C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

PW-00000661

COMPANY NAME

HOME CREDIT MUTUAL BUILDING AND LOAN ASSOCIATION, INC. (A WHOLLY OWNED SUBSIDIARY OF FOUNTEL CORPORATION)

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

LEVEL 26, TOWER 1, INSULAR LIFE CORPORATE CENTER, INSULAR LIFE DRIVE, FILINVEST CORPORATE CITY, ALABANG MUNTINLUPA CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
callcntr@homecredit.com.ph	(02) 8771-1190 to 95	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,584	4th Thursday of April	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Kevin. R. Lynch	krlynch@homecredit.com.ph	(02) 8771-1190 loc. 226	+63 917 599 0584

CONTACT PERSON's ADDRESS

36 Valencia St. North Susana, Executive Village Quezon City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

Your BIR AFS eSubmission uploads were received

From <eafs@bir.gov.ph>
To <RANNIE.CRUZ@HOMECREDIT.COM.PH>
Cc <RANNIE.CRUZ@HOMECREDIT.COM.PH>
Date 2025-04-30 22:58

Hi HOMECREDIT MUTUAL BUILDING AND LOAN ASSOCIATION INC.,

Valid files

- EAFS000781325ITRTY122024.pdf
- EAFS000781325RPTTY122024.pdf
- EAFS000781325AFSTY122024.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-CLHE8JLK0AELC95FDPRNMQ43Q0AF68AC7A**
Submission Date/Time: **Apr 30, 2025 10:58 PM**
Company TIN: **000-781-325**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Home Credit Mutual Building and Loan Association, Inc.
Level 26, Tower 1, Insular Life Corporate Center
Insular Life Drive, Filinvest Corporate City
Alabang, Muntinlupa City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Home Credit Mutual Building and Loan Association, Inc. (the Association), a wholly owned subsidiary of Fountel Corporation, which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

Other Information

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

The engagement partner on the audit resulting in this independent auditor's report is Ma. Emilita L. Villanueva.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Home Credit Mutual Building and Loan Association, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ma. Emilita L. Villanueva

Ma. Emilita L. Villanueva
Partner
CPA Certificate No. 95198
Tax Identification No. 176-158-478
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-159-2024, October 2, 2024, valid until October 1, 2027
PTR No. 10465405, January 2, 2025, Makati City

April 30, 2025

HOME CREDIT MUTUAL BUILDING AND LOAN ASSOCIATION, INC.
(A Wholly Owned Subsidiary of Fountel Corporation)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Cash and cash equivalents (Note 6)	**₱15,602,818**	₱11,815,451
Loans and receivables (Note 7)	**382,218,636**	372,756,556
Property and equipment (Note 8)	**2,452,995**	5,563,155
Investment properties (Note 9)	**8,900,485**	9,106,385
Other assets (Notes 10)	**1,180,897**	3,234,661
TOTAL ASSETS	**₱410,355,831**	₱402,476,208
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued expenses (Note 12)	**₱47,068,223**	₱47,273,630
Loan payable (Note 18)	**25,170,358**	10,000,000
Lease liabilities (Note 17)	**1,804,628**	4,672,290
	74,043,209	61,945,920
Equity (Note 14)		
Preferred stock	**67,685,025**	78,044,671
Common stock	**51,013,800**	51,013,800
Contingency surplus	**324,630,000**	318,930,000
Additional paid-in capital (APIC)	**154**	154
Deposits for future stock subscriptions	**580**	580
Surplus reserves	**6,095,200**	5,951,132
Deficit (Note 14)	**(113,112,137)**	(113,410,049)
	336,312,622	340,530,288
TOTAL LIABILITIES AND EQUITY	**₱410,355,831**	₱402,476,208

See accompanying Notes to Financial Statements.

HOME CREDIT MUTUAL BUILDING AND LOAN ASSOCIATION, INC.
(A Wholly Owned Subsidiary of Fountel Corporation)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2024	2023	2022
INTEREST INCOME ON			
Loans and receivables (Note 7)	**₱36,041,292**	₱32,927,840	₱27,010,346
Deposits with banks and others (Note 6)	**87,177**	6,874	9,319
TOTAL INTEREST INCOME	**36,128,469**	32,934,714	27,019,665
SERVICE FEES (Note 7)	**3,782,386**	4,685,745	5,781,903
MISCELLANEOUS (Note 15)	**3,136,019**	2,252,891	2,491,826
TOTAL OPERATING INCOME	**43,046,874**	39,873,350	35,293,394
OTHER EXPENSES			
Salaries and wages	**17,693,924**	17,891,225	17,405,721
Management and professional fees	**5,409,173**	5,588,000	5,345,705
Depreciation and amortization (Notes 8 and 9)	**3,487,571**	4,946,859	5,013,233
Transportation	**2,177,656**	2,095,162	1,828,793
Interest expense (Notes 17 and 18)	**2,101,691**	552,119	312,722
Postage, telephone and communication	**1,552,971**	1,809,899	1,796,053
Occupancy	**1,372,469**	1,766,688	1,720,066
Security deposit forfeiture (Note 15)	**1,128,366**	–	–
Business promotions	**872,130**	902,655	887,010
Repairs and maintenance	**545,899**	485,330	659,320
Insurance	**545,276**	358,374	713,350
Contractual and other services	**500,729**	588,889	734,857
Taxes and licenses	**396,845**	342,416	241,774
Utilities	**331,518**	444,398	500,711
Supplies	**324,638**	338,529	251,249
Entertainment, amusement and recreation	**71,166**	11,846	5,198
Miscellaneous (Note 15)	**1,653,501**	377,736	254,800
TOTAL OPERATING EXPENSES	**40,165,523**	38,500,125	37,670,562
NET INCOME (LOSS) FOR THE YEAR	**2,881,351**	1,373,225	(2,377,168)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss in subsequent period:			
Change in fair value of FVOCI	–	150,000	–
Remeasurement gain (loss) on defined benefit obligation (Note 16)	**(161,815)**	(443,198)	1,264,835
	(161,815)	(293,198)	1,264,835
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱2,719,536**	₱1,080,027	(₱1,112,333)

See accompanying Notes to Financial Statements.

HOME CREDIT MUTUAL BUILDING AND LOAN ASSOCIATION, INC.
(A Wholly Owned Subsidiary of Fountel Corporation)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

	Preferred Stock (Note 14)	Common Stock (Note 14)	Additional Paid-in Capital (Note 14)	Contingency Surplus (Note 14)	Deposits for Future Stock Subscriptions (Note 14)	Surplus Reserves (Note 14)	Deficit (Note 14)	Net Unrealized Gain on Financial Assets at FVOCI	Total
BALANCES AT JANUARY 1, 2022	**₱105,923,698**	**₱51,013,800**	**₱154**	**₱123,150,000**	**₱580**	**₱5,882,471**	**(₱106,468,745)**	**₱110,000**	**₱179,611,958**
Net loss for the year	–	–	–	–	–	–	(2,377,168)	–	(2,377,168)
Other comprehensive loss	–	–	–	–	–	–	1,264,835	–	1,264,835
Total comprehensive loss for the year	–	–	–	–	–	–	(1,112,333)	–	(1,112,333)
Issuance during the year	33,154,966	–	–	–	–	–	–	–	33,154,966
Redemption of stocks	(51,294,499)	–	–	–	–	–	–	–	(51,294,499)
Contingency Surplus	–	–	–	149,380,000	–	–	–	–	149,380,000
Premium on redemption of preferred stocks	–	–	–	–	–	–	(4,097,666)	–	(4,097,666)
BALANCES AT DECEMBER 31, 2022	**₱87,784,165**	**₱51,013,800**	**₱154**	**₱272,530,000**	**₱580**	**₱5,882,471**	**(₱111,678,744)**	**₱110,000**	**₱305,642,426**
Net income for the year	–	–	–	–	–	–	1,373,225	–	1,373,225
Other comprehensive income	–	–	–	–	–	–	(443,198)	150,000	(293,198)
Total comprehensive income for the year	–	–	–	–	–	–	930,027	150,000	1,080,027
Issuance during the year	27,410,400	–	–	–	–	–	–	–	27,410,400
Redemption of stocks	(37,149,894)	–	–	–	–	–	–	–	(37,149,894)
Contingency surplus	–	–	–	46,400,000	–	–	–	–	46,400,000
Appropriation for Surplus Reserve	–	–	–	–	–	68,661	(68,661)	–	–
Reclassification due to disposal of FVOCI	–	–	–	–	–	–	260,000	(260,000)	–
Premium on redemption of preferred stocks	–	–	–	–	–	–	(2,852,671)	–	(2,852,671)
BALANCES AT DECEMBER 31, 2023	**₱78,044,671**	**₱51,013,800**	**₱154**	**₱318,930,000**	**₱580**	**₱5,951,132**	**(₱113,410,049)**	**₱–**	**₱340,530,288**
Net income for the year	–	–	–	–	–	–	2,881,351	–	2,881,351
Other comprehensive income	–	–	–	–	–	–	(161,815)	–	(161,815)
Total comprehensive income for the year	–	–	–	–	–	–	2,719,536	–	2,719,536
Issuance during the year	30,563,749	–	–	–	–	–	–	–	30,563,749
Redemption of stocks	(40,923,395)	–	–	–	–	–	–	–	(40,923,395)
Premium on redemption of preferred stocks	–	–	–	–	–	–	(2,277,556)	–	(2,277,556)
Contingency surplus	–	–	–	5,700,000	3–	–	–	–	5,700,000
Appropriation for Surplus Reserve	–	–	–	–	–	114,068	(114,068)	–	–
BALANCES AT DECEMBER 31, 2024	**₱67,685,025**	**₱51,013,800**	**₱154**	**₱324,630,000**	**₱580**	**₱6,095,200**	**(₱113,112,137)**	**₱–**	**₱336,312,622**

See accompanying Notes to Financial Statements.

