. Arañas brings a wealth of experience from his previous board appointment at the Philippine Sugar Corporation.

He was appointed as a member of the Board of Directors in 2017, where he contributed valuable insights and strategic guidance until the corporation's dissolution in 2018.

With his extensive experience in executive leadership, corporate governance, and strategic management, Mr. Arañas continues to be a driving force behind LLFC's success, providing visionary leadership that positions the company for sustained growth and industry leadership.

With a wealth of banking experience across a diverse range of institutions, including Family Bank and Trust Co., BPI Family Bank, Davao Lending House, Inc., Lapanday Agri Development Corporation, Security Bank, Consumer Bank, Philippine Farmers Bank, and Corfarm Bank, Mr. Arañas' extensive training in all areas of banking has been a key asset in his role as Director of LBP Leasing and Finance Corporation.

He holds a Bachelor of Science in Electrical Engineering from the University of the Philippines and has pursued additional studies in AB General at Davao Central Colleges and BSBA at Ateneo de Davao University. At Ateneo de Davao, he was honored with the bronze medallion for academic excellence and later earned his Master of Business Administration (MBA).

In 2024, Mr. Michael P. Arañas has bolstered his professional expertise through a series of high-impact training programs, including the AML CTF Fundamentals, AMLC Registration and Reporting Guidelines, Basic Corporate Finance Training, and Targeted Financial Sanctions. Additionally, he attended the 2024 National Convention of the Philippine Finance Association, further refining his understanding of financial compliance, corporate governance, and risk management. These advanced learning opportunities ensure Mr. Arañas is well-equipped to lead with a comprehensive understanding of regulatory frameworks and strategic financial decision-making.

VIRGILIO M. SANGUTAN

MEMBER

Mr. Virgilio M. Sangutan, 66 years old, took his oath as LLFC Director in May 2019. He is the Chairperson of the Risk Management Committee and a member of the Audit Committee and RPT Committee, respectively.

Mr. Sangutan is a seasoned leader with extensive experience in both the business and innovation sectors. From 2006 to 2010, he served as a member of the Board of Directors and President of the Davao Inventors Association, Inc., where he played a key role in advancing the interests of inventors and fostering innovation. Additionally, he was a Board Director of the Southeastern Mindanao Inventors Association from 1995 to 2005, further solidifying his influence in the region's inventors' community. He is the proud owner of MI Herbal Laboratory, a business specializing in the development of herbal products, and is currently serving as the President of Inventfoods Manufacturing, Inc., a company dedicated to innovative food manufacturing solutions. These roles reflect his entrepreneurial spirit and commitment to sustainable business practices.

Mr. Sangutan's academic journey is equally impressive. He earned a degree in Bachelor of Science in Banking and Finance from Divine Word College of Legaspi in 1982. He later pursued further studies, earning some units in the College of Law at Ateneo de Davao University between 1988 and 1989, before embarking on a year of study towards a Master's in Business Administration at the University of Southeastern Philippines in Obrero, Davao City.

In 2024, Mr. Sangutan has significantly enhanced his professional expertise through a series of specialized training programs, including the AML CTF Fundamentals, AMLC Registration and Reporting Guidelines, Basic Corporate Finance Training, and Targeted Financial Sanctions. These training sessions have deepened his knowledge of financial compliance, risk management, and corporate governance, equipping him with the tools to navigate complex regulatory landscapes and drive strategic decisions. Mr. Sangutan's ongoing commitment to professional development underscores his dedication to maintaining the highest standards of financial oversight and operational excellence within the organizations he serves.

CONRADO S. MIÑANO, JR.

MEMBER

Mr. Conrado S. Miñano, aged 71, brings a wealth of experience and leadership to his role as a Member of the Board of Directors of LBP Leasing and Finance Corporation, having been appointed on June 2, 2017. In addition to his board membership, he actively contributes to the strategic direction of the company as a key member of both the Executive Committee and the Corporate Governance Committee.

