REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 1 – BANKING AND CREDIT

May 28, 2025

THE BOARD OF DIRECTORS
LBP Leasing and Finance Corporation
15th Floor, SSHG Law Center
105 Paseo de Roxas
Legaspi Village, Makati City

Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith the Annual Audit Report on the results of audit of the accounts and transactions of LBP Leasing and Finance Corporation (LLFC) for the years ended December 31, 2024 and 2023.

The report includes the Independent Auditor's Report expressing an unmodified opinion on the fairness of presentation of the financial statements of LLFC for the years ended December 31, 2024 and 2023.

The significant observations that need immediate action are that deficiencies were noted in the procurement, namely: a) Ongoing and completed Programs, Activities, and Projects (PAPs) totaling P17.050 million were included in the Annual Procurement Plan (APP) but were not reported in the Procurement Monitoring Report (PMR), b) PAPs amounting to P28,501 were reported in the PMR but were not part of the APP and without supplemental APP, and c) Project Procurement Management Plans to support the APP were not prepared, contrary to relevant provisions of the 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184.

These audit observations together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on May 13, 2025 are presented in detail in Part II of the report.

We request that the recommendations contained in the report be implemented and that we be informed of the actions taken thereon by submitting the Agency Action Plan and Status of Implementation within 60 days from date of receipt of this report.

We express our appreciation of the support and cooperation that the Management has extended to the Audit Team.

Very truly yours,

COMMISSION ON AUDIT

By:

JOYCELYN R. RAMOS
Director IV

Copy Furnished:

The President of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission of Government-Owned or Controlled Corporation
The National Library
The UP Law Center

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

LBP LEASING AND FINANCE CORPORATION

(A wholly-owned subsidiary of Land Bank of the Philippines)

For the Years ended December 31, 2024 and 2023

EXECUTIVE SUMMARY

INTRODUCTION

The LBP Leasing and Finance Corporation (LLFC or the Corporation), formerly LBP Leasing Corporation, was registered with the Securities and Exchange Commission (SEC) on March 17, 1983 under SEC Registration No. 111115. It is under the direct supervision of the Bangko Sentral ng Pilipinas, being a financial institution and subsidiary of the Land Bank of the Philippines (LBP), its parent bank.

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

The principal activities of LLFC are:

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

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

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

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

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

The LLFC Board of Directors (BOD), consisting of nine members, including the Chairperson, is the policy making body of the Corporation. Of the nine Board Members, one is an interlocking director, being the President and Chief Executive Officer (CEO) of LLFC. The President and CEO of the Corporation takes charge of the day-to-day affairs of the Corporation. Other key corporate officers include the Corporate Secretary; a Vice President who heads the Account Servicing Group and also the concurrent Treasurer; a Vice President who heads the Account Management Group; a Vice President who heads the Corporate Services Group and a Vice President /General Counsel who heads the Office of General Counsel. The personnel complement of the Corporation consists of 61 employees.

The LLFC's place of business is at the 15th Floor SSHG Law Center, 105 Paseo De Roxas St., Legaspi Village, Makati City.

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of LLFC transactions and accounts for the period January 1 to December 31, 2024, to enable us to express an opinion on the financial statements for the years ended December 31, 2024 and 2023 in accordance with the International Standards of Supreme Audit Institutions. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2024	2023	Increase / (Decrease)
Assets	7,271,802,050	6,164,784,900	1,107,017,150
Liabilities	5,684,408,501	4,553,180,486	1,131,228,015
Equity	1,587,393,549	1,611,604,414	(24,210,865)

II. Comparative Results of Operations

	2024	2023	Increase / (Decrease)
Interest and other income	687,063,640	679,116,626	7,947,014
Direct and financial expenses	455,052,076	450,476,700	4,575,377
Gross income	232,011,564	228,639,926	3,371,638
General and administrative expenses	146,693,579	127,163,676	19,475,903
Net income before tax	85,317,985	101,476,250	(16,158,265)
Income tax expense	30,602,637	31,278,460	(675,823)
Net income	54,715,348	70,197,790	(15,482,442)
Other comprehensive income/(loss)	8,618,912	(3,408,183)	12,027,095
Total comprehensive income	63,334,260	66,789,607	(3,455,347)

III. Comparative Budget and Actual Expenditures

	Budget		Utilization	
	2024	2023	2024	2023
Personnel services	133,692,377	102,266,299	66,374,435	68,906,073
Maintenance and other operating expenses	515,470,903	430,864,923	319,809,423	320,878,563
Financial expenses	401,376,114	223,553,366	240,210,952	187,855,740
Capital expenditures	37,090,000	17,135,000	7,038,611	3,323,733
	1,087,629,394	773,819,588	633,433,423	580,964,109

AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of LLFC for the years ended December 31, 2024 and 2023.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Deficiencies were noted in the procurement, namely: a) Ongoing and completed Programs, Activities and Projects (PAPs) totaling P17.050 million were included in the Annual Procurement Plan (APP) but were not reported in the Procurement Monitoring Report (PMR), b) PAPs amounting to P28,501 were reported in the PMR but were not part of the APP and without supplemental APP, and c) Procurement Project Management Plans (PPMPs) to support the APP were not prepared, contrary to relevant provisions of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184.

We recommended and Management agreed that:

a. The internal monitoring tool currently used by the Bids and Awards Committee (BAC) Secretariat be reviewed, enhanced, and aligned with the prescribed form and process under existing procurement guidelines to ensure completeness, accuracy, and consistency in the preparation of the APP and PMR;

b. The BAC Secretariat be provided with formal training on RA No. 9184, also known as the Government Procurement Reform Act, to update and capacitate the BAC Secretariat on the act's provisions and the revised implementing rules and regulations; and

c. Henceforth, through the BAC Secretariat, to:

   i. Report in the PMR all procurement included in the APP and its supplemental;

   ii. Undertake procurement only in accordance with the approved APP and changes thereto;

   iii. Prepare PPMPs to support the APP; and

   iv. Adopt a uniform and consistent coding system for PAPs across all procurement-related documents, particularly the APP and PMR.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The audit disallowance as of December 31, 2024 amounted to P0.756 million. There are no outstanding charges and suspensions as at year end.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

The three audit recommendations embodied in the Calendar Years (CYs) 2022 and 2023 Annual Audit Reports (AARs) were implemented in CY 2024.

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REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Audit Sector
Cluster 1 – Banking and Credit

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
LBP Leasing and Finance Corporation
15th Floor, Sycip Law Center,
105 Paseo De Roxas,
Legaspi Village, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LBP Leasing and Finance Corporation (LLFC), a wholly-owned subsidiary of Land Bank of the Philippines, 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 the years then ended, and notes to 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 LLFC 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 (PFRSs), as modified by the application of the financial reporting reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the LLFC in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 to the financial statements which states that the financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the financial statements is discussed in detail in Note 8. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2 to the financial statements, 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 LLFC's ability to continue as 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 LLFC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the LLFC'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 ISSAIs 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 ISSAIs, 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 LLFC'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 and conditions that may cast significant doubt on the LLFC'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 LLFC 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 accordance with PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2 to the financial statements.

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

Report on Other Regulatory Requirements

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 the Revenue Regulation 15-2010 in Note 30-A, the Revised Securities Regulation Code Rule 68 in Note 31-A, and the BSP Circular No. 1075 in Note 31-B to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue, the SEC, and the BSP, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

MARIE FRANCES HAZEL S. ACEBEDO
Supervising Auditor

May 13, 2025

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **LBP LEASING AND FINANCE CORPORATION** or **"the Corporation"** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Corporation's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

The Commission on Audit, the independent auditors, has audited the financial statements of the Corporation in accordance with International Standards of Supreme Audit Institutions, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: R. Teo

ROBERTO U. TEO
Chairperson of the Board

Signature: ______________________

MICHAEL P. ARAÑAS
President and CEO

Signature: ______________________

RAIZZA L. GONZALES
VP/Chief Finance Officer

Signed this 13th day of May 2025

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

	Notes	2024	2023
ASSETS			
Current assets			
Cash and cash equivalents	7	108,700,278	36,466,014
Financial Assets at Amortised Cost	8	1,602,211,990	1,603,394,848
Other current assets	13	41,688,178	56,276,803
Total current assets		1,752,600,446	1,696,137,665
Non-current assets			
Financial Assets at Amortised Cost	8	4,514,880,356	3,707,288,598
Investment properties, net	9	11,704,000	30,206,300
Equipment and other property for lease, net	10	742,561,834	525,158,271
Property and equipment, net	11	32,526,444	30,039,237
Non-current assets held for sale, net	12	31,821,995	635,000
Deferred tax asset	24	183,700,433	173,211,242
Other non-current assets	13	2,006,542	2,108,587
Total non-current assets		5,519,201,604	4,468,647,235
TOTAL ASSETS		7,271,802,050	6,164,784,900
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Financial Liabilities	15	3,127,976,985	2,414,908,113
Deposit on lease contracts	21	208,652,059	271,957,636
Inter-Agency Payables	16	20,539,323	15,935,801
Other payables	17	132,161,582	105,302,194
Total current liabilities		3,489,329,949	2,808,103,744
Non-current liabilities			
Financial Liabilities	15	1,149,666,667	1,080,666,667
Deposit on lease contracts	21	1,024,129,877	640,665,051
Retirement liability	22(b)	21,282,008	23,745,024
Total non-current liabilities		2,195,078,552	1,745,076,742
Total liabilities		5,684,408,501	4,553,180,486
Equity			
Capital stock	18(a)		
Issued capital		485,552,550	485,552,550
Additonal paid-in capital		113,970,900	113,970,900
Treasury stock		(20)	(20)
		599,523,430	599,523,430
Retained earnings	18(b)		
Appropriated		700,000,000	600,000,000
Unappropriated		292,362,279	425,192,056
		992,362,279	1,025,192,056
Accumulated other comprehensive income (loss)			
Remeasurement of retirement benefit obligation	18(c)	(4,492,160)	(13,111,072)
		(4,492,160)	(13,111,072)
Total equity		1,587,393,549	1,611,604,414
TOTAL LIABILITIES AND EQUITY		7,271,802,050	6,164,784,900

The Notes on pages 9 to 81 form part of these financial statements.