HOME CREDIT MUTUAL BUILDING AND LOAN ASSOCIATION, INC.
(A Wholly Owned Subsidiary of Fountel Corporation)

STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	**₱2,881,351**	₱1,373,225	(₱2,377,168)
Adjustments for:			
Depreciation and amortization (Notes 8 and 9)	**3,487,571**	4,946,859	5,013,233
Interest expense (Notes 17 and 18)	**2,101,691**	552,119	312,722
Gain on sale of investment properties (Note 15)	**–**	–	(230,933)
Retirement expense (Note 16)	**714,499**	593,186	765,244
Gain on sale of service vehicle (Note 15)	**–**	(152,999)	–
Write-off on unexpired cost of lease	**783,074**	–	–
Operating income before working capital changes	**9,968,186**	7,312,390	3,483,098
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans and receivables	**(9,462,080)**	(38,827,048)	(95,889,298)
Other assets	**2,053,764**	41,565	(1,330,716)
Increase (decrease) in accounts payable and accrued expenses	**(1,081,721)**	(6,865,725)	(32,569,063)
Net cash provided by (used in) operating activities	**1,478,149**	(38,338,818)	(126,305,979)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment (Note 8)	**(678,847)**	(145,715)	(49,500)
Proceeds from:			
Disposals of investment properties	**–**	–	4,700,000
Disposal of financial asset at FVOCI	**–**	350,000	–
Disposal of service vehicle	**–**	152,999	–
Net cash from (used in) investing activities	**(678,847)**	357,284	4,650,500
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Issuance of Serial Preferred B shares (Note 14)	**30,563,749**	27,410,400	33,154,966
Contingency Surplus (Note 14)	**5,700,000**	46,400,000	149,380,000
Loans (Note 18)	**26,400,000**	10,000,000	–
Redemption of Serial Preferred B shares (Note 14)	**(43,200,951)**	(40,002,565)	(55,392,165)
Payments of:			
Loans with banks	**(11,229,642)**	–	–
Principal portion of lease liabilities (Note 17)	**(3,143,300)**	(4,230,483)	(4,057,087)
Interest expense	**(2,101,691)**	(552,119)	(312,722)
Net cash from financing activities	**2,988,064**	39,025,233	122,772,992
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,787,367**	1,043,699	1,117,513
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**11,815,451**	10,771,752	9,654,239
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱15,602,818**	₱11,815,451	₱10,771,752
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest received	**₱36,128,469**	₱32,937,714	₱27,019,665
Interest paid	**1,965,210**	203,056	–

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of Financial Statements

Corporate Information

Home Credit Mutual Building and Loan Association, Inc. (the Association) was incorporated in the Philippines on April 1, 1932 for the primary purpose of accumulating the savings of its stockholders and members and lending funds to them under a housing program. On January 15, 1982, the Association amended its articles of incorporation to extend its corporate life from April 1, 1982 to April 1, 2032. The registered office address of the Association is at 26th Floor, Tower I, IL Corporate Center, Insular Drive, Filinvest Corporate City, Alabang, Muntinlupa City. However, on February 1, 2024 the Board of Directors of the Association approved the change of principal address to USSC Building 711 Edsa, corner New York St, Cubao Quezon City, Metro Manila. A Special Stockholders meeting was held on March 14, 2024 wherein the stockholders approved the change and transfer the Association's principal address and amendment of the Articles of Incorporation and By-laws to reflect the change. The results of the stockholders' meeting were reported to the SEC on March 15, 2024. The amendments are not yet effective and are for approval of the SEC.

In 2000, Republic Act No. 8791 (the Act), otherwise known as the General Banking Law of 2000, was approved which provides, among others, that the supervisory and regulatory powers over building and loan associations shall be transferred from Bangko Sentral ng Pilipinas (BSP) to Home Guaranty Corporation (HGC) within a period of three years from the Act's effectivity. Accordingly, effective February 7, 2002, the Association became under the jurisdiction/ supervision of HGC, currently known as Philippine Guaranty Corporation (PGC). Several qualified mortgage contract receivables are guaranteed by PGC (see Note 5).

Pursuant to Republic Act No. 8763, otherwise known as the "The Home Guaranty Corporation Act of 2000", the Association is exempt from all national taxes (see Note 19).

Authorization for Issuance of Financial Statements

The financial statements of the Association were authorized for issuance by the Board of Directors (BOD) on April 30, 2025.

2. Basis of Preparation, Statement of Compliance and Summary of Material Accounting Policies

Basis of Preparation

The financial statements of the Association have been prepared on a historical cost basis which have been measured at fair value. The financial statements are presented in Philippine peso (Peso), the Association's functional and presentation currency. All amounts are rounded to the nearest Peso, except when otherwise stated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards includes all applicable PFRSs, Philippine Accounting Standards (PAS) and interpretations as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

Presentation of Financial Statements
The Association presents its statement of financial position broadly in order of liquidity. Analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 13.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new accounting standards effective in 2024. Unless otherwise indicated, the adoption did not have any significant impact on the financial statements of the Association.

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Association intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Association's financial statements.

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

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

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

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

Material Accounting Policy Information
The material accounting policy information that has been used in the preparation of the Association's financial statements are summarized below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Association.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and which are subject to an insignificant risk of changes in value.

Financial Instruments - Initial Recognition and Subsequent Measurement

Initial recognition

The Association classifies financial assets, at initial recognition, as subsequently measured at amortized cost, FVOCI, and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Association's business model for managing them. Except for trade receivables that do not contain a significant financing component or for which the Association has applied the practical expedient, the Association initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Association has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

This assessment is referred to as the SPPI test and is performed at an instrument level. The Association's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Association commits to purchase or sell the asset.

Subsequent measurement of financial assets
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at FVTPL
- Financial assets at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- Financial assets at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Financial assets at amortized cost
Financial assets at amortized cost are initially recognized at fair value plus directly attributable transaction costs and subsequently measured using the EIR method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. This accounting policy relates to the Association's cash in banks, loans and receivables and long-term negotiable certificate of time deposit (LTNCD) under the "Other financial assets" account.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Association can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Association benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Association elected to classify irrevocably its investment in golf club shares under this category.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Association retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at FVTPL if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or

- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Association's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in OCI.

Other financial liabilities
Borrowed funds which are not designated at FVTPL, are classified as liabilities under appropriate financial liability accounts, where the substance of the contractual arrangement results in the Association having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities not qualified as and not designated at FVPL, are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. This includes accounts payable and accrued expenses (excluding payables to government), lease liabilities and redeemable preferred capital contributions.

Reclassifications of Financial Instruments
The Association reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Association and any previously recognized gains, losses or interest shall not be restated. The Association does not reclassify its financial liabilities.

Impairment of Financial Assets
The Association recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Association expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are also recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

The Association applies a simplified approach in calculating ECLs for receivables. Therefore, the Association does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Association has established a provision matrix that is based on its historical credit loss experience, adjusted by forward-looking factors specific to the debtors and economic environment.

For all debt financial assets other than receivables, ECLs are recognized using the general approach wherein the Association tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

At each reporting date, the Association assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Association considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Association's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Association from the time of origination.

The Association's cash with banks are graded to be low credit risk investment based on the credit ratings of depository banks. The Association's loans and receivables are covered by collaterals.

Write-off policy

The Association writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

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 financial assets) is derecognized when:

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

When the Association has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Association continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Association also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Association has retained.

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

Financial Liabilities
A financial liability is derecognized when the obligation under the financial 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 financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement 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. The Association assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Association and all of the counterparties.

Revenue Recognition under PFRS 15
Service fees
Service fees are recognized only upon collection or accrued when there is a reasonable degree of certainty as to its collectability.

Loan processing fees
Loan processing fees related to the administration and servicing a loan are recognized as revenue when the loans are granted.

Dormant fees
Shares declared as delinquent are charged with dormant fees of ₱200 per month. Dormant fees are recognized as income when the shares become delinquent.

Other charges
Other charges and penalties are recognized only upon collection or accrued when there is a reasonable degree of certainty as to its collectability.

Revenue not under the scope of PFRS 15
Interest income
Interest on interest-bearing financial assets at FVTPL are recognized based on contractual rate. Interest on financial instruments measured at amortized cost and debt instruments classified as FVOCI is recognized based on the EIR method. The EIR method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Interest income on direct financing leases
Interest on finance lease with long-term maturities and the excess of the aggregate lease rentals over its cost are credited to unearned discounts and amortized over the term of the lease using the effective interest method.

Property and Equipment
The Association's property and equipment consist of equipment, leasehold improvements and right-of-use assets that do not qualify as investment properties.

Property and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. The initial cost of the Association's property and equipment consists of its purchase price, including import duties, taxes and any directly attributable cost to bring the property and equipment to its working condition and location for its intended use.

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

It is the Association's policy to classify right-of-use assets as part of property and equipment. The Association recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Depreciation of property and equipment begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

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

Category	Number of Years
Transportation equipment	6 years
Furniture, fixtures and equipment	3-5 years
Leasehold improvements	shorter of lease term or EUL of 5 years
Right-of-use Assets	2 years

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

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

<u>Investment Properties</u>
Investment properties are recognized initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified under 'Investment properties' from foreclosure date. Any gain or loss from reacquisition of investment properties is reported under 'Miscellaneous income' in the statement of comprehensive income. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and 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 reported under 'Miscellaneous income' in the statement of comprehensive income in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to profit or loss in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the estimated useful lives of 20 to 32 years from the time of acquisition of the depreciable investment property.

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

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

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The fair value is the amount obtainable from the sale of the asset in an arm's length transaction. In assessing value-in-use, the estimated future cash flows are discounted to their 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.