With his extensive background in corporate governance and finance, Mr. Miñano plays an integral role in ensuring the effective and transparent management of the corporation. His leadership in these committees underscores his commitment to upholding high standards of governance and fostering sustainable growth for the company.

Mr. Conrado S. Miñano is a highly accomplished retired General of the Philippine National Police, with a distinguished career in law enforcement that spanned several decades. Throughout his service, he held key positions that demonstrated his leadership and expertise in the police force. Notably, he served as the Deputy Director of the Northern Police District in Caloocan City and as the Director of the Communications and Electronics Division at Camp Crame from 2007 to 2009. His contributions to the Philippine National Police have earned him numerous commendations from various civic, religious, and military organizations, recognizing his dedication and service to the nation.

Mr. Miñano is a proud graduate of the Philippine Military Academy, Class of 1977, which laid the foundation for his distinguished career in law enforcement. He also pursued legal studies as an undergraduate at Jose Rizal University, further enhancing his understanding of law and governance.

In 2024, Mr. Miñano has significantly expanded his professional expertise by completing a comprehensive range of specialized training programs, including the AML CTF Fundamentals, AMLC Registration and Reporting Guidelines, Basic Corporate Finance Training, and Targeted Financial Sanctions. These advanced courses have further honed his skills in financial compliance, corporate governance, and risk management, enabling him to effectively navigate complex regulatory environments and contribute to the strategic direction of the organizations he serves.

Mr. Miñano's vast experience, coupled with his ongoing commitment to learning and growth, makes him a valuable asset in both the public and private sectors.

LETICIA V. DAMASCO

MEMBER

Ms. Leticia V. Damasco, 75 years old, has been a valued member of the LLFC Board of Directors since taking her oath in January 2018. With her extensive experience and expertise, she plays a vital role in the strategic decision-making process of the company. In addition to her board membership, Ms. Damasco actively contributes to the organization's success through her involvement in several key committees, including the Audit Committee, Risk Management Committee, and Corporate Governance Committee.

Her participation in these committees highlights her dedication to ensuring strong financial oversight, effective risk management practices, and the highest standards of corporate governance. With a keen eye for detail and a deep understanding of corporate dynamics, Ms. Damasco has become an indispensable leader within the organization.

Ms. Leticia V. Damasco brings over 32 years of extensive banking experience, primarily gained through her tenure at the Land Bank of the Philippines (LBP). During her time at LBP, she rose to the position of Department Manager III, a role she held until her retirement in 2013. Her deep understanding of banking operations and financial management has been a cornerstone of her professional success.

Ms. Damasco also held directorial roles in various financial institutions, further showcasing her expertise and leadership. She served as a Director of the Philippine Postal Bank from June 2, 2017, to January 11, 2018, and as a Director of the Rural Bank of Sta. Rosa (Nueva Ecija), Inc. from 2019 to 2021. These roles allowed her to leverage her vast banking knowledge to guide the institutions through critical financial and operational decisions.
In addition to her banking career, Ms. Damasco has a background in education. She was a College Instructor at the Manuel V. Gallego Foundation Colleges (formerly CLEC) from June 1973 to October 1981, where she imparted valuable economic and financial knowledge to the next generation of leaders.

Ms. Damasco holds a Bachelor of Arts degree, majoring in Economics, from the Philippine Women's University, which she earned in 1971. She furthered her academic credentials by earning a Master of Arts in Psychology from the Philippine Statesman College in 1996, giving her a well-rounded perspective on human behavior and decision-making processes, both of which are essential in her work with financial institutions.

In 2024, Ms. Damasco has further enriched her professional expertise by completing a range of specialized training programs, including the AML CTF Fundamentals, AMLC Registration and Reporting Guidelines, Corporate Governance Orientation Program, and Targeted Financial Sanctions. These courses have equipped her with advanced knowledge in financial compliance, corporate governance, and regulatory frameworks, enabling her to provide strategic insights and ensure the highest standards of governance and accountability within the organizations she serves.