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

	Notes	2024	2023
INTEREST INCOME			
Leases	8, 21	**449,410,029**	421,146,969
Loans	8	**223,304,120**	176,022,083
Deposits in banks	7	**30,410**	16,512
		672,744,559	597,185,564
INTEREST EXPENSE			
Borrowed funds	15	**240,338,502**	187,855,740
NET INTEREST INCOME		**432,406,057**	409,329,824
OTHER INCOME			
Other income	19	**14,319,081**	81,931,062
		14,319,081	81,931,062
DIRECT EXPENSES			
Security, messengerial, janitorial and contractual services	21	**115,921,022**	155,480,453
Provision for credit and impairment losses	14	**41,956,762**	48,362,178
Compensation and fringe benefits - Marketing operations	22(a)	**23,241,603**	26,110,411
Documentary stamp used	15	**25,957,067**	20,806,608
Depreciation-equipment and other property for lease	10	**0**	626,786
Insurance		**6,414,314**	8,273,820
Repairs and maintenance		**490,589**	1,424,865
Transfer mortgage and registration fees		**732,217**	1,535,839
		214,713,574	262,620,960
GROSS INCOME		**232,011,564**	228,639,926
GENERAL AND ADMINISTRATIVE EXPENSES			
Taxes, Insurance Premiums and Other Fees		**42,225,654**	36,154,811
Compensation and fringe benefits	22(a)	**48,824,834**	42,795,662
Depreciation/amortization	11	**9,313,472**	6,537,058
Other Maintenance and Operating Expenses	20	**46,329,619**	41,676,145
		146,693,579	127,163,676
NET INCOME BEFORE INCOME TAX		**85,317,985**	101,476,250
Income tax expense	24	**30,602,637**	31,278,460
NET INCOME AFTER TAX		**54,715,348**	70,197,790
Remeasurement gain/(loss) on retirement benefit obligation	22(b)	**8,618,912**	(3,408,183)
TOTAL COMPREHENSIVE INCOME		**63,334,260**	66,789,607
EARNINGS PER SHARE	27	**1.13**	1.45

The Notes on pages 9 to 81 form part of these financial statements.

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

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflow		
Interest received	**662,344,605**	593,618,860
Other income received	**63,951,471**	21,649,769
Cash received from clients	**2,365,226,491**	1,713,789,236
Total Cash Inflow	**3,091,522,567**	2,329,057,865
Cash Outflow		
Cash paid to clients	**(2,972,696,639)**	(1,995,586,400)
Cash paid to settle expenses	**(265,218,589)**	(266,997,615)
Interest paid	**(244,456,196)**	(198,481,891)
Total Cash Outflow	**(3,482,371,424)**	(2,461,065,906)
Net cash used in operating activities	**(390,848,857)**	(132,008,041)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflow		
Disposal of Investment Property	**447,854**	0
Disposal of leased assets	**8,631,832**	12,554,550
Disposal of property and equipment	**(6,723,685)**	5,847,864
Total Cash Inflow	**2,356,001**	18,402,414
Cash Outflow		
Acquisitions of leased assets	**(212,835,552)**	(277,643,135)
Acquisitions of property and equipment	**3,512,311**	(2,518,832)
Total Cash Outflows	**(209,323,241)**	(280,161,967)
Net cash used in investing activities	**(206,967,240)**	(261,759,553)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflow		
Proceeds from borrowings under line of credit agreement	**3,743,105,968**	2,874,000,000
Total Cash Inflow	**3,743,105,968**	2,874,000,000
Cash Outflow		
Payment of long term debt	**(2,985,510,482)**	(2,438,716,398)
Reacquisition of shares	**0**	(10)
Cash dividends paid	**(87,545,125)**	(54,474,140)
Total Cash Outflow	**(3,073,055,607)**	(2,493,190,548)
Net cash provided by financing activities	**670,050,361**	380,809,452
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	**72,234,264**	(12,958,142)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**36,466,014**	49,424,156
CASH AND CASH EQUIVALENTS AT END OF YEAR	**108,700,278**	36,466,014

The Notes on pages 9 to 81 form part of these financial statements.

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

	Issued Capital	Additional Paid-in Capital	Treasury Stock	Retained Earnings		Accumulated Other Comprehensive Gains/(Losses)	Total
				Unappropriated	Appropriated		
	Note 18(a)			Note 18(b)		Note 18(c)	
Balance, 1 January 2023	**485,552,550**	**113,970,900**	**(10)**	**409,468,406**	**600,000,000**	**(9,702,889)**	**1,599,288,957**
Cash dividend to National Government				(54,474,140)			(54,474,140)
Reacquisition of common stock			(10)	-			(10)
Net income for the year				70,197,790			70,197,790
Remeasurement gain on retirement benefit obligation						(3,408,183)	(3,408,183)
Balance, 31 December 2023	**485,552,550**	**113,970,900**	**(20)**	**425,192,056**	**600,000,000**	**(13,111,072)**	**1,611,604,414**
Cash dividend to National Government				(87,545,125)			(87,545,125)
Appropriation of Retained Earnings				(100,000,000)	100,000,000		0
Net income for the year				54,715,348			54,715,348
Remeasurement gain on retirement benefit obligation						8,618,912	8,618,912
Balance, 31 December 2024	**485,552,550**	**113,970,900**	**(20)**	**292,362,279**	**700,000,000**	**(4,492,160)**	**1,587,393,549**

The Notes on pages 9 to 81 form part of these financial statements.

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

1. GENERAL INFORMATION

1.1 Corporate Information

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

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

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

The principal activities of LLFC are as follows:

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

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

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

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

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

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

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

The financial statements of LLFC have been prepared in compliance with Philippine Financial Reporting Standards/Philippine Accounting Standards (PFRSs/PASs) as modified by the application of the following financial reporting reliefs issued by the Bangko Sentral ng Pilipinas and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic:

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

The Board of Directors (BOD), through Resolution No. 25-068, approved and authorized for issuance LLFC's financial statements as of and for the years ended December 31, 2024 and 2023 on March 27, 2025.

3. MATERIAL ACCOUNTING POLICIES

3.1 Basis of Financial Statement Preparation

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

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

3.2 Presentation of Financial Statements

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

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

<u>Current versus Noncurrent Classification</u>

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

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

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

3.3 Use of judgments and estimates

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

3.4 Changes in accounting policies and disclosures

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

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

b. New and Amended PFRS Issued But Not Yet Effective

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

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and PFRS 7)— Comparative Information (Effective January 1, 2026) - The Amendments modify the following requirements in PFRS 9 and PFRS 7:

  - Derecognition of financial liabilities - Derecognition of financial liabilities settled through electronic transfers.

  - Classification of financial assets – (1) Elements of interest in a basic lending arrangement (the solely payments of principle and interest assessment – 'SPPI test'); (2) Contractual terms that change the timing or amount of contractual cash flows; (3) Financial assets with non-recourse features; (4) Investments in contractually linked instruments.

  - Disclosures – (1) Investments in equity instruments designated at fair value through other comprehensive income (2) Contractual terms that could change the timing or amount of contractual cash flows.

The Amendments may significantly affect how entities account for the derecognition of financial liabilities and how financial assets are classified. The Amendments permit an entity to early adopt only the amendments related to the classification of financial assets and the related disclosures and apply the remaining amendments later.

Annual Improvements to IFRS Accounting Standards

- Annual improvements are limited to changes that either clarify the wording in an IFRS Accounting Standard, or correct relatively minor unintended consequences, oversights or conflicts between requirements of the Accounting Standards. This cycle of annual improvements addresses the following:

    - Disclosure of Deferred Difference between Fair Value and Transaction Price (Amendments to Guidance on implementing PFRS 7)

    - Gain or Loss on Derecognition (Amendments to PFRS 7)

    - Introduction and Credit Risk Disclosures (Amendments to Guidance on implementing PFRS 7)

    - Derecognition of Lease Liabilities (Amendments to PFRS 9)

    - Transaction Price (Amendments to PFRS 9)

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

c. New standards and amendments issued and effective for annual periods beginning on or after January 1, 2024.

- **Amendments to PAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after January 1, 2023, deferred to January 1, 2024).**

    - The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

- **Amendments to PAS 1, Presentation of Financial Statements - Non-current for annual periods beginning on or after January 1, 2024).**

    - The amendments modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

d. New standards and amendments effective after the reporting period ended December 31, 2024. Standards issued but not yet effective up to the date of the Bank's financial statements are listed below. The Bank intends to adopt these standards when they become effective.

- **Amendments to PFRS 9 and 7, Classification and measurement of financial instruments (effective for annual periods beginning on or after January 1, 2026).**

The amendments clarify:

  - the requirements related to the date of recognition and derecognition of financial assets and liabilities, with an exception for derecognition of financial liabilities settled via electronic transfer;
  - the requirements for assessing contractual cash flow characteristics of financial assets; and
  - characteristics for non-recourse loans and contractually linked instruments.

The amendments also introduce certain disclosure requirements for financial instruments.

- **PFRS 18, Presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss (effective for annual periods beginning on or after January 1, 2027).**

The key new concepts introduced in PFRS 18 relate to:

  - the structure of the statement of profit or loss;
  - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
  - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

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

3.5 Financial instruments

Initial recognition

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

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

Determination of fair value

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

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

Day 1' difference

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

Classification of financial instruments

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

Financial instruments

Financial assets and liabilities at FVPL.

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

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

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

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

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

LLFC does not have financial assets and liabilities at FVPL.

Financial assets at amortised cost

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

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

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

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

Cash pertains to cash on hand and in banks.

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

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

Financial assets at FVOCI

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

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

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

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

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

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

LLFC does not have financial assets at FVOCI.

Financial liabilities at amortised cost.