An impairment loss is recognized in the statements of comprehensive income in the year in which it arises.

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. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Lease Liabilities
At the commencement date of the lease, the Association recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

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

Short-Term Leases and Leases of Low-Value Assets
The Association 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 leases of low-value assets recognition exemption to leases of office equipment that are considered of 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.

Retirement Benefits
The net defined benefit liability or pension asset is the aggregate of the present value of the defined benefit obligation at the end of the financial reporting period reduced by the fair value of plan asset, adjusted for any effect of limiting the pension 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 costs comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income, which is calculated by applying the discount rate to the 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 part of costs and expenses in profit or loss.

Remeasurements 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. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Association, nor can they be paid directly to the Association. 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the effect of the asset ceiling.

Provisions

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

Contingent Liabilities and Contingent Assets

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

Capital Stock

Capital stock is measured at par value for all shares issued and outstanding. When the Association issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds, net of tax. Any difference between the par value and the consideration received is recognized as additional paid-in capital. Preferred stocks are non-voting and redeemable at the option of the Association.

Contingency Surplus

Contingency surplus pertains to funds infused by the common shareholders of the Association to fund real estate mortgage loans and to address possible liquidity concerns that may arise due to timing difference between loan repayments and maturing preferred shares. These are recognized as part of equity as these can only be withdrawn as long as such will not result into a negative net worth or capital deficiency of the Association and only upon approval of the Association's Board of Directors.

Deficit

Deficit represent the cumulative balance of net loss or income, actuarial gains and losses recognized in OCI immediately closed to retained earnings, premium on redemption of preferred stocks, effects of changes in accounting policy and other capital adjustments.

Events after the Reporting Date

Post year-end event that provide additional information about the Association's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed to the financial statements when material.

3. Material Accounting Judgments and Estimates

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

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

Judgments

In the process of applying the Association’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:

Distinction between debt and equity instrument

The Association’s members’ contributions are classified into either liability or equity. Members’ contributions classified as liability takes the legal form of equity but the substance of these financial instruments takes the form of a liability since the Association does not have an unconditional right to avoid delivering cash or another financial asset to the members. Members’ contributions classified as equity are financial instruments issued by the Association wherein the right to redeem for the preferred shares are at the option/discretion of the Association (see Note 14).

Tax exemption from national taxes

RA No. 8763, or the "Home Guaranty Act of 2000," was enacted to support a nationwide housing program aimed at providing affordable decent housing. It established the Home Guaranty Corporation (HGC) to guarantee payments on mortgages and loans for residential purposes. The Section 19 of the Act exempts certain financial instruments from all taxation. The exemption applies to the Association’s mortgages, bonds, and securities related to residential financing. The tax exemption applies also to the Association’s interests and yields earned on these instruments. BIR Ruling No. 238-15 further states that the "Home Guaranty Corporation Act of 2000," exempts Building and Loan Associations, including their franchises, capital, reserves, surplus, loans, receipts, and incomes from all taxation, provided they are guaranteed by the Home Guaranty Corporation. For associations like Home Credit to benefit from this tax exemption, they must have a valid contract of guaranty with the Home Guaranty Corporation, following best practices in mutual thrift and home financing. Since the Association is guaranteed by the Home Guaranty Corporation, it remains exempt from government-imposed taxes, but this privilege applies only to direct taxes under a valid contract of guaranty.

Estimates

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

Estimation of expected credit losses on loans and receivables

The Association uses a provision matrix to calculate ECLs for loans and other receivables. The provision matrix is initially based on the Association’s historical observed default rates.

The Association calibrates the matrix to adjust the historical credit loss experience with forward-looking information (i.e., inflation rate and unemployment rate). For instance, if forecast economic conditions are expected to increase over the next year which can lead to an increased number of defaults in the customers of the Association, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Association's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Certain receivables of the Association are supported with collateral. Stock loans are collateralized by the member's accumulated savings. The member's maximum credit limit is the amount of its accumulated savings. Real estate mortgage loans are collateralized by the property subject to the mortgage. The allowable loan amount is based on a percentage of the market value of the property.

At each reporting date, the Association assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Association considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to trade receivables and contract assets.

The carrying value of receivables amounted to ₱382.22 million and ₱372.76 million as of December 31, 2024 and 2023, respectively (see Note 7).

4. Fair Values and Categories of Financial Instruments

The fair values of the Association's financial assets and liabilities are equal to their carrying values, except for real estate mortgage loans.

	2024		2023	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Real estate mortgage loans	**₱354,752,345**	**₱354,187,022**	₱346,602,462	₱346,037,139

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

Cash and cash equivalents - carrying amounts approximate fair value due to the relatively short-term maturity of these assets.

Loans and receivables - fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Association's current incremental lending rates for similar type of loans and receivables.

Other financial assets - these are carried at cost less allowance for impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Accounts payable and accrued expenses- fair values approximate their carrying amounts due to the short-term nature and demand feature of these transactions/accounts.

Fair value hierarchy
For financial instruments recorded at fair value such as financial assets at FVOCI, the Association uses the following three-level fair value hierarchy based on the source of inputs on their valuation:

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

As of December 31, 2024 and 2023, the Association has no financial instruments carried at fair value.

In 2024 and 2023, there were no transfers of financial instruments between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

5. Financial Risk Management Policies and Objectives

The Association's principal financial instruments consist of cash and cash equivalents, loans and receivables, accounts payable and accrued expenses, and redeemable preferred capital contributions. It is the Association's policy not to engage in the trading of financial instruments.

The main risks arising from the Association's financial instruments are credit risk and liquidity risk. Interest rate risk is not significant as the Association's financial instruments are subject to fixed interest rates.
Beyond regulatory compliance, the diligent consideration and management of credit and liquidity risks are built into the daily activities and decision making of the Association. The BOD is responsible for ensuring that there are adequate policies in place with respect to risk management. The BOD and senior management are responsible for risk assessments and determining the level of risks acceptable to the Association.

Department heads are responsible for identifying, assessing and managing risk in their particular units. Communication and review of the various risks are made on a regular basis.

Risk measurement and reporting systems
There are two methods used by the Association to determine the level of risks: qualitative and quantitative. A range of analytical techniques is used to examine the level of risks acceptable. Techniques range from tapping into the experiences and views of staff and other stakeholders to the use of standard acceptable ratios and numbers. Such ratios are benchmarked with previous periods and industry standards. Regular risks reports are made in its Management Committee meetings attended by its department heads. The senior management makes an overall report to its BOD during regular meetings.

Risk mitigation
Risk mitigation strategies are employed depending on what risk the Association is faced with.

For credit risk, limits by economic or industry group and individual payment capacity are set and monitored to ensure diversification and management of concentration risk. Product programs contain clearly defined customer profiles and risk acceptance. Liquidity risk mitigation strategies provide for a portfolio of liquid and marketable assets and funding diversification that anticipate mostly payment for redemption of the Association's shares, loans to members and operational needs.

<u>Credit risk</u>
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.

Members of the Association apply for its various loan offerings and are assessed on the basis of a set guidelines and policies. The Association employs a quantitative analysis establishing the applicant's capacity to pay the loan. It verifies all documents submitted and credit and character background is checked through several means. Such applications are approved by a Credit Committee.

The Association further manages credit risk by setting limits such as net disposable income ratio and loan to collateral ratio for individual borrowers, and groups of borrowers and industry segments. The Association also monitors credit exposures, and continually assesses the creditworthiness of its borrowers.

The Association has a Credit Committee (consists of individuals with an average of more than 20 years of credit and risk experience) that evaluates each mortgage loan application presented by the Real Estate Mortage (REM) Relationship Managers. The Credit and Collection Manager develops and executes the Association's credit policies and all other actions mentioned in the previous paragraph as reviewed and approved by the President and concurred by the BOD. An internal credit risk assessment is used for the purpose of measuring credit risk for every exposure in a consistent manner as accurately as possible. Final oversight of the Credit Committee is via its Chairman and members who consist of at least one independent Directors of the Association.

All credit exposures to members are secured by a first mortgage on unencumbered real estate, which are all residential, and end user properties for mortgage loans and the pledge of the members' shares for stock loans, as specifically provided for in Section 49 of the General Banking Act. Likewise, all qualified mortgage contract receivables are guaranteed by the PGC with the following eligibility criteria for guaranty coverage, as shown below:

Principal Loan Value	Guaranty on Outstanding Principal	Guaranty on Interest
Open Housing		
₱580,000 and below	100%	Up to 11%
Above ₱580,000 up to ₱3.0 million	100%	Up to 10%
Above ₱3.0 million up to ₱4.0 million	100%	Up to 9.5%
Above ₱4.0 million	100%	Up to 8.5%

In 2024, PGC offers new housing packages categorized by housing type and loan amount. These categories include socialized housing, low-cost housing and medium-cost housing as shown below:

Principal Loan Value	Guaranty on Outstanding Principal	Guaranty on Interest
Socialized Housing	100%	Up to 11%
Up to ₱850,000 for Socialized Subdivision Projects (SSP) and up to ₱1.8 Million for Socialized Condominium Projects (SCP)		
Low-Cost Housing		
Above Price Ceiling of SSP up to ₱4.9 Million	100%	Up to 10%
Medium-Cost Housing		
Above ₱4.9 Million up to ₱6.6 Million	100%	Up to 9.5%

Acceptable collaterals are lot, house and lot, and condominium unit with an individual Transfer of Certificate Title or Condominium Certificate of Title with a duly registered first mortgage and which is free from any other liens or encumbrances. The property must be located in a developed subdivision or in an area that is classified as residential, near centers of business, commerce and employment and must be directly accessible by transportation facilities, permanent power and water facilities as well as sewerage and drainage systems. The subdivision must be developed in accordance with the standards and technical requirements provided under Batas Pambansa 220, Presidential Decree 957 and other laws, rules and regulations governing land development.