Ms. Damasco's vast experience, coupled with her dedication to lifelong learning, makes her a highly respected and influential figure in both the banking and governance sectors.

EDGAR CRISANTO R. VIOLAN

MEMBER

Mr. Edgar Crisanto R. Violan, 65 years old, was appointed to the LLFC Board in May 2020, bringing a wealth of experience and leadership to the organization. Since joining the board, Mr. Violan has been an active contributor, serving as a key member of both the Executive Committee and the Corporate Governance Committee.

His involvement in these committees underscores his commitment to guiding the company with strategic foresight and ensuring the highest standards of governance and transparency. With a strong focus on organizational growth and effective management, Mr. Violan plays a pivotal role in shaping the company's direction and fostering a culture of accountability and ethical decision-making.

Before joining the LLFC Board in May 2020, he served as a member of the Board of Directors of the Philippine Mining Development Corporation for two years. Additionally, he held the position of Chief Administrative Officer at the Department of Transportation and Communications (DOTC)-Land Transportation Franchising and Regulatory Board (LTFRB) in Region XI, where he played a pivotal role in shaping regional transportation policies and administration.

Mr. Violan is a highly educated professional, graduating Cum Laude with a Bachelor of Science in Public Administration from the University of Southeastern Philippines in 1980. He furthered his education by earning a Bachelor of Laws degree from the Ateneo de Davao University in 1984 and pursued advanced studies in Economics, completing units toward a master's degree at the Rizal Memorial Colleges.

In addition to his civilian roles, Mr. Violan is a Colonel in the Philippine Army, Reserve Force, demonstrating his dedication to national service and leadership. He is also a Regional Cadre Instructor for the Incident Command System Courses, where he trains personnel in crisis management and emergency response.

In 2024, Mr Violan has significantly advanced his expertise by participating in a series of high-level training programs, including the AML CTF Fundamentals, AMLC Registration and Reporting Guidelines, Basic Corporate Finance Training, and Targeted Financial Sanctions. Additionally, he attended the 2024 National Convention of the Philippine Finance Association, further enhancing his knowledge in finance, financial compliance, and strategic risk management. These educational initiatives empower Mr. Violan with the skills to navigate complex regulatory landscapes and provide valuable insights into corporate governance and financial operations.

Mr. Violan's blend of public service, legal expertise, military leadership, and commitment to continuous learning makes him a highly respected and influential member of the LLFC Board, contributing significantly to the company's strategic direction and governance.

FRITZ M. SALAZAR

MEMBER

Mr. Fritz M. Salazar, 51 years old, was appointed as a Member of the Board of Directors of LLFC on March 16, 2017, bringing with him a wealth of experience and strategic insight. Since joining the board, he has played an instrumental role in the company's governance, serving as an active member of both the Executive Committee and the Related-Party Transaction Committee.

His contributions to these committees reflect his deep understanding of corporate strategy, financial oversight, and the importance of maintaining transparency and integrity in all business dealings. Through his work, Mr. Salazar helps guide the company towards sustainable growth while ensuring that all related-party transactions are handled with the highest standards of governance.

Mr. Fritz M. Salazar, originally from Tacloban City, brings a diverse range of business experience to his role on the LLFC Board of Directors. In addition to his board responsibilities, he is a successful franchisee of Sam's Everything On Sticks, a popular food cart business that offers a variety of street foods, showcasing his entrepreneurial spirit and expertise in the food industry.

Before venturing into his current business endeavors, Mr. Salazar had a distinguished career in banking, having worked as a Bank Officer at Metrobank from 1989 to 2010. His extensive experience in the financial sector provided him with a solid foundation in financial management, customer relations, and organizational operations.

Mr. Salazar is a graduate of the Saint Paul Business School of Tacloban (now known as Saint Paul School of Professional Studies), where he earned a Bachelor of Science in Commerce. His academic background, combined with his practical business experience, has contributed to his well-rounded perspective on governance and management.

