

INDEPENDENT AUDITORS' REPORT

To the Members and the Board of Trustees
**FERNANDO AIR BASE SAVINGS AND LOAN
ASSOCIATION (FABSLAI), INC.**
FASBLAI Bldg., V. Templo Avenue, Brgy. Banaybanay
Concepcion, Lipa City, Batangas

Qualified Opinion

We have audited the financial statements of **FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.** (the "Association") which comprise the statements of financial position as of December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in members' equity and statements of cash flows for the years then ended, and notes to financial statements, including material accounting policies and other explanatory information.

In our opinion, except for the effect on the financial statements of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Qualified Opinion

As disclosed in Note 2 to the financial statements, the Association did not adopt PFRS 9, Financial Instruments, which provides new guidelines in the classification and measurement of financial instruments and introduces a forward-looking expected credit loss (ECL) model on impairment of debt financial assets not classified as at fair value through profit or loss and loan commitments and financial guarantee contracts. As of December 31, 2023 and 2022, for classification and measurement, the Association retained the requirements based on PAS 39, Financial Instruments: Recognition and Measurement. For impairment, the Association adopted the provisions of Appendix S-8 of Manual of Regulations for Non-Bank Financial Institutions (MORNBFII) that provides guidelines for provisioning based on number of days past due, collaterals, and type of loan, which are inconsistent with the requirements of the new standard. As a result, any adjustments related to surplus, allowance for credit losses and related deferred tax assets as of December 31, 2023 and 2022 have not been determined due to certain limitations.

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

Alas Oplas & Co., CPAs

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

Management is responsible for the preparation of the financial statements in accordance with Philippine Financial Reporting 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.

Alas Oplas & Co., CPAs

The Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1075 Revenue Regulations Nos. 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Information Required under BSP Circular No. 1075 in Note 32, Revenue Regulations Nos. 15-2010 on taxes, duties and license fees paid or accrued during the taxable year in Note 31 to the financial statements, are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of **FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), 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.

ALAS, OPLAS & CO., CPAs

BOA Registration No. 0190, valid from October 31, 2022, to February 18, 2025

BIR A.N. 08-001026-000-2024, issued on January 5, 2024; effective until January 4, 2027

SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period

TIN 002-013-406-000

By:



RYAN A. SABUG

Partner

CPA License No. 0111183

BIR A.N. 08-001026-004-2023, issued on February 9, 2023; effective until February 8, 2026

SEC A.N. (Individual) 111183-SEC, Group A, issued on February 4, 2021; valid for 2020 to 2024 audit period

TIN 232-158-286-000

PTR No. 10075665, issued on January 2, 2024, Makati City

April 24, 2024

Makati City, Philippines

FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
In Philippine Peso

	Notes	2023	2022 As restated	2021 as restated
ASSETS				
Cash	8	337,405,919	286,268,649	267,865,103
Loans and other receivables – net	9	2,096,714,867	2,164,462,811	2,076,608,720
Property and equipment – net	10	24,291,933	21,590,659	22,047,238
Assets held for sale	11	2,062,000	2,062,000	2,062,000
Other assets	12	2,515,024	2,292,850	681,136
TOTAL ASSETS		2,462,989,743	2,476,676,969	2,369,264,197
LIABILITIES AND MEMBERS' EQUITY				
LIABILITIES				
Deposit liabilities	13	1,195,229,997	1,209,299,478	1,063,804,086
Bills payable	14	–	–	100,000,000
Accrued and other payables	15	63,338,561	89,904,358	104,971,887
Retirement benefit obligation	20	13,640,735	13,860,036	11,563,249
Dividends payable	24	27,185,381	27,782,085	29,215,660
Income tax payable		4,574	6,242	9,451
Total Liabilities		1,299,399,248	1,340,852,199	1,309,564,333
MEMBERS' EQUITY				
Capital contribution	22	797,238,516	804,635,731	783,567,010
Surplus reserves	23	101,299,585	86,183,402	91,095,247
Surplus free	24	265,052,394	245,005,637	185,037,607
Total Members' Equity		1,163,590,495	1,135,824,770	1,059,699,864
TOTAL LIABILITIES AND MEMBERS' EQUITY		2,462,989,743	2,476,676,969	2,369,264,197

See Notes to Financial Statements.

FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
In Philippine Peso

	Notes	2023	2022
INTEREST INCOME			
Loans receivable	9	246,410,109	250,569,492
Bank deposits	8	1,678,510	1,429,454
		248,088,619	251,998,946
INTEREST EXPENSE			
Deposit liabilities	13	(49,293,074)	(48,203,145)
Bills payable	14	–	(2,949,225)
		(49,293,074)	(51,152,370)
NET INTEREST INCOME		198,795,545	200,846,576
PROVISION FOR CREDIT LOSSES	9	(13,084,909)	(9,694,857)
NET INTEREST INCOME AFTER PROVISION		185,710,636	191,151,719
OTHER INCOME	18	58,589,006	64,265,717
		244,299,642	255,417,436
OPERATING EXPENSES	19	(90,644,719)	(84,904,198)
INCOME BEFORE TAX		153,654,923	170,513,238
INCOME TAX EXPENSE	21	(45,738)	(37,397)
INCOME FOR THE YEAR		153,609,185	170,475,841
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE INCOME		153,609,185	170,475,841

See Notes to Financial Statements.

FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
In Philippine Peso

	Capital contribution (Note 22)	Surplus reserves (Note 23)	Surplus free (Note 24)	Total members' equity
Balance at December 31, 2021, previously reported	783,567,010	91,095,247	253,320,645	1,127,982,902
Prior period adjustments (Note 17)	—	—	(68,283,038)	(68,283,038)
Balance at December 31, 2021, as restated	783,567,010	91,095,247	185,037,607	1,059,699,864
Additional capital contributions	147,567,124	—	—	147,567,124
Withdrawal of capital contribution	(126,498,403)	—	—	(126,498,403)
Appropriation	—	8,654,070	(8,654,070)	—
Utilization	—	—	—	—
Interest and dividends earned by terminated/deceased members	—	—	967,048	967,048
Dividend declaration (Note 24)	—	—	(111,927,728)	(111,927,728)
Adjustments	—	(13,565,915)	(9,866,289)	(23,432,204)
Income for the year	—	—	170,475,841	170,475,841
Prior period adjustments (Note 17)	—	—	18,973,228	18,973,228
Balance at December 31, 2022, as restated	804,635,731	86,183,402	245,005,637	1,135,824,770
Additional capital contributions	167,133,650	—	—	167,133,650
Withdrawal of capital contribution	(174,530,865)	—	—	(174,530,865)
Appropriation	—	15,116,183	(15,116,183)	—
Interest and dividends earned by terminated/deceased members	—	—	1,456,329	1,456,329
Dividend declaration (Note 24)	—	—	(119,902,574)	(119,902,574)
Profit	—	—	153,609,185	153,609,185
Balance at December 31, 2023	797,238,516	101,299,585	265,052,394	1,163,590,495

See Notes to Financial Statements.

FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
In Philippine Peso

	Notes	2023	2022 As restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		153,654,923	170,513,238
Adjustments for:			
Provisions for credit losses	9	13,084,909	9,694,857
Depreciation	10,19	2,123,792	1,886,585
Interest Income on bank deposits	8	(1,678,510)	(1,429,454)
Retirement benefit expense	19,20	1,480,699	4,496,787
Interest and dividends credited back		1,456,329	985,380
Gain on disposal of property and equipment	10,18	(238,169)	—
Interest expense on bills payable	14	—	2,949,225
Operating cash flows before working capital changes		169,883,973	189,096,618
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans receivable		52,713,819	(93,358,697)
Advances to members		2,031,851	(9,042,364)
Other assets		(236,110)	(1,611,714)
Increase (decrease) in:			
Deposit liabilities		(14,069,482)	135,610,774
Accrued and other payables		(26,648,432)	(4,747,424)
Cash generated from operations		183,675,619	215,947,193
Benefits paid	20	(1,700,000)	(2,200,000)
Interest received		1,678,510	1,429,454
Income tax paid		(47,406)	(40,606)
Interest paid		—	(2,949,225)
Net cash generated from operating activities		183,606,723	212,186,816
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	10	(4,811,129)	(1,490,688)
Proceeds from sale of property and equipment	10	238,169	—
Net cash used in investing activities		(4,572,960)	(1,490,688)
CASH FLOWS FROM FINANCING ACTIVITIES			
Withdrawal of capital contribution	22	(174,530,865)	(126,498,403)
Additional capital contribution	22	167,133,650	147,567,124
Dividends paid	24	(120,499,278)	(113,361,303)
Payments made on bills payable	14	—	(100,000,000)
Net cash used in financing activities		(127,896,493)	(192,292,582)
NET INCREASE IN CASH		51,137,270	18,403,546
CASH AT BEGINNING OF YEAR		286,268,649	267,865,103
CASH AT END OF YEAR	8	337,405,919	286,268,649

See Notes to Financial Statements.