Maximum exposure to credit risk before collateral held or other credit enhancements
The maximum credit exposure of the financial assets of the Association is equal to their carrying value except for the following financial assets with collaterals (e.g., equity value, real estate), the financial effects of which are as follows:

	2024	2023
Real estate mortgage loans	**₱354,187,022**	₱346,037,139
Stock loans	**10,347,857**	12,124,806
	₱364,534,879	₱358,161,945

Collateral and other credit risk mitigation
Serial Preferred "B" Shares are shares issued by the Association to the member for his/her equivalent paid up monthly contributions. These are redeemable by the Association and are not transferable except in favor of the Association (see Note 14a).

Real estate properties are lots or houses (row or single detached) and lots which are unencumbered and located in residential areas in the Association's area of operations. PGC guaranty is a full and unconditional guaranty of the Republic of the Philippines as to outstanding principal and interest, up to the limits set forth in its contract, in case of failure of the borrower to pay six consecutive monthly amortizations.

Concentration of credit

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Association's performance to developments affecting a particular industry or geographical industry.

In order to avoid excessive concentrations of risk, the Association's policies and procedures include specific guidelines focusing on maintaining a diversified portfolio. Information on the concentration of credit as to industry (gross of allowance for credit losses and unearned interest and discounts) of the Association is shown below:

	2024		2023	
	Amounts	**%**	Amounts	%
Individuals	**₱717,647,598**	**98**	₱718,848,518	98
Financial institutions	**15,083,358**	**2**	11,710,705	2
	₱732,730,956	**100.0**	₱730,559,223	100.0

Credit quality per class of financial assets
The tables below show the credit quality by class of financial assets (gross of allowance for credit losses and unearned interest and discounts), based on the Association's credit rating system:

	2024		
	Standard Grade	**Substandard Grade**	**Total**
Cash in banks and cash equivalents (Note 6)	**₱15,602,818**	**₱–**	**₱15,602,818**
Loans and receivables:			
Real estate mortgage loans	**686,968,686**	**2,136,836**	**689,105,522**
Stock loans	**9,208,808**	**1,455,267**	**10,664,075**
Accounts receivable	**15,195,011**	**–**	**15,195,011**
Others	**2,682,990**	**–**	**2,682,990**
	₱729,658,313	**₱3,592,077**	**₱733,250,416**

	2023		
	Standard Grade	Substandard Grade	Total
Cash in banks and cash equivalents (Note 6)	₱11,815,451	₱–	₱11,815,451
Loans and receivables:			
Real estate mortgage loans	688,476,443	916,961	689,393,404
Stock loans	11,377,401	1,208,125	12,585,526
Accounts receivable	12,870,393	1,605,304	14,475,697
Others	1,905,924	487,967	2,393,891
	₱726,445,612	₱4,218,357	₱730,663,969

The Association classifies its loans and receivables into two categories as follows: current or standard and past due or substandard. Current or standard accounts are accounts which pay their amounts due on or before its due date. Past due or substandard accounts are those which pay their amounts due beyond their due dates and are further classified into the number of days overdue as follows: less than 31 days, 31-60 days, 61-90 days and over 90 days.

The tables below show the aging analysis of past due but not impaired loans and receivables per class. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

	2024			
	Less than 31 days	**31-60 days**	**61-90 days**	**Total**
Loans and receivables				
Real estate mortgage loans	**₱616,133**	**₱306,208**	**₱277,453**	**₱1,199,794**
Stock loans	**639,349**	**464,867**	**351,051**	**1,455,267**
	₱1,255,482	**₱771,075**	**₱628,504**	**₱2,655,061**

	2023			
	Less than 31 days	31-60 days	61-90 days	Total
Loans and receivables				
Real estate mortgage loans	₱48,795,934	₱17,911,144	₱2,716,484	₱69,423,562
Stock loans	630,120	346,311	231,694	1,208,125
	₱49,426,054	₱18,257,455	₱2,948,178	₱70,631,687

Liquidity risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Association's inability to meet its obligations when these become due or without incurring unacceptable losses or costs.

Withdrawal or surrender of shares is allowed upon sixty days written notice submitted to the Association. Payment for such shares shall be made in the order in which notices of withdrawal have been received by the Association and all other requirements are met. All loans outstanding and other fees chargeable against such shares may be deducted before making any payment to the member. The Association shall pay no more than one-third of its total receipts for payment of withdrawals or surrender of shares.

The tables below show the maturity profile of the financial assets and financial liabilities of the Association based on remaining contractual undiscounted cash flows.

	2024			
	Within 3 months	**3 to 12 Months**	**Beyond 1 year**	**Total**
Financial Assets				
Cash and cash equivalents	**₱15,602,818**	**₱–**	**₱–**	**₱15,602,818**
Loans and receivables	**16,493,141**	**57,713,339**	**642,872,696**	**717,079,176**
	₱32,095,959	**₱57,713,339**	**₱642,872,696**	**₱732,681,994**
Financial Liabilities				
Accounts and other payables *	**₱8,052,775**	**₱12,248,103**	**₱18,610,147**	**₱38,911,025**
Lease liabilities	**288,000**	**787,200**	**806,400**	**1,881,600**
Loan payable	**10,403,304**	**1,907,764**	**12,859,290**	**25,170,358**
Accrued expenses	**1,500,000**	**2,154,860**	**–**	**3,654,860**
	₱20,244,079	**₱17,097,927**	**₱32,375,837**	**₱69,617,843**
Liquidity Position	**₱11,851,880**	**₱40,615,412**	**₱610,596,859**	**₱663,064,151**

**Excludes amounts owed to government agencies amounting to ₱534,282 and retirement liability amounting to ₱3,968,056.*

	2023			
	Within 3 months	3 to 12 Months	Beyond 1 year	Total
Financial Assets				
Cash and cash equivalents	₱11,815,451	₱–	₱–	₱11,815,451
Loans and receivables	22,270,808	54,564,122	639,351,895	716,186,825
	₱34,086,259	₱54,564,122	₱639,351,895	₱728,002,276
Financial Liabilities				
Accounts and other payables *	₱11,177,930	₱14,897,583	₱15,146,404	₱41,221,917
Lease liabilities	1,199,949	3,599,847	–	4,799,796
Loans Payable	–	10,000,000	–	10,000,000
Accrued Expenses	425,068	2,206,725	–	2,613,793
	₱12,802,947	₱30,704,155	₱15,146,404	₱58,635,506
Liquidity Position	₱21,283,312	₱23,859,967	₱624,205,491	₱669,366,770

**Excludes amounts owed to government agencies amounting to ₱328,178 and retirement liability amounting to ₱3,091,742.*

6. Cash and Cash Equivalents

	2024	2023
Cash on hand and in banks	**₱15,103,419**	₱11,710,705
Cash equivalents	**499,399**	104,746
	₱15,602,818	₱11,815,451

Cash in banks earn interest rates ranging from .0625% to 0.10% in 2024 and 2023.

Interest income earned on bank deposits and cash equivalents amounted to ₱.09 million, ₱0.01 million and ₱0.01 million in 2024, 2023 and 2022, respectively.

7. **Loans and Receivables**

	2024	2023
Loans and receivables:		
Real estate mortgage loans	**₱689,105,522**	₱689,393,404
Stock loans	**10,664,075**	12,585,526
	699,769,597	701,978,930
Accounts receivable	**15,195,011**	14,475,697
Unearned interest and discounts	**(334,860,540)**	(343,430,269)
	380,104,068	373,024,358
Others	**2,682,990**	2,393,891
	382,787,058	375,418,249
Allowance for credit losses (Note 11)	**(568,422)**	(2,661,693)
	₱382,218,636	₱372,756,556

Loans and receivables as of December 31, 2024 and 2023 earn annual fixed interest rates ranging from 11.88% to 23.76%.

Accounts receivable includes receivables from employees amounting to ₱1.2 million and ₱1.00 million as of December 31, 2024 and 2023, respectively.

Unearned interest and discounts as of December 31 are broken down into the following:

	2024	2023
Real estate mortgage loans	**₱334,353,177**	₱342,790,943
Stock loans	**313,119**	457,754
Accounts receivable	**194,244**	181,572
	₱334,860,540	₱343,430,269

Interest income on loans and receivables consists of the following:

	2024	2023	2022
Real estate mortgage loans	**₱33,673,348**	₱30,215,226	₱24,478,274
Stock loans	**2,367,944**	2,712,614	2,532,072
	₱36,041,292	₱32,927,840	₱27,010,346

Real Estate Mortgage Loans

Real estate mortgages are collectible over a period of five to twenty-five years at an annual interest ranging from 9.20% to 12.90%. Qualified loans are covered by insurance from the PGC. The guarantee fees paid to PGC amounted to ₱2.13 million in 2024, ₱1.10 million in 2023 and ₱0.74 million in 2022. The balance of the real estate mortgage is not affected whenever amortization payments are made by the borrower. Instead, the equivalent principal repayment is used as installment contributions to shares of stock (Serial Preferred C shares, see Note 14) pledged to the Association, the matured value of which shall equal the amount of the total real estate mortgage of the borrower. Upon maturity of the shares, which is also the end of the loan term, the withdrawal value of the shares shall be used to liquidate the loan.

The computation of the real estate mortgage loans follows:

	2024	2023
Gross receivables	**₱834,752,361**	₱795,069,805
Preferred C shares (Note 14)	**(145,646,839)**	(105,676,401)
	₱689,105,522	₱689,393,404

Past due but not impaired real estate mortgage loans amounted to ₱1.20 million and ₱69.42 million as of December 31, 2024 and 2023, respectively.

Stock Loans
These pertain to stock loans from the "Multi-Purpose/Cash Agad" program. Under the "Multi-Purpose/Cash Agad" program, qualified members can avail of short-term loans equivalent to their paid-up shares net of unpaid service fees if any, at a minimum of ₱5,000.