In 2024, Mr. Salazar has continually strengthened his professional acumen through a series of advanced training programs, including the AML CTF Fundamentals, AMLC Registration and Reporting Guidelines, Basic Corporate Finance Training, and Targeted Financial Sanctions. Additionally, he attended the 2024 National Convention of the Philippine Finance Association, further deepening his expertise in financial compliance, corporate governance, and strategic risk management. These educational opportunities equip Mr. Salazar with the essential skills to navigate complex financial regulations and make informed, strategic decisions in the ever-evolving financial landscape.

Mr. Salazar's entrepreneurial success, banking background, and ongoing professional development make him a respected figure within the LLFC Board, bringing a strategic and informed approach to his work.

ALVIN I. KONG

MEMBER

Mr. Alvin I. Kong, 75 years old, has been a distinguished member of the LLFC Board since April 29, 2021. In his tenure on the board, he has proven to be an invaluable leader, currently serving as the Chairperson of the Related-Party Transaction (RPT) Committee. Additionally, he is an active member of both the Risk Management Committee and the Audit Committee, where he contributes his expertise in overseeing the company's strategic direction, risk management processes, and financial integrity.

Mr. Kong's leadership across these key committees underscores his commitment to maintaining the highest standards of corporate governance, financial transparency, and effective risk mitigation strategies. His experience and insightful guidance play a pivotal role in shaping the company's operations and ensuring its long-term success.

With an extensive banking career spanning several prominent financial institutions, including Associated Citizens Bank, Bank of Commerce, Maybank of the Philippines, Philippine National Bank, and Al-Amanah Islamic Bank, Mr. Alvin I. Kong has garnered a wealth of experience in all facets of banking. His comprehensive training and expertise in financial services have proven invaluable in his role as a Director for LBP Leasing and Finance Corporation, where he brings a wealth of knowledge and strategic insight to the organization.

Mr. Kong graduated from the University of the East with a Bachelor of Science in Business Administration, majoring in Economics. He furthered his education by enrolling in the Master of Business Administration (MBA) program at both the Lyceum of the Philippines and the University of the East. Additionally, he pursued studies in Customs Administration, having completed several units at the Philippine Maritime Institute, demonstrating his broad academic interests and commitment to professional growth.

In 2024, Mr. Alvin I. Kong has further strengthened his expertise through a series of comprehensive training programs, including the AML CTF Fundamentals, AMLC Registration and Reporting Guidelines, Basic Corporate Finance Training, and Targeted Financial Sanctions, equipping him with advanced knowledge in financial compliance, corporate finance, and risk management.

Mr. Kong's diverse banking experience, academic achievements, and ongoing professional development make him a highly respected and effective leader within the LLFC Board, contributing significantly to the company's governance and strategic direction.

PRODUCTS AND SERVICES

PRODUCT AND SERVICES

FINANCE LEASE

The credit facility includes Direct Lease, Sale & Leaseback and Sublease Arrangement

TERM LOANS

This provides long-term financing to fund Permanent Working Capital, Acquisition of Equipment or Other Capital Assets, Acquisition of Land and Building, Contruction

CREDIT LINES

This facility includes Working Capital Requirements, Receivables/Contract Financing and Purchase Order Financing

PROPERTY LEASE FOR GOVERNMENT OFFICES

This facility includes Building Acquisition, Building Construction and Property Renovation & Expansion

CHECKLIST OF REQUIREMENTS

1. Duly Accomplished Business Information Sheet
2. SEC Registration
3. Articles of Incorporation & By-Laws with Latest General Information Sheet (Corporation)
4. Article of Co-Partnership & Partner's Resolution (Partner)
5. Certificate of Business Registration with DTI (for Sole Partnership
6. Mayor's Permit and License to Operate
7. List of Stockholders, Members of the Board of Director, and Key Officers
8. Audited Financial Statements and Annual Income Tax Return (ITR) for the past three years
9. Latest Internim Financial Statements
10. Company Profile with Brief Project Background, Plans Products & Services, Target Market
11. Curriculum Vitae and one (1) valid Government Issued ID of the Owner/President and Corporate Secretary