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

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

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

Reclassification

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

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

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

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

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

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

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

Derecognition of financial assets and liabilities

Financial assets

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets, is derecognized when (1) the rights to receive cash flows from the asset have expired; (2) LLFC retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; (3) LLFC has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of ownership of the asset, or (4) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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

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

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

Offsetting of financial assets and financial liabilities

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

Classification of Financial Instrument between Financial Liability and Equity Instrument

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

- Deliver cash or another financial asset to another entity;

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

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

A financial instrument is an equity instrument only if:

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

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

Impairment of financial assets at amortised cost and FVOCI

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

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

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

12 Month - ECL

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

Lifetime ECL

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

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

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current

EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

Transfer from 12 - month ECL to Lifetime ECL

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

Transfer from Lifetime ECL to 12 - month ECL

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

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

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

Restructured Loans

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

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

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

3.6 Investment property

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.8 Non-current assets held for sale

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

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

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

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

3.9 Other assets

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

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

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

3.10 Intangibles

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

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

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

3.11 Impairment of non-financial assets

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

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

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

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

3.12 Inter-agency and other payables

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

3.13 Provisions and contingencies

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

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

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

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

3.14 Dividends

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

3.15 Equity

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

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

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

LLFC's retained earnings account is composed of:

<u>Appropriated retained earnings</u>

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

Unappropriated retained earnings

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

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

Treasury Shares

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

Other Comprehensive Income (Loss)

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

3.16 Revenue recognition

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

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

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

(a) Interest Income

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

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

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

(b) Income from operating leases

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

(c) Penalties and service fees

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

(d) Gain (Loss) on foreclosures

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

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

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

(f) Other income

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

3.17 Costs and expenses recognition

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

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

Borrowing costs

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

3.18 Employee benefits

(a) Retirement benefit obligations

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

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

Defined benefit costs comprise the following:

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of LLFC, nor can they be paid directly to LLFC. 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).

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

(b) Compensated absences

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

3.19 Leases

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

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- LLFC has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- LLFC has the right to direct the use of the asset. LLFC when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. LLFC has the right to direct the use of the asset of either:

    - LLFC has the right to operate the asset; or

- LLFC designed the asset in a way that predetermines how and for what purpose it will be used.

Finance Lease

Corporation as Lessor.

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

Adoption to PFRS 16 on Leases

Corporation as Lessee.

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

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

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

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

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

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

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

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

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

Corporation as Lessor.

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

LLFC is both a lessee and a lessor under operating leases.

3.20 Residual value of leased assets and deposits on lease contracts

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

3.21 Related parties

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

3.22 Income tax

Current income tax

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

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

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

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

3.23 Earnings per share

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

3.24 Events after the financial reporting date

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

3.25 Contingencies

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

4.1 Estimates

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

Estimation of allowance Impairment of Financial assets at FVOCI

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

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

LLFC reviews its financial assets at amortised cost to assess impairment at least on an annual basis to assess whether additional provision for credit losses should be recognized. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance for credit losses.

In 2024 and 2023, Management has assessed an amount of P722,221,769 and P692,844,968 as doubtful of collection (Note 14). Accordingly, a provision for impairment was recognized in the statements of comprehensive income.

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

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

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

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

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

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

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

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

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

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

	2024	2023
Investment Properties (Note 9)	**11,704,000**	30,206,300
EOPL (Note 10)	**742,561,834**	525,158,271
Property and Equipment (Note 11)	**32,526,444**	30,039,237
Non-Current Asset Held for Sale (Note 12)	**31,821,995**	635,000

Estimation of liability for retirement benefits cost

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

The retirement benefit cost charged to operations under "General and Administrative Expenses" account amounted to P6,155,896 and P4,780,439 as at December 31, 2024 and 2023, respectively, as disclosed in Note 22(a).

The related liability stands at P21,282,008 and P23,745,024 as at December 31, 2024 and 2023, respectively, as disclosed in Note 22(b).

Realizability of deferred tax assets

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

4.2 Judgments

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

Determination of functional currency

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

Classification of financial instruments

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

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

Determination of fair value of financial assets

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

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

Determination Whether an Arrangement Contains a Lease.

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

Classification of leases

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

Corporation as Lessor.

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

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

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

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

LLFC has several lease contracts that include extension and termination options. LLFC applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, LLFC reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

As a lessee, total rental expenses incurred from the leases amounted to P307,500 and P1,740,575 in 2024 and 2023, respectively, as disclosed in Notes 20 and 21.

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

Evaluating Deferred Tax

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

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

Management believes that the amount is fully recoverable.

5. FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

Principal financial instruments

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

LLFC has exposure to the following risks arising from financial instruments:

- Credit Risk
- Interest Rate Risk
- Liquidity Risk

Risk Management Framework

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

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

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

LLFCs' risk management policies are summarized below:

5.1 Credit Risk

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

(a) Credit Risk Management

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

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

(b) Collateral and other credit risk mitigation

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

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

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

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

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

(c) Impairment assessment

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

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

	2024		2023	
	Carrying Value	**Maximum Exposure**	Carrying Value	Maximum Exposure
Financial assets:				
Cash in Banks	**108,700,278**	**108,700,278**	36,366,014	36,366,014
Financial Assets at Amortised Cost	**6,838,214,116**	**6,838,214,116**	6,003,528,414	6,003,528,414
	6,946,914,394	**6,946,914,394**	6,039,894,428	6,039,894,428

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

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

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

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

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

As at December 31, 2024

	Cash	**Financial Assets at Amortised Cost**
Wholesale and retail trade	**0**	**529,038,693**
Manufacturing	**0**	**361,713,643**
Public utilities	**0**	**459,831,713**
Services	**0**	**16,749,369**
Banks and other financial institutions	**108,700,278**	**2,359,479,101**
Real estate	**0**	**258,810,429**
Public sector	**0**	**628,924,756**
Agriculture, fishing and forestry	**0**	**1,515,239,168**
Others	**0**	**708,427,244**
Total	**108,700,278**	**6,838,214,116**
Less: Allowance for probable losses/fair value changes	**0**	**(721,121,769)**
	108,700,278	**6,117,092,347**

As at December 31, 2023

	Cash	Financial Assets at Amortised Cost
Wholesale and retail trade	0	652,314,950
Manufacturing	0	1,619,478,095
Public utilities	0	450,661,797
Services	0	1,186,278,492
Banks and other financial institutions	36,366,014	955,592,680
Real estate	0	114,837,402
Public sector	0	492,126,763
Agriculture, fishing and forestry	0	2,959,187
Others	0	529,279,048
Total	36,366,014	6,003,528,414
Less: Allowance for probable losses/fair value changes	0	(692,844,968)
	36,366,014	5,310,683,446

(f) Credit Quality of Financial Assets

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

As at December 31, 2024

	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Total**
Cash in Banks	**108,700,278**	**0**	**0**	**108,700,278**
Financial Assets at Amortised Cost	**4,882,291,693**	**0**	**1,955,922,423**	**6,838,214,116**
	4,990,991,971	**0**	**1,955,922,423**	**6,946,914,394**

As at December 31, 2023

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

Neither past due nor impaired

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

Past due but not impaired

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

Impaired

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

5.2 Interest Rate Risk

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

5.3 Liquidity Risk

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

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

Analysis of financial liabilities by remaining contractual maturities

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

As at December 31, 2024

	Up to 1 year	**Over 1 year to 3 years**	**Over 3 years**	**Total**
Bills Payable	**2,978,018,000**	**836,666,667**	**313,000,000**	**4,127,684,667**
Accounts Payable – Trade	**125,528,546**	**0**	**0**	**125,528,546**
Accrued Interest Payable	**23,391,787**	**0**	**0**	**23,391,787**
Other Payables	**132,161,582**	**0**	**0**	**132,161,582**
Lease Liability	**1,038,652**		**0**	**1,038,652**
Deposits on Lease Contracts	**208,652,059**	**659,308,610**	**364,821,267**	**1,232,781,936**
	3,468,790,626	**1,495,975,277**	**677,134,267**	**5,642,587,170**

As at December 31, 2023

	Up to 1 year	Over 1 year to 3 years	Over 3 years	Total
Bills Payable	2,290,461,166	767,666,667	313,000,000	3,371,127,833
Accounts Payable – Trade	101,786,811	0	0	101,786,811
Accrued Interest Payable	22,660,136	0	0	22,660,136
Other Payables	105,302,194	0	0	105,302,194
Deposits on Lease Contracts	271,957,636	326,714,904	313,950,147	912,622,687
	2,792,167,943	1,094,381,571	626,950,147	4,513,499,661

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

6. FAIR VALUE MEASUREMENT

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

(a) Carrying Amount versus Fair Value

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

	2024		2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets:				
Cash and Cash Equivalents (Note 7)	**108,700,278**	**108,700,278**	36,366,014	36,366,014
Financial Assets at Amortised Cost (Note 8)	**6,117,092,347**	**6,117,092,347**	5,310,683,446	5,310,683,446
	6,225,792,625	**6,225,792,625**	5,347,049,460	5,347,049,460

	2024		2023	
	Cost	**Fair Value**	Cost	Fair Value
Financial liabilities:				
Bills Payable (Note 15)	**4,127,684,667**	**4,127,684,667**	3,371,127,833	3,371,127,833
Accounts Payable - Trade (Note 15)	**125,528,546**	**125,528,546**	101,786,811	101,786,811
Accrued Interest Payable (Note 15)	**23,391,787**	**23,391,787**	22,660,136	22,660,136
Other Payables (Note 17)	**132,161,582**	**132,161,582**	105,302,194	105,302,194
Lease Liability (Note 15)	**1,038,652**	**1,038,652**	0	0
Deposit on Lease Contracts (Note 21)	**1,232,781,936**	**1,232,781,936**	912,622,687	912,622,687
	5,642,587,170	**5,642,587,170**	4,513,499,661	4,513,499,661

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

- Cash
- Trade and other payables

(b) Fair value hierarchy

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

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

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

(c) Valuation techniques

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

(i) Loans and other receivables

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

(ii) Bills payable

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

(iii) Deposits on lease contracts

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

7. CASH AND CASH EQUIVALENTS

This account consists of:

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

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

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

8. FINANCIAL ASSETS AT AMORTISED COST

The current portion consists of:

	2024	2023
Finance Lease Receivables	**316,500,378**	525,523,410
Finance Lease Receivables – LBP	**46,198,021**	37,720,246
Loans and Receivables – Others	**1,284,483,433**	955,926,521
Allowance for Probable Losses	**(268,570,495)**	(223,925,010)
	1,378,611,337	1,295,245,167
Accounts Receivable – Clients	**15,081,458**	12,620,057
Allowance for Probable Losses	**(4,393,098)**	(4,869,815)
	10,688,360	7,750,242
Accrued Interest Receivable	**24,457,378**	14,057,424
Allowance for Probable Losses	**(964,960)**	(999,049)
	23,492,418	13,058,375
Due from Parent Bank	**190,725,285**	289,442,648
Due from National Government Agencies	**604,581**	798,287
Due from Officers and Employees	**418,866**	418,095
Allowance for Probable Losses	**(2,328,856)**	(3,317,966)
	189,419,876	287,341,064
	1,602,211,991	1,603,394,848

The non-current portion consists of:

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

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

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

In 2024, total revenues generated from finance and operating lease facilities with the Parent Bank amounted to P176,911,095 and nil, respectively. In 2023, revenues amounted to P248,792,973 from finance leases and nil from operating leases, as disclosed in Notes 21 and 23 to the financial statements.