Service fees related to the processing of applications and granting of loans included in the statements of comprehensive income are as follows:

	2024	2023	2022
Service fees from contract savings:			
Easy Savings Plan (ESP)	**₱1,582,915**	₱1,445,895	₱1,449,567
Home Fund Plus (HFP)	**–**		
SaveUp Plan	**779,140**	719,137	100,344
Processing fees from			
Stock loans	**718,687**	828,423	977,765
Real estate mortgage	**701,644**	1,692,290	3,254,227
	₱3,782,386	₱4,685,745	₱5,781,903

8. Property and Equipment

	2024					
	Transportation Equipment	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right -of-use asset - Office space**	**Right -of-use asset - Parking lots**	**Total**
Cost						
Balance at beginning of year	**₱1,891,520**	**₱6,476,889**	**₱4,472,031**	**₱21,502,913**	**₱1,095,330**	**₱35,438,683**
Additions	**71,800**	**607,047**	**–**	**2,250,895**	**–**	**2,929,742**
Disposals	**–**	**–**	**(4,354,842)**	**(21,971,850)**	**(1,095,330)**	**(27,422,022)**
Balance at end of year	**1,963,320**	**7,083,936**	**117,189**	**1,781,958**	**–**	**10,946,403**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**1,891,514**	**6,317,403**	**3,387,173**	**17,476,585**	**802,853**	**29,875,528**
Depreciation and amortization	**3,989**	**168,578**	**296,519**	**2,723,750**	**88,835**	**3,281,671**
Disposals	**–**	**–**	**(3,571,768)**	**(20,200,335)**	**(891,688)**	**(24,663,791)**
Balance at end of year	**1,895,503**	**6,485,981**	**111,924**	**–**	**–**	**8,493,408**
Net Book Value at End of Year	**₱67,817**	**₱597,955**	**₱5,265**	**₱1,781,958**	**₱–**	**₱2,452,995**

	2023					
	Transportation Equipment	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right -of-use asset - Office space**	**Right -of-use asset - Parking lots**	**Total**
Cost						
Balance at beginning of year	₱2,291,520	₱6,331,174	₱4,472,031	₱21,502,913	₱1,095,330	₱35,692,968
Additions	–	145,715	–	–	–	145,715
Disposals	(400,000)	–	–	–	–	(400,000)
Balance at end of year	1,891,520	6,476,889	4,472,031	21,502,913	1,095,330	35,438,683
Accumulated Depreciation and Amortization						
Balance at beginning of year	2,291,513	6,191,767	3,090,656	13,321,483	639,149	25,534,568
Depreciation and amortization	–	125,636	296,517	4,155,102	163,704	4,740,959
Disposals	(399,999)	–	–	–	–	(399,999)
Balance at end of year	1,891,514	6,317,403	3,387,173	17,476,585	802,853	29,875,528
Net Book Value at End of Year	₱6	₱159,486	₱1,084,858	₱4,026,328	₱292,477	₱5,563,155

Depreciation and amortization expense included in the statements of comprehensive income follows:

	2024	2023	2022
Property and equipment	**₱3,281,671**	₱4,740,959	₱4,779,067
Investment properties (Note 9)	**205,900**	205,900	234,166
	₱3,487,571	₱4,946,859	₱5,013,233

During 2024, the Association disposed its leasehold improvements in Alabang office space due to relocation to Cubao. The Association preterminated its lease in Alabang resulting to disposal and charging of the unexpired portion of leasehold to expense.(see Note 15)

As of December 31, 2024 and 2023, property and equipment with cost of ₱7.46 million and ₱10.01 million, respectively, are fully depreciated but are still being used.

9. Investment Properties

	2024		
	Land	**House**	**Total**
Cost			
Balance at beginning and end of year	₱3,413,200	₱6,588,800	₱10,002,000
Accumulated Depreciation			
Balance at beginning of year	–	895,615	895,615
Depreciation (Note 8)	–	205,900	205,900
Balance at end of year	–	1,101,515	1,101,515
Net Book Value at End of Year	₱3,413,200	₱5,487,285	**₱8,900,485**

	2023		
	Land	**House**	**Total**
Cost			
Balance at beginning and end of year	₱3,413,200	₱6,588,800	₱10,002,000
Accumulated Depreciation			
Balance at beginning of year	–	689,715	689,715
Depreciation (Note 8)	–	205,900	205,900
Balance at end of year	–	895,615	895,615
Net Book Value at End of Year	₱3,413,200	₱5,693,185	₱9,106,385

The aggregate fair value of the investment properties of the Association amounted to ₱10.25 million as of December 31, 2024 and 2023. The fair values of the Association's investment properties have been determined by independent appraisers on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The latest available appraisal report for the investment properties was as of December 31, 2023.

Description of valuation technique used in the appraisal report and key inputs to valuation on investment properties as of December 31, 2024 and 2023 follows:

		Significant unobservable inputs (Level 3)	
Location	Valuation Technique	2024	2023
Marikina City	Market Approach	₱21,060 to ₱27,000	₱21,060 to ₱27,000

The valuation technique used in the valuation of the houses is modified quantity survey method. This method requires an analysis by breaking it down into major components. Bill of quantities for each building component using the appropriate basic unit are then prepared and related to the unit cost for each component developed on basis of current costs of materials, labor, plant and equipment prevailing in the locality to arrive at the direct cost of the building. Indirect costs are then added to arrive at the reproduction cost of the new improvements. Adjustments are then made to reflect depreciation resulting from physical deterioration, functional and economic obsolescence based on personal inspection of the building, and a comparison with similar new properties.

10. Other Assets

	2024	2023
Rental deposit	**₱921,879**	₱2,629,010
Prepaid expenses	**134,437**	315,449
Prepaid insurance	**124,581**	290,202
	₱1,180,897	₱3,234,661

Rental deposit pertains to security deposit which stands as the security for the proper and due performance of the Association's obligations to the lessor.

Prepaid insurance refers to health insurance payments made in advance.

Prepaid expenses comprise of other expenses paid in advance including insurances, cloud server business plans, real property tax for investment properties.

11. Allowance for Impairment and Credit Losses

The following shows the rollforward analysis of allowance for impairment and credit losses as of December 31, 2024 and 2023:

	2024				
	Loans and Receivables (Note 7)				
	Real Estate Mortgage Loans	**Stock Loans**	**Accounts Receivable**	**Others**	**Total**
Balance as at January 1, 2024	**₱565,323**	**₱3,099**	**₱1,605,304**	**₱487,967**	**₱2,661,693**
Write-off	–	–	**(1,605,304)**	**(487,967)**	**(2,093,271)**
Balance as at December 31, 2024	**₱565,323**	**₱3,099**	**₱–**	**₱–**	**₱568,422**
Individual impairment	**₱–**	**₱3,099**	**₱–**	**₱–**	**₱3,099**
Collective impairment	**565,323**	–	–	–	**565,323**
	₱565,323	**₱3,099**	₱–	₱–	₱568,422
Gross amount of loans, individually determined to be impaired before deducting any individually assessed impairment losses and before considering the value of the collaterals	**₱–**	₱3,099	**₱–**	**₱–**	**₱–**

	2023				
	Loans and Receivables (Note 7)				
	Real Estate Mortgage Loans	Stock Loans	Accounts Receivable	Others	Total
Balance as at January 1, 2023	₱565,323	₱2,966	₱1,605,304	₱487,967	₱2,661,560
Provisions	–	133	–	–	133
Balance as at December 31, 2023	₱565,323	₱3,099	₱1,605,304	₱487,967	₱2,661,693
Individual impairment	₱–	₱3,099	₱1,605,304	₱487,967	₱2,096,370
Collective impairment	565,323	–	–	–	565,323
	₱565,323	₱3,099	₱1,605,304	₱487,967	₱2,661,693
Gross amount of loans, individually determined to be impaired before deducting any individually assessed impairment losses and before considering the value of the collaterals	₱–	₱3,099	₱336,515	₱487,967	₱827,581

With the foregoing level of allowance for impairment and credit losses, management believes that the Association has sufficient allowance to cover any losses that the Association may incur from the
non-collection or non-realization of its loans and receivables and other risk assets.

As of December 31, 2024, there was no provision for or recovery from credit losses on loans and receivables for both individually impaired and collectively impaired accounts. In 2023, the Association recognized provision amounting to ₱133 (full amount).

During the year ended December 31, 2024, the Association wrote off ₱2.71 million of accounts receivable due to non-recovery. The write off was in accordance with the allowance write-off method.

12. Accounts Payable and Accrued Expenses

	2024	2023
Accounts payable	**₱38,618,400**	₱40,887,952
Accrued expenses	**3,654,860**	2,631,793
Retirement liability (Note 16)	**3,968,056**	3,091,742
Others	**826,907**	662,143
	₱47,068,223	₱47,273,630

Accounts payable consist of forfeited shares of members, insurance payable, payable to employees and related parties and advances made by borrowers for expenses to be incurred related to their loans.

In 2021, the Association recognized full and approved real estate mortgage loan from Developers. Per policy, the tranches are only to be released based on the completion of the property.

As of December 31, 2024 and 2023, the Association has ₱0.47 million and ₱10.33 million remaining tranches for release related to approved mortgage loans with construction payable to developers.

13. Maturity Analysis of Assets and Liabilities

The table below presents the assets and liabilities as of December 31, 2024 and 2023 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the reporting date.

