

Alas Oplas & Co., CPAs

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

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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, 2024 and 2023, 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, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for 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, 2024 and 2023, 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 (MORNBFI) 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, 2024 and 2023 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.

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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 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.

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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 30, Revenue Regulations Nos. 15-2010 on taxes, duties and license fees paid or accrued during the taxable year in Note 29 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 February 19, 2025, to February 18, 2028

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

BOA Registration No. 0190/P-004, valid from February 19, 2025, to February 18, 2028

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. 10466283, issued on January 2, 2025, Makati City

April 23, 2025

Makati City, Philippines

FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Notes	2024	2023
ASSETS			
Cash	8	303,179,668	337,405,919
Loans and other receivables – net	9	2,089,501,615	2,096,714,867
Property and equipment – net	10	25,515,706	24,291,933
Assets held for sale	11	2,062,000	2,062,000
Other assets	12	1,399,111	2,515,024
TOTAL ASSETS		2,421,658,100	2,462,989,743
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Deposit liabilities	13	1,155,074,868	1,195,229,997
Accrued and other payables	14	56,101,353	63,338,561
Retirement benefit obligation	18	13,640,735	13,640,735
Dividends payable	22	29,559,399	27,185,381
Income tax payable		953	4,574
Total Liabilities		1,254,377,308	1,299,399,248
MEMBERS' EQUITY			
Capital contribution	20	786,944,209	797,238,516
Surplus reserves	21	101,471,180	101,299,585
Surplus free	22	278,865,403	265,052,394
Total Members' Equity		1,167,280,792	1,163,590,495
TOTAL LIABILITIES AND MEMBERS' EQUITY		2,421,658,100	2,462,989,743

See Notes to Financial Statements.

FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Notes	2024	2023
INTEREST INCOME			
Loans receivable	9	237,564,061	246,410,109
Bank deposits	8	5,692,168	1,678,510
		243,256,229	248,088,619
INTEREST EXPENSE			
Deposit liabilities	13	(47,730,014)	(49,293,074)
NET INTEREST INCOME		195,526,215	198,795,545
PROVISION FOR CREDIT LOSSES	9	(5,574,594)	(13,084,909)
NET INTEREST INCOME AFTER PROVISION		189,951,621	185,710,636
OTHER INCOME	16	56,878,178	58,589,006
		246,829,799	244,299,642
OPERATING EXPENSES	17	(110,954,896)	(90,644,719)
INCOME BEFORE TAX		135,874,903	153,654,923
INCOME TAX EXPENSE	19	(43,261)	(45,738)
INCOME FOR THE YEAR		135,831,642	153,609,185
OTHER COMPREHENSIVE INCOME		—	—
TOTAL COMPREHENSIVE INCOME		135,831,642	153,609,185

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, 2024 AND 2023
In Philippine Peso

	Capital contribution (Note 20)	Surplus reserves (Note 21)	Surplus free (Note 22)	Total members' equity
Balance at December 31, 2022	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 22)	—	—	(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
Additional capital contributions	156,528,927	—	—	156,528,927
Withdrawal of capital contribution	(166,823,234)	—	—	(166,823,234)
Appropriation	—	171,595	(171,595)	—
Interest and dividends earned by terminated/deceased members	—	—	853,949	853,949
Dividend declaration (Note 22)	—	—	(122,700,987)	(122,700,987)
Profit	—	—	135,831,642	135,831,642
Balance at December 31, 2024	786,944,209	101,471,180	278,865,403	1,167,280,792

See Notes to Financial Statements.

FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		135,874,903	153,654,923
Adjustments for:			
Interest income on bank deposits	8	(5,692,168)	(1,678,510)
Provisions for credit losses	9	5,574,594	13,084,909
Depreciation	10,17	2,524,979	2,123,792
Retirement benefit expense	17,18	1,700,000	1,480,699
Interest and dividends credited back		853,948	1,456,329
Gain on disposal of property and equipment	10,16	—	(238,169)
Operating cash flows before working capital changes		140,836,256	169,883,973
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans receivable		30,072,434	52,713,819
Advances to members		(17,410)	2,031,851
Other assets		1,118,853	(236,110)
Decrease in:			
Deposit liabilities		(40,155,129)	(14,069,482)
Accrued and other payables		(35,653,573)	(26,648,432)
Cash generated from operations		96,201,431	183,675,619
Contribution to retirement fund	18	(1,700,000)	(1,700,000)
Interest received	8	5,692,168	1,678,510
Income tax paid		(46,882)	(47,406)
Net cash generated from operating activities		100,146,717	183,606,723
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	10	(3,751,692)	(4,811,129)
Proceeds from sale of property and equipment	10	—	238,169
Net cash used in investing activities		(3,751,692)	(4,572,960)
CASH FLOWS FROM FINANCING ACTIVITIES			
Withdrawal of capital contribution	20	(166,823,234)	(174,530,865)
Additional capital contribution	20	156,528,927	167,133,650
Dividends paid	22	(120,326,969)	(120,499,278)
Net cash used in financing activities		(130,621,276)	(127,896,493)
NET INCREASE (DECREASE) IN CASH		(34,226,251)	51,137,270
CASH AT BEGINNING OF YEAR		337,405,919	286,268,649
CASH AT END OF YEAR	8	303,179,668	337,405,919
<i>See Notes to Financial Statements.</i>			