Finance lease receivables

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

	2024	2023
Finance Lease Receivables:		
Within 1 year	**90,846,597**	123,701,176
Beyond 1 year but not beyond 5 years	**1,699,451,322**	1,122,947,566
Beyond 5 years	**479,667,037**	483,325,925
	2,269,964,956	1,729,974,667
Residual value of leased assets:		
Within 1 year	**132,604,628**	290,222,852
Beyond 1 year but not beyond 5 years	**931,061,265**	565,676,986
Beyond 5 years	**5,131,800**	0
	1,068,797,693	855,899,838
Total minimum lease receivable	**3,338,762,649**	2,585,874,505

	2024	2023
Less: Unearned Leasing Income		
Within 1 year	**22,961,668**	18,050,351
Within 1 year (BIR reserves)	**37,887,321**	10,914,733
Beyond 1 year	**514,832,043**	404,699,171
Beyond 1 year (BIR reserves)	**0.00**	26,004,996
	575,681,032	459,669,251
Net investment in finance lease receivables	**2,763,081,617**	2,126,205,254
Past due receivables		
Within 1 year	**50,951,561**	58,351,561
Beyond 1 year	**86,414,923**	83,034,837
	137,366,484	141,386,398
Restructured accounts		
Within 1 year	**0**	0
Beyond 1 year	**85,232,605**	104,063,834
	85,232,605	104,063,834
Past due - restructured accounts		
Within 1 year	**0**	0
Beyond 1 year	**0**	0
	0	0
Items in Litigation		
Within 1 year	**96,941,599**	93,135,207
Beyond 1 year	**225,678,393**	225,678,393
	322,619,992	318,813,600
	3,308,300,698	2,690,469,086
Less: Unearned Leasing Income		
Within 1 year	**10,922,302**	10,922,302
Beyond 1 year	**80,617,792**	88,556,124
	91,540,094	99,478,426
	3,216,760,604	2,590,990,660

	2024	2023
Finance Lease Receivables – LBP		
Within 1 year	**46,198,021**	39,903,707
Beyond 1 year but not beyond 5 years	**447,299,188**	132,936,999
Beyond 5 years	**0**	436,645,770
	493,497,209	609,486,476
Residual value of leased assets:		
Within 1 year	**0**	0
	0	0
Total minimum lease receivable	**493,497,209**	609,486,476
Less: Unearned leasing income		
Within 1 year	**0**	2,183,461
Beyond 1 year	**136,831,390**	183,314,788
	136,831,390	185,498,249
Net investment in finance lease receivables – LBP	**356,665,819**	423,988,227

Loans and receivables – others

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

	2024	2023
Loans and Receivables – Others		
Within 1 year	**734,935,122**	616,549,789
Beyond 1 year	**813,198,752**	601,587,660
	1,548,133,874	1,218,137,449
Past due receivables		
Within 1 year	**22,224,974**	33,337,721
Beyond 1 year	**4,800,820**	0
	27,025,794	33,337,721
Restructured accounts		
Within 1 year	**518,119,831**	186,195,224
Beyond 1 year	**653,278,382**	814,172,772
	1,171,398,213	1,000,367,996
Past due – restructured accounts		
Within 1 year	**65,549,552**	99,649,799
Beyond 1 year	**4,750,000**	5,101,313
	70,299,552	104,751,112
Items in litigation		
Within 1 year	**163,566,980**	84,961,618
Beyond 1 year	**360,000,000**	360,000,000
	523,566,980	444,961,618
	3,340,424,413	2,801,555,896
Less: Unearned Interest Income		
Within 1 year	**219,913,026**	64,767,630
Beyond 1 year	**87,011,262**	65,575,250
	306,924,288	130,342,880
	3,033,500,125	2,671,213,016

Summary of Financial Assets at Amortised Cost

Loans and lease receivables

	2024	2023
Finance lease receivables	**3,216,760,604**	2,590,990,660
Finance lease receivables – LBP	**356,665,819**	423,988,227
Loans and receivables - others	**3,033,500,125**	2,671,213,016
	6,606,926,548	5,686,191,903

Other receivables

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

Deferred Leasing Income Reserves

The amount of Finance Lease Receivables is net of Reserves amounting to P37.887 million for BIR in 2024 and P36.920 million for BIR in 2023. The Deferred Leasing Income Reserves is amount intended for the payment of executory costs, which includes repairs and maintenance, insurance premium, property taxes and other charges.

Interest and lease income on receivables

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

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

Reconciliation of credit losses

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

As at December 31, 2024

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

As at December 31, 2023

	Finance lease receivables	Loans and receivables – others	Other receivables	Total
At January 1, 2023	159,877,419	492,440,066	9,148,856	661,466,341
Provisions during the year	876,980	46,102,460	975,437	47,954,877
Write-offs during the year (Note 14)	0	0	0	0
Foreclosures and adjustments (Note 9, 14)	59,954,042	(75,592,829)	(937,463)	(16,576,250)
At December 31	220,708,441	462,949,697	9,186,830	692,844,968
Specific impairment provision	191,880,672	402,481,656	6,284,421	600,646,749
Collective impairment provision	28,827,769	60,468,041	2,902,409	92,198,219
Total impairment provision	220,708,441	462,949,697	9,186,830	692,844,968
Gross amount of loans specifically determined to have significant increase in credit risk since initial recognition before deducting individually-assessed credit losses	356,208,930	1,294,253,405	10,661,075	1,661,123,410

<u>BSP Reporting</u>

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

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

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

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

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

	2024	2023
Services	**22.23**	19.76
Manufacturing	**31.72**	26.98
Banks and other financial institutions	**12.02**	15.92
Public sector	**3.81**	8.20
Wholesale and retail trade	**10.27**	10.87
Public utilities	**6.72**	7.51
Real estate	**5.22**	1.91
Agriculture, fishing and forestry	**0.17**	0.05
Others	**7.83**	8.80
	100.00	100.00

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

As to collateral

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

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

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

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

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

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

Governance Commission for GOCC (GCG) Reporting

LLFC submits an annual performance scorecard to the GCG and its accomplishment is validated based on the results of the performance. The GCG requires that accomplishment on several targets be presented in the annual Audited Financial Statement. The information presented below is part of the required information consistent with the performance scorecard.

	2024	2023
Total Portfolio		
Loans and Lease Receivables		
Financial Lease Receivables	3,216,760,605	2,590,990,661
Financial Lease Receivables - LBP	356,665,819	423,988,226
Loans and Receivables - others	3,033,500,124	2,671,213,016
Total Loans and Lease Receivables	**6,606,926,548**	**5,686,191,903**
Deferred Leasing Income (others)		
BIR - Reserves	37,887,321	36,919,729
LBP Reserves - Chauffeuring	0	0
LBP Reserves - Executory	0	0
Total Deferred Leasing Income	**37,887,321**	**36,919,729**
Equipment and Other Properties for Lease (EOPL), net	**742,561,834**	**525,158,271**
Deposit on Lease Contract	**(1,214,862,966)**	**(894,703,717)**
TOTAL PORTFOLIO	**6,172,512,737**	**5,353,566,186**

	2024	2023
Past Due Accounts	448,049,337	426,694,577
Other Accounts	243,531,625	167,667,751
TOTAL SPECIFIC IMPAIRMENT PROVISION	**691,580,962**	**594,362,328**

	2024	2023
PAST DUE ACCOUNTS		
Past Due – Lease Receivables		
Lease Receivables	137,366,484	141,386,398
Restructured Accounts	-	-
Items in Litigation	342,457,190	318,813,589
Past Due – Loans Receivables		
Loans Receivables	35,240,940	33,337,721
Restructured Accounts	62,084,405	104,751,112
Items in Litigation	523,566,957	444,961,618
Past Due Amount (Gross)	**1,100,715,976**	**1,043,250,438**
Deferred Leasing Income	(80,452,922)	(79,969,950)
Deposit on Lease Contract	(91,837,856)	(94,731,464)
Interest Earned Not Yet Collected (IENYC)	(64,228,735)	(35,648,152)
TOTAL PAST DUE	**864,196,463**	**832,900,872**
NET PAST DUE RATE	**6.74%**	**7.59%**

9. INVESTMENT PROPERTIES

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

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

LLFC foreclosed various lands and condominium unit realizing a gain on foreclosure amounting to P4,044,162 and P10,544,436 in 2024 and 2023, respectively as disclosed in Note 19 under Gain on Exchange of Non-Financial Asset.

The aggregate market value of investment properties as at December 31, 2024 and 2023 amounted to 11,704,000 and P30,206,300, respectively. The fair value has been determined based on valuations made by in-house appraisers or accredited independent appraisers. Valuations were based on information on the prevailing market value of similar or comparable real properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuation were made.

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

10. EQUIPMENT AND OTHER PROPERTY FOR LEASE

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

LLFC also entered into an operating lease with its Parent Bank, with lease terms ranging from 12 to 60 months, involving vehicles. The operating lease transaction with the Parent bank has been fully terminated on December 31, 2022. The vehicles booked in

‘Equipment and Other Property for Lease – Operating Lease’ are the remaining vehicles previously leased to the Parent Bank that are for disposal.

The details pertinent to LLFC’s EOPL are as follows:

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

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

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

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

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

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

In 2024 and 2023, LLFC sold vehicles previously covered by operating lease agreements with a total carrying value of P281,334 and P4,204,052 on which it realized a gain of P713,666 and P8,350,498, as disclosed in Note 19 to the financial statements.

11. PROPERTY AND EQUIPMENT

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

As at December 31, 2024

	Building and improvements	Furniture and Fixtures	Transportation Equipment	Other properties acquired	Total
Cost					
At January 1	**42,566,207**	**17,265,812**	**10,149,950**	**0**	**69,981,969**
Additions	**0**	**6,233,713**	**0**	**2,735,000**	**8,968,713**
Right of Use Asset	**3,437,053**				**3,437,053**
Reclass to NCAHS	**0**	**0**	**0**	**(2,735,000)**	**(2,735,000)**
Disposals	**0**	**(1,539,145)**	**0**		**(1,539,145)**
At December 31	**46,003,260**	**21,960,380**	**10,149,950**	**0**	**78,113,590**
Accumulated depreciation					
At January 1	**25,742,000**	**10,301,566**	**3,899,166**	**0**	**39,942,732**
Depreciation for the year	**1,256,776**	**2,158,027**	**1,609,893**	**1,526,805**	**6,551,501**
Depreciation-ROUA	**2,004,948**				**2,004,948**
Reclass to NCAHS	**0**	**0**	**0**	**(1,526,805)**	**(1,526,805)**
Disposals	**0**	**(1,385,230)**	**0**	**0**	**(1,385,230)**
At December 31	**29,003,724**	**11,074,363**	**5,509,059**	**0**	**45,587,146**
Allowance for impairment					
At January 1	**0**	**0**	**0**	**0**	**0**
Addition	**0**	**0**	**0**	**0**	**0**
Disposal	**0**	**0**	**0**	**0**	**0**
At December 31	**0**	**0**	**0**	**0**	**0**
Net book value	**16,999,536**	**10,886,017**	**4,640,891**	**0**	**32,526,444**

As at December 31, 2023

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

As at December 31, 2024 and 2023, the total cost of fully-depreciated property and equipment still in use by LLFC amounted to P9,652,488 and P7,889,854, respectively.

LLFC foreclosed other properties realizing a gain on foreclosure amounting to P4,044,162 and P10,544,436 in 2024 and 2023, respectively, as disclosed in Note 19 under the Gain on Exchange of Non-Financial Assets.

LLFC recognized total depreciation/amortization charges in the amount of P9,313,472 in 2024 and P7,163,844 in 2023, as shown in the Direct and General and Administrative Expense sections in the statements of comprehensive income, with details as follows:

	2024	2023
Direct Expense		
Equipment and Other Properties for Lease (Note 10)	**0**	626,786
General and Administrative Expense		
Property and Equipment	**8,931,220**	6,277,104
Intangibles (Note 13)	**382,252**	259,954
	9,313,472	6,537,058
	9,313,472	7,163,844

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

12. NON-CURRENT ASSETS HELD FOR SALE

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

	2024	2023
Cost		
At January 1	**635,000**	0
Disposal	**(227,500)**	0
Reclassification from PPE and Investment Properties	**32,514,495**	635,000
At December 31	**32,921,995**	635,000
Allowance for Impairment		
At January 1	**0**	0
Addition	**1,100,000**	0
Disposal	**0**	0
At December 31	**0**	0
Net book value, December 31	**31,821,995**	635,000

Valuations were conducted by both in-house and third-party appraisers on the basis of information on the prevailing market value of similar properties and taking into account the economic conditions prevailing at the time the valuation were made.

13. OTHER ASSETS

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

As at December 31, 2024

	Due within 1 year	Due beyond 1 year	Total
Prepaid Expense	**10,652,953**	**0**	**10,652,953**
Prepaid Income Tax (Note 24)	**16,209,351**	**0**	**16,209,351**
Creditable Withholding Taxes	**13,652,060**	**0**	**13,652,060**
Security and Utility Deposits	**0**	**1,210,485**	**1,210,485**
Stationeries and Supplies – Unissued	**1,010,501**	**0**	**1,010,501**
Intangibles	**163,313**	**779,751**	**943,064**
Other Investments	**0**	**16,000**	**16,000**
Other Assets	**0**	**306**	**306**
	41,688,178	**2,006,542**	**43,694,720**

As at December 31, 2023

	Due within 1 year	Due beyond 1 year	Total
Prepaid Expense	16,487,997	0	16,487,997
Prepaid Income Tax (Note 24)	29,945,250	0	29,945,250
Creditable Withholding Taxes	8,807,213	0	8,807,213
Security and Utility Deposits	0	1,210,485	1,210,485
Stationeries and Supplies – Unissued	1,036,343	0	1,036,343
Intangibles	0	881,796	881,796
Other Investments	0	16,000	16,000
Other Assets	0	306	306
	56,276,803	2,108,587	58,385,390

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

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

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

	2024	2023
Cost		
At January 1	**5,386,128**	4,464,119
Additions	**443,520**	922,009
At December 31	**5,829,648**	5,386,128
Accumulated Amortization		
At January 1	**4,504,332**	4,244,378
Amortization for the year	**382,252**	259,954
At December 31	**4,886,584**	4,504,332
Net book value, December 31	**943,064**	881,796

LLFC recognized amortization charges in the amount of P382,251 and P259,954 in 2024 and 2023, respectively, as shown in Note 11, details of the General and Administrative Expense sections in the statements of comprehensive income.

14. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

Changes in the allowance for probable losses are as follows:

	2024	2023
At January 1		
Finance Lease Receivables	**220,708,441**	159,877,419
Loans and Receivables - Others	**462,949,697**	492,440,066
Other Receivables	**9,186,830**	9,148,856
Investment Properties	**0**	1,100,000
Property and Equipment	**0**	121,910
Non-current Asset Held for Sale	**1,100,000**	0
	693,944,968	662,688,251
Provisions for the Year	**41,956,762**	48,362,178
Write-Offs	**0**	0
Disposal	**0**	(529,211)
Accounts Charged-Off/Other Adjustments (Note 8)	**(13,679,961)**	(17,676,250)
At December 31	**722,221,769**	692,844,968

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

	2024	2023
Finance Lease Receivables	198,220,311	220,708,441
Loans and Receivables - Others	515,214,544	462,949,697
Other Receivables	7,686,914	9,186,830
Non-current Asset Held for Sale	1,100,000	
	722,221,769	692,844,968

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

15. FINANCIAL LIABILITIES

This account consists of:

	2024	2023
Bills Payable	**4,127,684,667**	3,371,127,833
Accounts Payable – Trade	**125,528,546**	101,786,811
Accrued Interest Payable	**23,391,787**	22,660,136
Lease Liability	**1,038,652**	0
At December 31	**4,277,643,652**	3,495,574,780

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

As at December 31, 2024

	Due within 1 year	**Due beyond 1 year**	**Total**
Bills Payable	**2,978,018,000**	**1,149,666,667**	**4,127,684,667**
Accounts Payable – Trade	**125,528,546**	**0**	**125,528,546**
Accrued Interest Payable	**23,391,787**	**0**	**23,391,787**
Lease Liability	**1,038,652**		**1,038,652**
	3,127,976,985	**1,149,666,667**	**4,277,643,652**

As at December 31, 2023

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

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

Interest rates on bills payable range from 5.75 to 7.75 per cent in 2024 and 5.00 to 7.25 per cent in 2023.

Bills payable are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as of December 31, 2024 and 2023 are partially secured with terms of original maturity ranging from 30 days to 18 years. Interest expense on borrowings amounted to P240,338,502 and P187,855,740 for the years ending December 31, 2024 and 2023, respectively, as stated in the Statements of Comprehensive Income. Documentary stamp used for the borrowings amounted to P25,957,067 and P20,806,608 for the years ending December 31, 2024 and 2023, respectively, as stated in the Statements of Comprehensive Income.

Total interest expense as presented in the statements of comprehensive income, is net of P28,544,665 in 2024 and P20,675,665 in 2023 representing finance charges on borrowings used to finance the construction of a property lease facility, which were capitalized as EOPL in accordance with the provisions of PAS 23 on Borrowing Costs (Note 10). The total interest expense is also inclusive of P0.171 million interest on lease liability computed based on borrowing rate of 7.80%.

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

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

LLFC recognizes lease liabilities measured at the present value of monthly lease payments of P0.151 million to be made over the lease term of two (2) years which commenced on November 1, 2023 and will end on October 31, 2025. The advance rental of P.453 million to be applied on the last three months of the lease term is not considered in the computation.

16. INTER-AGENCY PAYABLES

This account consists of:

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

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

17. OTHER PAYABLES

This account consists of:

	2024	2023
Accounts payable – Others	**39,449,532**	7,164,725
Accrued expenses – Others	**43,916,246**	64,561,298
Miscellaneous Liabilities	**48,795, 804**	33,576, 171
	132,161,582	105,302,194

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

Accrued expenses – others include costs of security, messengerial, and janitorial services amounting to P17,296,222 and P34,577,264 in 2024 and 2023, respectively, payable to a service corporation and monetary value of employees' leave credits amounting to P11,193,834 and P11,125,288 in 2024 and 2023, respectively. In addition, it also includes the accruals of rent of 14th floor amounting to P0.146 million based on computation in accordance with PFRS 16 on leases.

Miscellaneous liabilities represent advance payments received from various clients that will be applied against insurance, notarial, documentary stamps, appraisal fees, registration and mortgage fees.

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

18. EQUITY

(a) Capital Stock

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

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

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

(b) Retained earnings

<u>Dividend declaration</u>

In compliance with Republic Act No. 7656 requiring the GOCCs to declare and remit dividends to the National Government (NG) of at least 50 per cent of their annual earnings, the Board of Directors of LLFC approved the declaration of cash dividends to the NG through a Resolution No. 23-078 dated April 25, 2024 amounting to P87,545,125 or P1.803 per share on the 48,555,254 common stocks held by all stockholders as of date of record, December 31, 2023. The amount remitted to the NG constitute 75 per cent of the annual earnings as mandated by the Department of Finance.

The Board of Directors of LLFC also approved the declaration of cash dividends to the NG through a resolution dated April 26, 2023, amounting to P54,474,140 or P1.1219 per share on the 48,555,254 common stocks held by all stockholders of date of record, December 31, 2022.

Appropriation of retained earnings

On December 10, 2024, the Board of Directors of LLFC through its Resolution No. 24-255, approved the appropriation of retained earnings amounting to P700,000,000 for the business expansion. The business expansion will be used in the planned merger with UCPB Leasing and Finance Corporation (ULFC) which is expected to materialize by 2025.

This will also be used for the financing requirements for several property lease projects for offices of various government agencies, one of which is already on-going while several others are in negotiation stage.

Retained earnings-unappropriated

On December 10, 2024, the Board of Directors of LLFC through its Resolution No. 24-255, approved the appropriation of retained earnings amounting to P700,000,000 for the business expansion. This resulted in a decrease of retained earnings unappropriated by P100,000,000 and a remaining retained earnings-unappropriated of P295,960,055.

(c) Accumulated Other Comprehensive Gains/(Losses)

	Remeasurement on Retirement Benefit Obligation
Balance, January 1, 2023	**(9,702,889)**
Add/(Deduct):Transactions during the year	(3,408,183)
Balance, December 31, 2023	**(13,111,072)**
Add/(Deduct): Transactions during the year	8,618,912
Balance, December 31, 2024	**(4,492,160)**

19. OTHER INCOME

This account is composed of:

	2024	2023
Fleet management service chauffeuring fees (Note 23)	**2,256,888**	33,200,503
Fleet management service fees (Note 23)	**530,400**	4,113,600
Profit/(Loss) from Assets Sold/Exchanged	**759,232**	2,141,391
Gain on sale of equipment and other properties for lease (Note 10)	**713,666**	8,350,498
Gain on exchange of non-financial asset (Note 9, 11)	**4,044,162**	10,544,436
Recovery from charged-off assets	**0**	0
Miscellaneous Income	**6,014,733**	23,580,634
	14,319,081	81,931,062

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

Miscellaneous income pertains to penalties and surcharges paid by clients.

20. OTHER MAINTENANCE AND OPERATING EXPENSES

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

	2024	2023
Litigation/assets acquired expenses	**11,309,986**	11,300,403
Security, messengerial, janitorial and contractual services	**5,110,601**	4,220,111
Representation and entertainment	**5,097,739**	4,710,380
Transportation and travelling	**4,943,783**	4,516,322
Information technology	**3,627,769**	3,219,427
Stationeries and supplies used	**2,397,659**	288,498
Rent (Note 21)	**307,500**	1,740,575
Advertising and publicity	**1,828,077**	838,222
Management and other professional fees	**1,724,655**	747,449
Power, light and water	**1,560,000**	1,404,583
Membership fees and dues	**1,515,447**	1,093,304
Postage, cables, telephone and telegram	**1,398,780**	1,060,591
Repairs and maintenance	**1,326,149**	1,798,763
Fuels and lubricants	**1,258,819**	1,237,274
Data processing charges	**419,131**	98,413
Bank charges	**43,592**	34,521
Periodicals and magazines	**5,000**	5,000
Fines, penalties and other charges	**0**	3,281
Miscellaneous expenses	**2,454,932**	3,359,028
	46,329,619	41,676,145

21. LEASE COMMITMENTS AND DEPOSIT ON LEASE CONTRACT

LLFC has the following lease commitments:

<u>Corporation as lessor</u>

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

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

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

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

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

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

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

The Deposit on Lease Contract presented above is inclusive of Deposit on Lease Contract of P17.919 million for 2024 which is not considered as part of the computation of the Total Net Portfolio since there is not enough receivables balance to the applicable contract to apply the same. LLFC is finalizing the action plan to close the balance in coordination with LBP.

Operating lease commitments

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

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

<u>Corporation as lessee</u>

Short-term and leases of low-value assets

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

In November 2023, LLFC entered into an operating lease agreement with a private entity for an office space (349.44 sqm) and 3 parking spaces located at Sycip Law Centre. This serves as additional space for both LLFC and ULFC, which is in anticipation of the merger. The aggregate monthly rental rate amounted to P308,649.60.

Rental fees paid to the lessors for the years ended December 2024 and 2023 totalled P307,500 and P1,740,575 (Note 20), respectively.

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

22. PERSONNEL SERVICES

(a) Compensation and employee benefits

Expenses recognized for compensation and employee benefits are presented below:

	2024	2023
Salaries and wages	**44,343,755**	45,000,673
Bonuses	**7,821,864**	8,263,142
Social security cost	**5,923,953**	3,888,463
Directors' remuneration	**4,359,000**	3,918,000
Retirement benefit cost	**6,155,896**	4,780,439
Other benefits	**3,461,969**	3,055,356
	72,066,437	68,906,073

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

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

	2024	2023
Direct expense – marketing operation	**23,241,603**	26,110,411
General and administrative expense	**48,824,834**	42,795,662
	72,066,437	68,906,073

(b) Retirement benefits

(i) Characteristics and funding

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

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

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

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

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

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

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

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

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

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

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

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

  LLFC's retirement plan is exposed to the following risks:

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

(ii) Actuarial assumptions

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

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation are as of December 31, 2024.

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

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

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

	2024	2023
Discount rate	**6.09%**	6.07%
Expected rate of return on plan assets	**6.09%**	6.07%
Salary projection rate	**9.00%**	9.00%
Mortality rate	**2017 Philippine Intercompany Mortality Table**	2017 Philippine Intercompany Mortality Table
Disability rate	**The Disability Study, Period 2 Benefit 5 (Society of Actuaries)**	The Disability Study, Period 2 Benefit 5 (Society of Actuaries)
Normal retirement age	**60**	60
Projected retirement credit	**22.5 days' pay per year of service**	22.5 days' pay per year of service
Actuarial cost method	**Projected unit credit method**	Projected unit credit method
Manner of benefit payment	**Lump sum**	Lump sum
Withdrawal rates		
19-24	**7.32%**	6.06%
25-29	**11.25%**	9.46%
30-34	**7.14%**	6.45%

	2024	2023
35-39	**4.00%**	3.42%
40-44	**6.36%**	7.52%
45-49	**3.63%**	3.50%
50-54	**0.00%**	0.00%
≥55	**4.20%**	5.05%

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

	2024	2023
Number of lives covered	**62**	63
Average age in years	**40.6**	41.0
Expected average remaining working lives of employees	**19.40**	19.00
Average years of past service	**9.1**	9.5
Annual covered payroll	**43,223,916**	43,254,084
Present value of defined benefit obligation (DBO)	**47,446,640**	49,499,486
Current service cost (CSC)	**4,547,989**	3,632,408
Fair value of plan assets	**26,164,632**	25,754,462
Deficit / (Surplus)	**21,282,008**	23,745,024
Contributions	**0**	0
Benefits paid from plan assets	**5,488,747**	910,379
Benefits paid from booked reserved	**0**	0
Settlements from plan assets	**0**	0
Settlements from booked reserved	**0**	0

As of December 31, 2024, the principal balance of the retirement fund stands at P21,282,008 and as compared to P23,745,024 as of December 31, 2023.

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

	Defined benefit obligation		Fair value of plan assets		Net defined liability	
	2024	2023	**2024**	2023	**2024**	2023
Balance, 1 January	**49,499,486**	40,338,607	**(25,754,462)**	(24,782,205)	**23,745,024**	15,556,402
Service cost – current	**4,547,989**	3,632,408	**0**	0	**4,547,989**	3,632,408
Interest cost (income)	**3,004,619**	2,892,278	**(1,396,712)**	(1,744,247)	**1,607,907**	1,148,031
Included in profit or loss	**7,552,608**	6,524,686	**(1,396,712)**	(1,744,247)	**6,155,896**	4,780,439
Employer Contribution	**0**	0	**0**	0	**0**	0
(a) Actuarial loss (gain) from:						
- Demographic assumptions	**22,469**	(676,743)	**0**	0	**22,469**	(676,743)
- Financial assumptions	**(88,455)**	4,390,939	**0**	0	**(88,455)**	4,390,939
- Experience adjustments	**(4,050,721)**	(167,624)	**0**	0	**(4,050,721)**	(167,624)
(b) Return on plan assets (excluding interest)	**0**	0	**(4,502,205)**	(138,389)	**(4,502,205)**	(138,389)

	Defined benefit obligation		Fair value of plan assets		Net defined liability	
Included in other comprehensive income	**(4,116,707)**	3,546,572	**(4,502,205)**	(138,389)	**(8,618,912)**	3,408,183
Benefits Paid	**(5,488,747)**	(910,379)	**5,488,747**	910,379	**0**	0
Balance, December 31	**47,446,640**	49,499,486	**(26,164,632)**	(25,754,462)	**21,282,008**	23,745,024

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

(iv) Allocation of Plan Assets

Cash and cash equivalents	22.33%
Debt instruments – Government Bonds	77.92%
Others (Market gains/losses, Accrued receivables, etc.)	-0.25%
	100.00%

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

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

Year	Amount
2025	4,094,694
2026	3,311,397
2027	11,162,107
2028	3,140,372
2029	5,700,871
2030 – 2034	24,109,078

23. RELATED PARTY TRANSACTIONS

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

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

	2024	2023
Finance Lease Receivables - LBP	**2,949,201**	3,622,425
Due from Parent Bank	**1,907,253**	2,894,426
	4,856,454	6,516,851

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

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

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

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

a) Bills payable and Interest and Financing Charges

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

(b) Finance Lease Income

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

(c) Operating Lease Income

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

(d) Fleet Management Services

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

(e) Other Related Party Transactions

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

The key management personnel compensations are as follows:

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

24. INCOME TAX EXPENSE

The income tax expense consists of:

	2024	2023
Current	**41,091,828**	38,817,639
Deferred	**(10,489,191)**	(7,539,179)
	30,602,637	31,278,460

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

	2024	2023
Net income before income tax	**85,317,985**	101,476,250
Add:		
General and administrative expenses	**146,693,579**	127,163,676
Gross income	**232,011,564**	228,639,926
Less: Optional Standard Deduction (40% of the total of gross income and net amount of non-deductible and non-taxable expenses amounting to P28,253,994 in 2024 and P30,160,845 in 2023)	**109,578,208**	103,513,704
Net income subject to income tax	**122,433,356**	125,126,222
Income tax computed at statutory tax rate of 25%	**39,608,339**	31,281,556
Tax effect of:		
Interest income subject to final tax	**(7,603)**	(4,128)
Interest in arbitrage	**1,901**	1,032
Income tax expense	**30,602,637**	31,278,460

Prepaid Income tax, after deducting creditable withholding taxes and quarterly income tax payments, amounts to P16,209,351 and P29,945,250 as at December 31, 2024 and 2023, respectively, as shown in Note 13, respectively.

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

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

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

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

MCIT computed at 1.50 per cent and one per cent of gross profit amounted to P4,109,183 and P3,890,284 in 2024 and 2023, respectively.

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

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

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

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

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

	2024			2023		
	Due within 1 year	**Due beyond 1 year**	**Total**	Due within 1 year	Due beyond 1 year	Total
Financial assets						
Cash and cash equivalents	**108,600,278**	**0**	**108,600,278**	36,466,014	0	36,466,014
Financial Assets at Amortised Cost	**1,878,469,400**	**4,959,744,716**	**6,838,214,116**	1,836,506,688	4,167,021,726	6,003,528,414
	1,987,069,678	**4,959,744,716**	**6,946,814,394**	1,872,972,702	4,167,021,726	6,039,994,428
Non-financial assets						
Investment properties	**0**	**11,704,000**	**11,704,000**	0	30,206,300	30,206,300
Equipment and other property for lease, net	**0**	**742,561,834**	**742,561,834**	0	525,158,271	525,158,271
Property and equipment , net	**0**	**32,526,444**	**32,526,444**	0	30,039,237	30,039,237
Non-Current Asset Held for Sale	**0**	**31,821,995**	**31,821,995**	0	635,000	635,000
Other assets	**43,740,171**	**2,006,542**	**45,746,713**	56,276,803	2,108,587	58,385,390
	43,740,171	**820,620,815**	**864,360,986**	56,276,803	588,147,395	644,424,198
Total assets	2,030,809,849	5,780,365,531	7,811,175,380	1,929,249,505	4,755,169,121	6,684,418,626
Financial liabilities						
Bills payable	**2,978,018,000**	**1,149,666,667**	**4,127,684,667**	2,290,461,166	1,080,666,667	3,371,127,833
Accounts Payable – Trade	**125,528,546**	**0**	**125,528,546**	101,786,811	0	101,786,811
Accrued interest payable	**23,391,787**	**0**	**23,391,787**	22,660,136	0	22,660,136
Lease Liability	**1,038,652**		**1,038,652**	0	0	0
Other payables	**132,161,582**	**0**	**132,161,582**	105,302,194	0	105,302,194
Deposits on lease contracts	**208,652,059**	**1,024,129,877**	**1,232,781,936**	271,957,636	640,665,051	912,622,687
Inter-agency payable	**20,539,323**	**0**	**20,539,323**	15,935,801	0	15,935,801
Retirement liability	**0**	**21,282,008**	**21,282,008**	0	23,745,024	23,745,024
Total Liabilities	**3,489,329,949**	**2,195,078,552**	**5,684,408,501**	2,808,103,744	1,745,076,742	4,553,180,486

26. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

LLFC has not set-off financial instruments in 2024 and 2023 and does not have offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party of the lease agreement will have the option to settle such amount on a net basis in the event of default of the other party. As such, LLFC's lease contract receivables from the lessees amounting to P3,316,718,677 and P2,527,234,331 as of December 31, 2024 and 2023, respectively, can be offset by the amount of lease deposits amounting to P1,221,674,736 and P901,515,487 as of December 31, 2024 and 2023 (Note 21), respectively. The balance of lease contract receivables net of lease deposit amounted to P2,095,043,941 and P1,625,718,844 as of December 31, 2024 and 2023, respectively.

27. EARNINGS PER SHARE

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

	2024	2023
Net income after tax	**54,715,348**	70,197,790
Weighted average number of outstanding shares (Note 18a)	**48,555,253**	48,555,253
Basic Earnings Per Share	**1.13**	1.45

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

28. CONTINGENCIES

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

29. EVENTS AFTER THE REPORTING DATE

Cash Dividend Declaration

On April 24, 2025, the Board of Directors of LLFC, through its Resolution No. 25-103, approved the declaration of cash dividends amounting to P87,933,567 or P1.811 per share on the 48,555,254 common stocks held by all stockholders as of date of record, December 31, 2024. For the year 2024, the dividend remittance amounted to 75 per cent of the net earnings of the year as mandated by the Department of Finance. The dividend was remitted to the National Government on May 15, 2025.

Merger with ULFC

The merger of LLFC and UCPB Leasing and Finance Corporation was approved by the Securities and Exchange Commission (SEC) effective 28 February 2025. The SEC released the Certificate of the Filing of Articles and Plan of Merger, Certificate of Increase in Capital Stock, Certificate of Filing of Amended Articles of Incorporation and Certificate of Filing of Amended By-Laws which gave effect to the legal merger of the two leasing companies. The transition and integration activities are on-going. The SEC approval came after the issuance of Executive Order 65 s. 2024 Approving the Merger of LLFC and ULFC with LLFC as the Surviving Entity by the Office of the President on 08 August 2024.

30. SUPPLEMENTARY INFORMATION ON REVENUE REGULATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Sales/Receipts/Fees

	Taxable Amount under Regular Rate
Sale of services	672,714,149
Lease of Properties	0
	672,714,149

2. Cost of Sales/Services

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

3. Non-Operating and Taxable Other Income

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

4. Optional Standard Deduction (OSD)

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

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

5. Taxes and Licenses

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

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

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

31. OTHER SUPPLEMENTARY INFORMATION

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

	2024	2023
Current ratio	**0.50**	0.60
Acid test ratio	**0.49**	0.58
Solvency ratio	**0.02**	0.03
Debt to equity ratio	**3.58**	2.83
Asset to equity ratio	**4.58**	3.83
Interest rate coverage ratio	**1.35**	1.54
Return on equity	**3.42**	4.37
Return on assets	**0.81**	1.21
Net profit margin	**7.96**	10.34

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

	2024	2023
Return on average equity	**3.42**	4.37
Return on average assets	**0.81**	1.21
Net profit margin	**7.96**	10.34

32. SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION

	2024	2023
Total Audit Fees *(Section 2.1a)1*	**910,330**	**336,083**
Non-audit services fees:		
Other assurance services	**0**	0
Tax services	**0**	0
All other services	**0**	0
Total Non-audit Fees *(Section 2.1b)2*	**0**	0
Total Audit and Non-audit Fees	**910,330**	**336,083**

Audit and Non-audit fees of other related entities *(Section 2.1c)3*

	2024	2023
Audit fees	**0**	0
Non-audit Services Fees	**0**	0
Other assurance services	**0**	0
Tax services	**0**	0
All other services	**0**	0
Total Audit and Non-audit Fees of other relates entities	**0**	**0**

OBSERVATIONS AND RECOMMENDATIONS

NON-FINANCIAL ISSUES

1. **Deficiencies were noted in the procurement, namely: a) Ongoing and completed PAPs totaling P17.050 million were included in the APP but were not reported in the PMR, b) PAPs amounting to P28,501 were reported in the PMR but were not part of the APP and without supplemental APP, and c) PPMPs to support the APP were not prepared, contrary to relevant provisions of the 2016 RIRR of RA No. 9184.**

a) **Ongoing and completed PAPs totaling P17.050 million were included in the APP but were not reported in the PMR, contrary to Section 12.2 of the 2016 RIRR of RA No. 9184.**

1.1 Section 12.2 of the 2016 RIRR of RA No. 9184, on preparation of the PMR as one of the functions of the BAC, provides:

> The BAC shall be responsible for ensuring that the Procuring Entity [PE] abides by the standards set forth by the Act and this IRR, and it shall prepare a Procurement Monitoring Report (PMR) in the form prescribed by the GPPB. The PMR shall cover all procurement activities specified in the APP, whether ongoing and completed, from the holding of the pre-procurement conference to the issuance of notice of award and the approval of the contract, including the standard and actual time for each major procurement activity. The PMR shall be approved and submitted by the HoPE to the GPPB in electronic format within fourteen (14) calendar days after the end of each semester. The PMR shall likewise be posted in accordance with E.O. 662, s. 2007, as amended.

1.1 In 2020, the Government Procurement Policy Board (GPPB) -Technical Support Office, through its Performance Monitoring Division, reviewed the existing forms used in the procurement activities, namely the PPMP, APP, and PMR (collectively referred here as “Procurement Reports”) to ensure that said reports will, serve as an effective planning and monitoring tools, be responsive to the needs of PEs, and be a reliable data source for the national procurement statistics to be used for policy recommendations to the GPPB.

1.2 Review of APP and supplemental APP disclosed projects totaling P17,050,000 that are not included in PMRs for the 1st and 2nd Semesters of CY 2024, contrary to Section 12.2 of the 2016 RIRR of RA No. 9184, which requires that the PMR shall report all procurement activities listed in the APP, whether ongoing and completed. The details are as follows:

Annual Procurement Plan for FY 2024				
Code (PAP)	**Procurement Project**	**Mode of Procurement**	**Estimated Budget (PhP)**	**Status**
LLFC-MOOE-2024-011	Security Awareness/ ICT Training	NP-53.9 - Small Value Procurement	70,000	Completed

Annual Procurement Plan for FY 2024				
Code (PAP)	**Procurement Project**	**Mode of Procurement**	**Estimated Budget (PhP)**	**Status**
LLFC-MOOE-2024-020	Cloud computing platform subscription	Direct Contracting	900,000	Ongoing
LLFC-MOOE-2024-026	Communications	NP-53.9 - Small Value Procurement	2,400,000	Completed
LLFC-MOOE-2024-028	Water	Direct Contracting	360,000	Completed
LLFC-MOOE-2024-029	Electricity	Direct Contracting	2,400,000	Completed
LLFC-MOOE-2024-030	Fuel	NP-53.14 Direct Retail Purchase	1,200,000	Completed
LLFC-MOOE-2024-042	Share in the Upgrade of SyCip Building	Direct Contracting	2,500,000	Completed
LLFC-MOOE-2024-043	Training of Personnel	NP-53.9 - Small Value Procurement	2,500,000	Completed
LLFC-MOOE-2024-044	Pre-employment Testing	NP-53.9 - Small Value Procurement	100,000	Completed
LLFC-MOOE-2024-045	Cost of Medical Exams for Applicants	NP-53.9 - Small Value Procurement	40,000	Completed
LLFC-MOOE-2024-046	Cost of Background Investigation	NP-53.9 - Small Value Procurement	60,000	Completed
LLFC-MOOE-2024-049	Cost of RFID	Direct Contracting	200,000	Completed
Supplemental Annual Procurement Plan for FY 2024 as of 1st Semester				
LLFC-MOOE-2024-050	Airline Tickets	NP-53.14 Direct Retail Purchase	4,320,000	Completed
TOTAL			**17,050,000**	

Table 1- PAPs that were not reported in the PMR

1.3 Likewise, it was noted that the PAP codes used in the PMR do not correspond with those in the APP. The inconsistencies made it difficult to confirm whether the projects in the PMR are duly approved and included in the APP. In some instances, a single project in the APP appears to have been divided into multiple PAP codes in the PMR, which further complicated tracing and alignment between the APP and the PMR.

1.4 Management informed that an internal monitoring tool is used to track the procurement activities, which includes projects not reported in the PMR. Although, it contains information on the procurement activities, its form is not the prescribed procurement report by GPPB. Thus, all planned procurement for the year, and their status by the end of the semesters, whether completed or on-going should be included in PMR, the prescribed procurement report for the submissions to GPPB and posted.

b) **PAPs amounting to P28,501 were reported in the PMR but were not part of the APP and without supplemental APP, contrary to Section 7.2 of the 2016 RIRR of RA No. 9184.**

1.5 Section 7.2 of Rule 2 of RA No. 9184, on procurement planning and budgeting linkage, provides:

> 7.2 No procurement shall be undertaken unless it is in accordance with the approved APP, including approved changes thereto. The APP must be consistent with the duly approved yearly budget of the Procuring Entity and shall bear the approval of the HoPE or second-ranking official designated by the HoPE to act on his behalf.

1.6 It was further noted that three completed projects with a total contract cost of P28,501 as reported in the PMR were not supported by an approved APP, contrary to Section 7.2 of the RA No. 9184, which requires that no procurement shall be undertaken unless it is in accordance with the approved APP, including approved changes thereto. Details are as follows:

Code (PAP)	Procurement Project	Mode of Procurement	Approved Budget for the Contract	Contract Cost	Status
			Total (Php)		
LLFC-MOOE-2024-008	Cofeemaker & Cofee / Water Boiler	NP-53.9 - Small Value Procurement	**6,572.20**	**6,572.20**	Completed
LLFC-MOOE-2024-009	One (1) unit Microwave	NP-53.9 - Small Value Procurement	**10,000.00**	**10,000.00**	Completed
LLFC-MOOE-2024-052	Subscription to Envato Elements	NP-53.9 - Small Value Procurement	**11,928.99**	**11,928.99**	Completed
TOTAL			**28,501.19**	**28,501.19**	

Table 2 – Completed PAPs not supported by an APP

c) **PPMPs to support the APP were not prepared, contrary to Section 7.3.2 of the 2016 RIRR of RA No. 9184.**

> 7.3.2 In the preparation of the indicative APP, the end-user or implementing units of the Procuring Entity shall formulate their respective Project Procurement Management Plans (PPMPs) for their different programs, activities, and projects (PAPs).

1.7 The PPMP is a planning tool containing the list of projects and/or requirements including corresponding estimated budgetary requirements of each end-user unit. It is used for resource and financial management, allowing PEs the flexibility to optimize the utilization of scarce resources. Well-planned procurement will significantly minimize the practice of doing short-cuts to ensure that the PE is able to purchase its requirements for the delivery of public services.

1.8 It was confirmed that the APP was not supported by PPMPs, contrary to Section 7.3.2 of the RIRR of RA No. 9184. Management acknowledged that the preparation of the PPMP is not part of LLFC’s process in the preparation of APP. It must be emphasized that PPMP is a procurement report to support the APP, and non-preparation of PPMP can lead to various negative consequences such as project delays, budget overruns, and difficulty in monitoring and evaluation.

1.9 Management informed that the BAC Secretariat is only familiar with the projects, which contributed to the identification of the previous projects that were not reported in the PMR and also, relatively new to the role and has not yet fully acquired familiarity with the required reporting standards and proper documentation procedures for procurement activities. Moreover, during the turnover of the handling of APP, the requirement for a PPMP as a basis for its preparation was not properly communicated.

1.10 In view of the foregoing, the procurements that are not in accordance with RA No. 9184 and its RIRR are not in line with the Government's commitment to good governance and its effort to adhere to the principle of transparency, accountability, equity, efficiency, and economy in the procurement process**.**

1.11 **We recommended and Management agreed that:**

a. The internal monitoring tool currently used by the BAC Secretariat be reviewed, enhanced, and aligned with the prescribed form and process under existing procurement guidelines to ensure completeness, accuracy, and consistency in the preparation of the APP and PMR;

b. The BAC Secretariat be provided with formal training on RA No. 9184, also known as the Government Procurement Reform Act, to update and capacitate the BAC Secretariat on the act's provisions and the revised implementing rules and regulations; and

c. Henceforth, through the BAC Secretariat, to:

i. Report in the PMR all procurement included in the APP and its supplemental;

ii. Undertake procurement only in accordance with the approved APP and changes thereto;

iii. Prepare PPMPs to support the APP; and

iv. Adopt a uniform and consistent coding system for PAPs across all procurement-related documents, particularly the APP and PMR.

Gender and Development (GAD)

2. LLFC is compliant with Philippine Commission on Women Memorandum Circular No. 2023-02 dated September 11, 2023 on the preparation and submission of FY 2024 GAD Plan and Budget, as well as the required GAD Budget of at least five per cent of the Corporation’s total budget.

Compliance with Tax Laws

3. The taxes withheld in 2024 from the compensation and benefits of LLFC personnel and those withheld from suppliers amounting to P5.455 million and P52.701 million, respectively, as disclosed in Note 30 to the Financial Statements, were remitted to the Bureau of Internal Revenue within the reglementary period.

GSIS Contributions and Remittances

4. In 2024, LLFC complied with RA No. 8291 on the collection and remittance of contributions to GSIS as follows:

a. Mandatory monthly contribution of covered employees and employer in accordance with Section 5; and

b. Remittance of employees' and employer's contributions and employees' compensation premium within the due date pursuant to Section 6.

Philhealth and Pag-ibig Fund Premiums

5. In 2024, LLFC complied with Title III Rule III, Section 18 of the Implementing Rules and Regulations (IRR) of RA No. 7875, as amended, in the payment of national health insurance premium contributions to the Philhealth.

5.1 LLFC also complied with Rule VII, Section 3 of the IRR of RA No. 9679 in the collection and remittance of contributions to the Pag-ibig Fund in 2024.

Status of Disallowances, Suspensions and Charges

6. The balance of disallowances as of December 31, 2024 pertains to Notice of Disallowance No. LBP-Subs. 2008-015 (2002-2003) dated August 11, 2008 amounting to P5,133,830.02, in which P 756,000 pertains to LLFC Officers/Board of Directors, issued for the payment of additional allowances and benefits to LBP Officials acting as Officers/Board of Directors of LLFC. The disallowance was affirmed under COA Decision No. 2012-018 dated February 16, 2012. A Motion for Reconsideration filed by LBP with COA on March 19, 2012 was denied by the Commission through its Resolution dated April 4, 2014 for lack of merit. Subsequently, the Legal Services Group, LBP, filed a Petition for Certiorari to the Supreme Court on August 4, 2014 on the subject COA Resolution.

6.1 On October 5, 2021, LBP received the Supreme Court Notice of Judgment with the Decision where the Petition for Certiorari filed by LBP and LIBI, LBRDC, LLFC, MSI and LCDFI (collectively referred to as the "Subsidiaries") was DISMISSED. Further, Supreme Court En Banc Resolution dated April 5, 2022 denied with finality Petitioners' Motion for Reconsideration of the SC Decision dated October 5, 2021 for Petitioners' failure to raise any substantial argument in support thereof. The said Decision affirmed with modification COA Decision No. 2012-018 dated February 16, 2012, thereby holding the members of the LBP Subsidiaries' Board of Directors (BODs) solidarily liable for the return of the disallowed amount under ND No. LBP-Subs. 2008-015 (2002-2003) dated August 11, 2008, relative to the payment of additional allowances and benefits to LBP officials acting as officers/members of the BODs of LBP Subsidiaries, amounting to P5,133,830.02, while the payees are individually liable to return of the disallowed amounts they respectively received.

6.2 There are no balances of suspensions and charges as of December 31, 2024.

STATUS OF IMPLEMENTATION OF PRIOR YEARS'

AUDIT RECOMMENDATIONS

The three audit recommendations embodied in CYs 2022 and 2023 AARs were implemented in CY 2024.