	2024			2023		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Assets						
Cash and cash equivalents	**₱15,602,818**	**₱–**	**₱15,602,818**	₱11,815,451	₱–	₱11,815,451
Loans and receivables*	**74,206,480**	**642,872,696**	**717,079,176**	76,834,930	639,351,895	716,186,825
Property and equipment	**–**	**2,452,995**	**2,452,995**	–	5,563,155	5,563,155
Investment properties	**–**	**8,900,485**	**8,900,485**	–	9,106,385	9,106,385
Prepaid expenses	**259,018**	**–**	**259,018**	605,651	–	605,651
Rental deposit	**442,179**	**479,700**	**921,879**	199,611	2,429,399	2,629,010
	₱90,510,495	**₱654,705,876**	**₱745,216,371**	₱89,455,643	₱656,450,834	₱745,906,477

**Loans and receivables are gross of unearned interest and discounts and net of allowance for credit losses*

	2024			2023		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Liabilities						
Accounts payable	**₱38,618,400**	**₱–**	**₱38,618,400**	₱40,887,952	₱–	₱40,887,952
Accrued expenses	**3,654,860**	**–**	**3,654,860**	2,631,793	–	2,631,793
Lease liabilities	**1,110,643**	**693,985**	**1,804,628**	4,672,290	–	4,672,290
Retirement liability	**–**	**3,968,056**	**3,968,056**	–	3,091,742	3,091,742
Loan payable	**12,311,068**	**12,859,290**	**25,170,358**	10,000,000	–	10,000,000
Others	**826,907**	**–**	**826,907**	662,143	–	662,143
	₱56,521,878	**₱17,521,331**	**₱74,043,209**	₱58,854,178	₱3,091,742	₱61,945,920

14. Equity

a. Capital Stock

Capital stock as of December 31, 2024 and 2023 consists of:

	2024	2023
Preferred B stock - ₱200 par value		
Authorized - 8,000,000 shares		
Issued and outstanding	**₱67,685,025**	₱78,044,671
Common stock - ₱200 par value		
Authorized - 4,000,000 shares		
Issued and outstanding - 255,069 shares	**51,013,800**	51,013,800
Preferred C Stock (Note 7)	**145,646,839**	105,676,401

Movement in the number of outstanding shares follows:

	Preferred Shares	Common Shares
Balance at December 31, 2021	529,619	255,069
Issuance	165,774	–
Redemption	(256,472)	–
Balance at December 31, 2022	438,921	255,069
Issuance	137,052	–
Redemption	(185,749)	–
Balance at December 31, 2023	390,224	255,069
Issuance	152,819	–
Redemption	(204,617)	–
Balance at December 31, 2024	338,426	255,069

The Association's Common stock and Preferred stock were authorized for issuance on October 7, 1999. Issued and outstanding preferred stocks total to 1,066,659 and 918,605 shares as of December 31, 2024 and 2023, respectively.

Preferred stocks consist of Serial Preferred "A" shares, Serial Preferred "A-1" shares, Serial Preferred "B" shares and Serial Preferred "C" shares.

Serial Preferred A shares and Serial Preferred A-1 shares are entitled to cumulative dividend per annum at the rate of not more than 20% payable quarterly before any dividends are paid to the common shares, but shall not participate in any further dividends declared by the Association. Serial Preferred A-1 shares shall have the special first preference as to dividends and to assets upon liquidation over all other shares issued by the Association. On February 18, 2015, the SEC approved the amendment to the Association's Articles of Incorporation (AOI), wherein Serial Preferred A shares and Serial Preferred A-1 shares are entitled to cumulative dividend per annum at the rate as may be determined by the BOD.

Prior to 2008, all Serial Preferred B shares are redeemable at anytime at the option of the holders. Under Philippine Accounting Standards (PAS) 32, *Financial Instruments: Presentation*, the redeemable preferred shares qualify as a financial liability. In 2008, the Association amended the features of the Serial Preferred B shares to provide that the right to redeem for the preferred shares were at the option/discretion of the Association. With the foregoing change, the preferred shares subscribed subsequently qualify as equity instruments under PAS 32.

The following are the features of the Association's Serial Preferred B shares:

a. Has a par value of ₱200.0 per share
b. Payable in installments over a period of not more than 7 years, subject to forfeiture if in arrears for more than six months and when approved by the BOD
c. Non-voting except in cases outlined by the Corporation Code of the Philippines
d. Non-transferable except for the Association
e. Redeemable at the option of the Association
f. Entitled to dividends as determined and approved by the BOD

For the Serial Preferred B Shares, a regular dividend rate per annum, compounded monthly, shall be determined and declared by the BOD. Should the subscriber faithfully and timely comply with his/her obligations to fully pay up the shares, the BOD may provide a dividend rate per annum, in addition to the regular dividend, to be computed in the same manner as the regular dividend. Dividends on the shares shall be based on the amount actually paid-up on such shares, and not on the par value thereof. For Serial Preferred B Shares which are called for redemption by the Association, the excess of the redemption price over the par value of the shares redeemed are presented as "Premium on redemption of preferred stocks" and presented as addition from deficit. Premium on redemption of preferred stocks amounted to ₱2.28 million, ₱2.85 million and ₱4.10 million in 2024, 2023 and 2022, respectively.

Dividends in arrears as of December 31, 2024 and 2023 follow:

	2024		2023	
	%	**Amount**	%	Amount
Redeemable preferred capital contributions				
Serial Preferred B shares - classified as equity	**4**	**₱6,386,000**	4	₱6,473,968
		₱6,386,000		₱6,473,968

As of December 31, 2024 and 2023, the preferred shares that qualify as equity amounted to ₱67.69 million and ₱78.04 million respectively. Holders of Serial Preferred B shares have priority in the availment of housing loans and are entitled to obtain mortgage loan and interest discounts. For tax purposes, income derived by the shareholders from the preferred shares are treated as dividends subject to the 10.0% withholding tax.

Serial Preferred C shares are issued to borrowing stockholders and are not entitled to dividends. Serial Preferred C shares are treated as a contra-asset account against real estate mortgage loans since they represent accumulated amortizations of the loans of the members (see Note 7).

All series of Preferred shares are not transferable except in favor of the Association or its assignees as a consequence of any loan granted on the security of such shares. On February 18, 2015, the SEC approved the amendment to the Association's AOI, wherein Preferred shares which are forfeited by the Corporation, surrendered by the stockholders or have matured and subsequently redeemed by the Association, shall not be considered retired and may be re-issued by the Association.

In accordance with PFRS Accounting Standards, the substance of a financial instrument, rather than its legal form, governs its classification in the Association's statement of financial position. Had these preferred shares been presented in accordance with its legal form, which is equity in the case of Serial Preferred C shares, the Association's proforma financial statements would have been as follows:

	December 31	
	2024	2023
ASSETS		
Cash and cash equivalents	**₱15,602,818**	₱11,815,451
Loans and receivables	**527,865,475**	478,432,957
Other financial assets	**–**	–
Property and equipment	**2,452,995**	5,563,155
Investment properties	**8,900,485**	9,106,385
Other assets	**1,180,897**	3,234,661
	₱556,002,670	₱508,152,609
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued expenses	**₱47,068,223**	₱47,273,630
Loan payable	**25,170,358**	10,000,000
Lease liabilities	**1,804,628**	4,672,290
	74,043,209	61,945,920
Equity		
Capital stock	**264,345,664**	234,734,872
Additional paid-in capital	**154**	154
Contingency Surplus	**324,630,000**	318,930,000
Deposits for future stock subscriptions	**580**	580
Surplus reserves	**6,095,200**	5,951,132
Deficit	**(113,112,137)**	(113,410,049)
	481,959,461	446,206,689
	₱556,002,670	₱508,152,609

b. Surplus Reserves

The Association sets aside 5.0% of its current year's net income into surplus reserves for meeting possible future losses that may be incurred by the Association.

On December 13, 2004, PGC approved the proposed equity restructuring of the Association, subject to the following conditions:

a. The Association shall strictly comply with the submission of the reportorial requirements (e.g., audited financial statements) to the PGC and the SEC;

b. An audit of the Association's accomplishment vis-a-vis the submitted business plan and financial projections shall be undertaken by PGC on a semi-annual basis to ensure that representations made by the Association are complied with; and

c. An annual audit fee of ¼ of 1.0% of the Association's Average Assessable Assets or ₱150,000, whichever is lower, shall be paid by the Association to PGC.

On January 21, 2005, the SEC approved the equity restructuring of the Association applied for on July 22, 2004 to wipe out the deficit of ₱68.6 million as of December 31, 2003 against the APIC of ₱68.6 million. The remaining APIC of ₱154 may not be used to wipe out losses that may be incurred in the future without prior approval of the SEC nor can it be declared as cash and/or property dividend.

The Association sets aside an approximate of 5% surplus reserves amounted to ₱0.10 million, ₱0.07 million, and nil on December 31, 2024, 2023 and 2022, respectively.

Capital Management

The Association's capital is mainly composed of the members' paid up accumulated subscription of the preferred shares and the common shareholder's paid-up shares. Its main objective and purpose for managing its capital is to be able to pay dividends to its members and common shareholders, return such capital and issue new shares. In addition, capital is managed to provide the loan entitlement to members subject to the Association's policies. As of the moment, there is no minimum risk-based capital required of building and loan associations. The Association computes its capital based on its own requirements in the light of changes in economic or market conditions. In meeting its objectives, the Association tries to maintain a strong credit and collection framework, so as to recover the capital used and get back the inputted returns.

The following table summarizes the capital considered by the Association:

	2024	2023
Preferred stock	**₱67,685,025**	₱78,044,671
Common stock	**51,013,800**	51,013,800
Additional paid-in capital	**154**	154
Contingency Surplus	**324,630,000**	318,930,000
Deposit for future stock subscriptions	**580**	580
Surplus reserves	**6,095,200**	5,951,132
Deficit	**(113,112,137)**	(113,410,049)
	₱336,312,622	₱340,530,288

The Association is not subject to any externally imposed capital requirements.

