Alas Oplas & Co., CPAs

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INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

We have audited the financial statements of **FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.** (the "Association") which comprise the statements of financial position as of December 31, 2024 and 2025, and the statements of comprehensive income, statements of changes in members' equity and statements of cash flows for the years then ended, and notes to financial statements, including material accounting policies and other explanatory information.

In our opinion, except for the effect on the financial statements of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Qualified Opinion

As disclosed in Note 2 to the financial statements, the Association did not adopt PFRS 9, Financial Instruments, which provides new guidelines in the classification and measurement of financial instruments and introduces a forward-looking expected credit loss (ECL) model on impairment of debt financial assets not classified as at fair value through profit or loss and loan commitments and financial guarantee contracts. As of December 31, 2025 and 2024, for impairment, the Association adopted the provisions of Appendix S-8 of Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) that provides guidelines for provisioning based on number of days past due, collaterals, and type of loan, which are inconsistent with the requirements of the standard. As a result, any adjustments related to surplus, allowance for credit losses and related deferred tax assets as of December 31, 2025 and 2024 have not been determined due to certain limitations.

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

BKR INTERNATIONAL | INDEPENDENT MEMBER

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.

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

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

Alas Oplas & Co., CPAs

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Information Required under BSP Circular No. 1075 in Note 31, Revenue Regulations Nos. 15-2010 on taxes, duties and license fees paid or accrued during the taxable year in Note 30 to the financial statements, are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of **FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-000-2024, issued on January 5, 2024; effective until January 4, 2027
SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period
TIN 002-013-406-000

By:

RYAN A. SABUG
Partner
CPA License No. 0111183
BOA Registration No. 0190/P-004, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-004-2026, issued on February 6, 2026; effective until February 5, 2029
SEC A.N. (Individual) 111183-SEC, Group A, issued on February 4, 2021; valid for 2020 to 2024 audit period (Extended until Audit Period 2025)
TIN 232-158-286-000
PTR No. 10767236, issued on January 5, 2026, Makati City

April 28, 2026
Makati City, Philippines

FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024
In Philippine Peso

	Notes	2025	2024
ASSETS			
Cash	8	**339,451,320**	303,179,668
Loans and other receivables – net	9	**2,224,787,612**	2,089,501,615
Property and equipment – net	10	**22,825,922**	25,515,706
Assets held for sale	11	**–**	2,062,000
Other assets	12	**2,620,900**	1,399,111
TOTAL ASSETS		**2,589,685,754**	2,421,658,100
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Deposit liabilities	13	**1,248,818,341**	1,155,074,868
Bills payable	14	**30,000,000**	–
Accrued and other payables	15	**55,022,002**	56,101,353
Retirement benefit obligation	19	**13,640,735**	13,640,735
Dividends payable	23	**32,669,000**	29,559,399
Income tax payable		**8,005**	953
Total Liabilities		**1,380,158,083**	1,254,377,308
MEMBERS' EQUITY			
Capital contribution	21	**796,963,842**	786,944,209
Surplus reserves	22	**100,247,127**	101,471,180
Surplus free	23	**312,316,702**	278,865,403
Total Members' Equity		**1,209,527,671**	1,167,280,792
TOTAL LIABILITIES AND MEMBERS' EQUITY		**2,589,685,754**	2,421,658,100

See Notes to Financial Statements.

FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
In Philippine Peso

	Notes	2025	2024
INTEREST INCOME			
Loans receivable	9	**242,744,547**	237,564,061
Bank deposits	8	**8,934,584**	5,692,168
		251,679,131	243,256,229
INTEREST EXPENSE			
Deposit liabilities	13	**(48,141,581)**	(47,730,014)
Bills payable	14	**(531,250)**	–
		(48,672,831)	(47,730,014)
NET INTEREST INCOME		**203,006,300**	195,526,215
REVERSAL OF (PROVISION FOR) CREDIT LOSSES	9	**693,985**	(5,574,594)
NET INTEREST INCOME AFTER PROVISION		**203,700,285**	189,951,621
OTHER INCOME	17	**65,980,471**	56,878,178
		269,680,756	246,829,799
OPERATING EXPENSES	18	**(115,889,951)**	(110,954,896)
INCOME BEFORE TAX		**153,790,805**	135,874,903
INCOME TAX EXPENSE	20	**(259,505)**	(43,261)
INCOME FOR THE YEAR		**153,531,300**	135,831,642
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME		**153,531,300**	135,831,642

See Notes to Financial Statements.

FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
In Philippine Peso

	Capital contribution (Note 21)	Surplus reserves (Note 22)	Surplus free (Note 23)	Total members' equity
Balance at December 31, 2023	**797,238,516**	**101,299,585**	**265,052,394**	1,163,590,495
Additional capital contributions	156,528,927	–	–	156,528,927
Withdrawal of capital contribution	(166,823,234)	–	–	(166,823,234)
Appropriation	–	171,595	(171,595)	–
Interest and dividends earned by terminated/deceased members	–	–	853,949	853,949
Dividend declaration (Note 23)	–	–	(122,700,987)	(122,700,987)
Profit	–	–	135,831,642	135,831,642
Balance at December 31, 2024	**786,944,209**	**101,471,180**	**278,865,403**	**1,167,280,792**
Additional capital contributions	177,720,251	–	–	177,720,251
Withdrawal of capital contribution	(167,700,618)	–	–	(167,700,618)
Reversal of appropriations	–	(1,224,053)	1,224,053	–
Interest and dividends earned by terminated/deceased members	–	–	(1,112,106)	(1,112,106)
Dividend declaration (Note 23)	–	–	(120,191,948)	(120,191,948)
Profit	–	–	153,531,300	153,531,300
Balance at December 31, 2025	**796,963,842**	**100,247,127**	**312,316,702**	**1,209,527,671**

See Notes to Financial Statements.

FERNANDO AIR BASE SAVINGS AND LOAN ASSOCIATION (FABSLAI), INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
In Philippine Peso

	Notes	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		**153,790,805**	135,874,903
Adjustments for:			
Interest income on bank deposits	8	**(8,934,584)**	(5,692,168)
Reversal of (provisions for) credit losses	9	**(693,985)**	5,574,594
Depreciation	10,18	**3,020,631**	2,524,979
Loss on disposal of property and equipment	10	**155,000**	–
Gain on disposal of assets held for sale	11	**(1,038,000)**	–
Interest expense on bills payable	14	**531,250**	–
Retirement benefit expense	18,19	**1,700,000**	1,700,000
Interest and dividends credited back		**–**	853,948
Operating cash flows before working capital changes		**148,531,117**	140,836,256
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans receivable		**(140,704,101)**	30,072,434
Advances to members		**6,424,428**	(17,410)
Other assets		**(1,221,788)**	1,118,853
Increase (decrease) in:			
Deposit liabilities		**93,743,473**	(40,155,129)
Accrued and other payables		**(2,503,797)**	(35,653,573)
Cash generated from operations		**104,269,332**	96,201,431
Interest received	8	**8,934,584**	5,692,168
Contribution to retirement fund	19	**(1,700,000)**	(1,700,000)
Interest paid		**(531,250)**	–
Income tax paid		**(252,453)**	(46,882)
Net cash generated from operating activities		**110,720,213**	100,146,717
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	10	**(1,085,847)**	(3,751,692)
Proceeds from sale of property and equipment	10	**600,000**	–
Proceeds from sale of assets held for sale	11	**3,100,000**	–
Net cash provided by (used in) investing activities		**2,614,153**	(3,751,692)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of bills payable	14	**30,000,000**	–
Additional capital contribution	21	**177,720,251**	156,528,927
Withdrawal of capital contribution	21	**(167,700,618)**	(166,823,234)
Dividends paid	23	**(117,082,347)**	(120,326,969)
Net cash used in financing activities		**(77,062,714)**	(130,621,276)
NET INCREASE (DECREASE) IN CASH		**36,271,652**	(34,226,251)
CASH AT BEGINNING OF YEAR		**303,179,668**	337,405,919
CASH AT END OF YEAR	8	**339,451,320**	303,179,668

See Notes to Financial Statements.