During its strategic meeting in 2021, the Association recognized the need to establish a system whereby the shareholders of the Association may infuse such funds, as may become necessary, to fund real estate mortgage loan and to address possible liquidity concerns that may arise due to timing difference between loan repayments and maturing preferred shares.

In looking at different solutions employed by financial institutions, the Association decided to adopt what insurance companies practice, where shareholders are allowed to provide additional capital contributions, in excess of their stock subscription price, otherwise known as "contingency surplus". Under Circular Letter No. 2016-65 of the Insurance Commission, the contingency surplus "is recognized as part of equity of the insurance company", which can be withdrawn by the shareholders provided that such withdrawal will not result in a net worth or capital deficiency of the Association.

In line with this, the association and its major common shareholder, Fountel Corporation, entered into an agreement, whereby the advances made by the latter are to be recognized as a "contingency surplus" in the Association's books, and will not be withdrawn without approval of the majority of the members of the Board of Directors.

In 2024, 2023 and 2022, the Association received cash from Parent Company amounting to ₱5.70 million, ₱46.40 million and ₱149.38 million for funding the real estate mortgage loans and for working capital purposes.

15. **Miscellaneous Income and Miscellaneous Expenses**

Miscellaneous income of the Association consists of:

	2024	2023	2022
Dormant fees	**₱1,292,142**	₱–	₱99,620
Penalties	**632,964**	355,343	275,581
Administrative fees	**460,777**	906,521	395,000
Income from long-outstanding liabilities written-off	–	414,044	677,952
Gain on sale of service vehicle	–	152,999	–
Gain on sale of investment properties (Note 9)	–	–	230,933
Others	**750,136**	423,984	812,740
	₱3,136,019	₱2,252,891	₱2,491,826

Miscellaneous expenses of the Association consist of:

	2024	2023	2022
Security deposit forfeiture	**₱1,128,366**	₱–	₱–
Unexpired cost of leasehold improvement	**783,075**	–	–
Relocation expenses	**339,740**	–	–
Trustee and directors' fee	**90,000**	20,000	25,000
Refund of written-off liabilities and other refunds to members, borrower	**71,055**	12,254	44,319
Training and membership	**15,032**	54,920	31,592
Association dues	–	152,817	–
Others	**354,599**	137,745	153,889
	₱2,781,867	₱377,736	₱254,800

Moving expenses was due to relocation of the Association's physical location and charge off of unexpired portion of data/voice cabling which cannot be removed from former office. The relocation resulted also in the early termination of lease, with the lessor retaining the security deposit (see Note 17).

Security deposit forfeiture refers to the loss of a security deposit, which is typically paid by a tenant to a landlord or property owner at the beginning of a lease agreement. This forfeiture occurred due to the pretermination of the Association's lease contract from changing its principal address.

16. **Retirement Plan**

The Association has a funded, noncontributory, defined benefit retirement plan covering all of its officers and regular employees. The latest actuarial valuation report was issued on March 12, 2025 for the retirement liability of the Association as of December 31, 2024.

The funds are administered and supervised by a bank. The bank is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy).

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of retirement benefits cost recognized in profit or loss and the liability recognized in the statements of financial position.

	2024	2023	2022
Current service cost	**₱526,830**	₱447,256	₱638,008
Net interest	**187,669**	145,930	127,236
Retirement benefits cost	**₱714,499**	₱593,186	₱765,244

The movements in the retirement liability follow:

	2024	2023
Beginning balance	**₱3,091,742**	₱2,055,358
Retirement benefits cost	**714,499**	593,186
Remeasurement gain	**161,815**	443,198
Ending balance	**₱3,968,056**	₱3,091,742

Retirement liability is presented under "Accounts Payable and Accrued Expenses" in the statements of financial position (see Note 12).

The movements in the present value of defined benefit obligation follow:

	2024	2023
Balance at beginning of year	**₱4,773,378**	₱3,731,482
Current service cost	**526,830**	447,256
Interest cost	**289,744**	264,935
Benefits paid	**(676,037)**	(187,235)
Remeasurement loss (gain) due from changes in:		
Financial assumptions	**(15,035)**	346,024
Experience adjustments	**279,554**	170,916
Balance at end of year	**₱5,178,434**	₱4,773,378

The movements in the fair value of plan assets follow:

	2024	2023
Balance at beginning of year	**₱1,681,636**	₱1,676,124
Interest income	**102,075**	119,005
Benefits paid	**(676,037)**	(187,235)
Remeasurement gain (loss)	**102,704**	73,742

Balance at end of year	**₱1,210,378**	₱1,681,636

Actual return on plan assets amounted to ₱204,779 and ₱192,747 in 2024 and 2023, respectively.

As of December 31, 2024 and 2023, the majority of the plan assets are in cash equivalents.

The following payments are expected payments to the defined benefit obligation in future years:

	2024	2023
Within the next 12 months	**₱1,477,605**	₱1,386,075
Between 2 and 5 years	**2,637,439**	636,059
Between 5 and 10 years	**2,441,182**	4,532,232
Between 10 and 20 years	**12,352,570**	8,905,319
Beyond 20 years	**7,996,766**	13,668,376
Total expected payments	**₱26,905,562**	₱29,128,061

The average service period at the end of the reporting period is 5.9 years and 5.46 years in 2024 and 2023, respectively.

As of December 31, the cumulative amount of remeasurement loss closed to deficit follows:

	2024	2023
Beginning balance	**₱1,450,887**	₱1,007,689
Remeasurement gain recognized in OCI	**161,815**	443,198
Ending balance	**₱1,612,702**	₱1,450,887

Principal assumptions used to determine the retirement benefits cost are as follows:

	December 31		
	2024	2023	2022
Discount rate	6.11%	7.10%	4.98%
Salary increase rate	3%	3%	3%

Since there is no deep market in high-quality corporate bonds in the Philippines, the Association's discount rate for the pension plan was determined by considering the yields on long-term government securities. A lower discount rate would increase the present value of benefit obligations. The expected rate of salary increase was determined by considering the inflation, seniority, promotion and other market factors. The Association evaluates these assumptions on a periodic basis taking into consideration the current market conditions and historical market data.

The Association performed sensitivity analysis for the changes in the significant assumptions that would increase the defined benefit obligation. The following sensitivity analysis has been determined based on a method that extrapolates the impact of defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period, assuming all other assumptions were held constant.

		Increase (decrease) in defined benefit obligation	
Assumption	Increase (decrease)	2024	2023
Discount rate	3.41%	₱(348,184)	(₱336,688)
	(2.81%)	406,470	395,373
Salary rate increase	3.14%	426,992	414,012
	(3.96%)	(382,579)	(367,987)

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The Association does not employ any asset-liability matching strategy and does not expect to contribute to the retirement plan in 2025.

17. **Lease Contracts**

The Association leases its office premises from third parties. Rented office spaces are located in Alabang, Cebu and Cubao.

a. Alabang

   In 2016, the Association entered into a lease agreement with Insular Life for its office and parking space located in Alabang for a term of two years starting in January 2017 subject to 5% escalation rate annually.

   In 2019, the lease agreement was renewed with term starting January 2019 to April 2020 renewable upon mutual agreement of the parties. In April 2020, the lease agreement ended and was renewed for a term of two years starting May 2020 to April 2022 for its office and parking space subject to 5% escalation rate annually and renewable upon mutual agreement of the parties (see Note 8).

   In February 2022, the Association signed a binding contract to extend the lease agreement for two years starting May 2022 to December 2024 for the same purpose of office and parking space. Lease contract has the same escalation rate of 5% annually starting January 2023 and renewable upon mutual agreement of the parties.

   With effect from August 1, 2024, the Association's physical location was relocated from Alabang to Cubao. The relocation is to optimize resource allocation and drive cost savings. In view of this relocation, the Association entered into a lease agreement with Universal Storefront Services Corporation, an associate of its Parent Company, for its office space for two years starting August 1, 2024 to August 1, 2026 subject to 5% escalation rate annually and renewable upon mutual agreement of the parties.

b. Cebu

The Association entered into a lease agreement with Miradel Corporation for a term of one year starting in November 2020 to October 2021 renewable upon the mutual agreement of the parties.

In 2021, the Association entered into a short-term lease agreement with Miradel Corporation for a term of one year from November 2021 to October 2022 provided with same term such contract is renewable upon the mutual agreement of the parties.

In 2022, the Association renewed its short-term lease agreement with Miradel Corporation for a term of one year from November 2022 to October 2023 with same term that the contract is renewable upon mutual agreement of the parties.

In 2023, the Association renewed its short-term lease agreement with Miradel Corporation for a term of one year from November 2023 to October 2024 with same term that the contract is renewable upon mutual agreement of the parties.

In 2024, the Association renewed its short-term lease agreement with Miradel Corporation for a term of one year from November 2025 to October 2025 with same term that the contract is renewable upon mutual agreement of the parties.

The rollforward analysis of lease liabilities follows:

	2024	2023
At January 1	**₱4,672,290**	₱8,902,773
Additions	**2,250,895**	–
Interest expense on lease liabilities	**136,481**	349,063
Lease payments	**(3,279,881)**	(4,579,546)
Termination of lease liabilities for the unexpired term	**(1,975,157)**	–
As at December 31	**1,804,628**	4,672,290
Less: current portion	**1,110,643**	4,672,290
Noncurrent portion	**₱693,985**	₱–

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

	2024	2023	2022
Depreciation expense of right-of-use assets included in property and equipment	**₱2,812,585**	₱4,318,806	₱4,229,260
Interest expense on lease liabilities	**136,481**	349,063	312,722
Expenses relating to short-term leases	**1,372,469**	1,766,688	1,720,066
Total amount recognized in statement of comprehensive income	**₱4,321,535**	₱6,434,557	₱6,262,048

Shown below is the maturity analysis of the undiscounted lease payments:

	2024	2023
1 year	**₱1,176,000**	₱4,799,796
more than 1 year but less than 2 years	**705,600**	–

18. **Loan payable**

	2024	2023
Principal:		
Balances at beginning of year	**₱10,000,000**	₱–
Availment	**26,400,000**	10,000,000
Payments	**(11,229,642)**	–
Balances at end of year	**₱25,170,358**	₱10,000,000

On October 4, 2023, the Association entered into a short-term loan agreement with ECCOBANK (A Rural Bank) Inc. for a ₱20.00 million rediscounting line for working capital purposes. Concurrently, the Association obtained the first drawdown amounting to ₱10.00 million with an interest rate of 8.5% and 180-day maturity term. The loan was renewed and extended for another 180 days and was paid October 30, 2024.

On February 8, 2024, the Association secured the remaining credit available with ECCOBANK (A Rural Bank) Inc., for working capital purposes amounting to ₱10.00 million with an interest rate of 8.5% and 180-day maturity term. The loan was renewed and extended to February 2, 2025.

On June 21, 2024, the Association entered into a medium-term loan agreement with CARD SME BANK, Inc. A Thrift Bank., for working capital purposes amounting to ₱10.00 million with an interest rate of 8% and a five-year repayment term.

On December 13, 2024, the Association entered into a medium-term loan agreement with Bank of the Philippine Islands (BPI), for working capital with tranches facility amount of ₱30.00 million. The first drawdown amounting to ₱6.40 million was obtained December 27, 2024. The first amortization payment with semi-annual principal payments will be due at the end of the 7th month from the drawdown date. The first drawdown on December 27, 2024 also carries 8.25% interest rate subject to quarterly repricing.

The Association incurred interest amounting to ₱1.97 million and ₱0.20 million during December 31, 2024 and 2023, respectively.

19. **Income Tax**

The Association is exempt from the payment of income tax on income received by it as an organization, based on the exemption granted by the Bureau of Internal Revenue (BIR).

Furthermore, it is a corporation organized and operated as a mutual aid association or a nonstock corporation organized by employees providing for the payment of life, sickness, accident or other benefits exclusively to the members of such nonstock corporation of their dependents. As such, donations in favor of the Association are exempt from payment of donor's tax pursuant to Section 107(A)(3) of the Tax Code of 1997, subject to the condition that not more than 30% of the said gifts shall be used by it for administration purposes.

Pursuant to Section 20(d) of Republic Act (RA) No. 8763, otherwise known as the "Home Guaranty Corporation Act of 2000", associations guaranteed by PGC, including their franchises, capital reserves, surplus, and their loans, receipts and income, shall be exempt from all taxation now or hereafter imposed by the Government.

In a ruling dated February 12, 2003, the BIR confirmed that since the Association is guaranteed by PGC, its franchises, capital, reserves, surplus, and their loans, receipts and income shall be exempt from corporate income tax.

On November 6, 2003, the Association received a modification of the BIR Ruling dated February 12, 2003, specifically exempting the Association from all taxes including its franchises, capital reserves, surplus and their loans, receipts and income.

20. Related Party Transactions

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

Transactions with related parties are as follows:

	Year	Amount of transactions during the year	Outstanding balance
Affiliates			
USSC Finance Corporation			
Payable (Note 12)	**2024**	**₱7,862,071**	**(₱8,156,991)**
	2023	₱9,830,378	(₱7,503,367)
Administrative fees	**2024**	**360,000**	**360,000**
	2023	360,000	510,000
Universal Storefront Services Corporation			
Advances (Note 6)			
USSC Super Padala Fund	**2024**	**3,550,000**	**82,977**
	2023	2,825,000	62,284
Security deposit and advance rental	**2024**	**₱420,480**	**₱420,480**
	2023		
Purchase of services			
USSC Super Padala Service Fee	**2024**	**₱68,179**	**₱–**
	2023	51,671	–
Rent of office space	**2024**	**585,600**	**117,120**
	2023	–	–
		116,711	**23,968**
Utilities	**2024**	–	–
	2023		

Clear Mind Algorithmics, Inc.

	Year	Amount of transactions during the year	Outstanding balance
Purchase of assets (Note 7)	**2024**	**604,800**	**2,396,800**
	2023	–	1,792,000
Purchase of services			
Internet Service	**2024**	**161,280**	**161,280**
	2023	–	
Rack lease data centre	**2024**	**107,520**	**107,520**
	2023		

Prior to 2021, the Association received ₱40.05 million from its Parent Company as deposit for future stock subscription. This formed part of the Contingency Surplus contribution made by the Parent Company during 2021 (see Note 14).

The Association executed an agreement for the sale of its real estate mortgage loans to its affiliate,

In 2020, the Association executed an agreement with Universal Storefront Services Corporation (USSC) for USSC's Super Padala Service for sending and disbursement of the loan proceeds to borrowers and disbursements of withdrawal proceeds to members. Service charges apply for Super Padala remittance service.

Total receivables from related parties amounting to ₱2.76 million and ₱2.3 million as of December 31, 2024 and 2023 are recorded under accounts receivable (see Note 7). Total payables to related parties amounting to ₱8.57 million and ₱7.5 million as of December 31, 2024 and 2023, respectively, are recorded under Accounts Payable (see Note 12).

The remuneration of directors and other members of key management by benefit type follows:

	2024	2023	2022
Short-term employee benefits	**₱15,250,414**	₱15,722,722	₱17,152,152
Post-employment benefits	**41,025**	32,286	75,484
	₱15,291,439	₱15,755,008	₱17,227,636

Short-term benefits include salaries and other non-monetary benefits.

Terms and conditions of transactions with related parties
Outstanding balances at the year-end are unsecured and interest free and settlement occurs generally in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2024 and 2023, the Association did not recognize provision for impairment losses relating to amounts owed by related parties.

21. Notes to Statements of Cash flows

Changes in liabilities arising from financing activities

2024

	Beginning of the year	Cash flows	Noncash movement	End of the year
Preferred Stock	**₱87,784,165**	**(₱10,359,646)**	**₱–**	**₱77,424,519**
Contingency Surplus	**318,930,000**	**5,700,000**	**–**	**324,630,000**
Loans Payable	**10,000,000**	**15,170,358**	**–**	**25,170,358**
Lease Liability	**4,672,290**	**(1,028,986)**	**(1,838,676)**	**1,804,628**
Total liabilities from financing activities	**₱421,386,455**	**₱9,481,726**	**(₱1,838,676)**	**₱429,029,505**

2023

	Beginning of the year	Cash flows	Noncash movement	End of the year
Preferred Stock	₱87,784,165	(₱9,739,494)	₱–	₱78,044,671
Contingency Surplus	272,530,000	46,400,000	–	318,930,000
Loans Payable	–	10,000,000	–	10,000,000
Lease Liability	8,902,773	(4,579,546)	349,063	4,672,290
Total liabilities from financing activities	₱369,216,938	₱42,080,960	₱349,063	₱411,646,961

2022

	Beginning of the year	Cash flows	Noncash movement	End of the year
Preferred Stock	₱105,923,698	(₱18,139,533)	₱–	₱87,784,165
Contingency Surplus	123,150,000	149,380,000	–	₱272,530,000
Lease Liability	1,443,051	7,147,000	312,722	8,902,773
Total liabilities from financing activities	₱230,516,749	₱138,387,467	(₱312,722)	₱369,216,938

22. Supplementary Information Required Under Revenue Regulations 15-2010

Revenue Regulations (RR) No. 15-2010, which became effective on December 28, 2010, was promulgated by the BIR to amend certain provisions of RR 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the income tax return. These regulations require that additional disclosures in the notes to financial statements shall be made to include information on taxes and license fees paid or accrued during the taxable year.

a. The Association is a non-vatable entity since its main source of revenues, which is in the form of interest from members' borrowings, do not arise from the sale of properties, lease of goods or provision of services.

b. The Association incurred withholding taxes as follows:

Withholding taxes on compensation and benefits	₱875,196
Final withholding taxes	220,243
Expanded withholding taxes	820,202
Documentary stamp tax on preferred shares	150,000
	₱2,065,641

c. Taxes and licenses consist of:

License and permits fees	₱299,780
Real estate taxes	9,440
Others	87,625
	₱396,845

d. There was no excise tax paid by the Association in 2024.

e. The Association has no outstanding deficiency tax assessments as of 2024.

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Home Credit Mutual Building and Loan Association, Inc.
Level 26, Tower 1, Insular Life Corporate Center
Insular Life Drive, Filinvest Corporate City
Alabang, Muntinlupa City

We have audited the accompanying financial statements of Home Credit Mutual Building and Loan Association, Inc. (the Association), a wholly owned subsidiary of Fountel Corporation, as at December 31, 2024 and for the year ended, on which we have rendered the attached report dated April 30, 2025.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Association has nine-hundred and sixty (960) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Ma. Emilita L. Villanueva

Ma. Emilita L. Villanueva
Partner
CPA Certificate No. 95198
Tax Identification No. 176-158-478
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-159-2024, October 2, 2024, valid until October 1, 2027
PTR No. 10465405, January 2, 2025, Makati City

April 30, 2025

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Home Credit Mutual Building and Loan Association, Inc.
Level 26, Tower 1, Insular Life Corporate Center
Insular Life Drive, Filinvest Corporate City
Alabang, Muntinlupa City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Home Credit Mutual Building and Loan Association, Inc. as at December 31, 2024 and 2023, and have issued our report thereon dated April 30, 2025. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Supplementary Schedules are the responsibility of the Association's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ma. Emilita L. Villanueva

Ma. Emilita L. Villanueva
Partner
CPA Certificate No. 95198
Tax Identification No. 176-158-478
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-159-2024, October 2, 2024, valid until October 1, 2027
PTR No. 10465405, January 2, 2025, Makati City

April 30, 2025

Schedule	Contents
Supplementary Schedules	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock