ANNUAL REPORT 2022

LAGUNA
PRESTIGEBANK

Table of Contents

1. Corporate Policy

a. Vision - Mission Statements

Vision

- Laguna Prestige Bank to become the preferred financial partner of private individuals, start-up companies and existing small and medium enterprises.
- To be among the top Rural Banks in the industry offering a wide range of products and services
- To have a core of competent and dedicated employees who share the vision of the Bank and will contribute to the fulfillment of the Bank's mandate in the country's development.

Mission Statement

We at Prestige Bank pledge to stand by our mission statement in line with our goals.

P	romote and support agriculture, rural & SME enterprises and commerce by providing banking products to its clients.
R	**espond to the needs of clients and exceed their expectations to establish long lasting partnerships.**
E	**ncourage innovation to create effective solutions for the ever-changing business environment**
S	ustain the bank's low risk business model in accordance with its prudent and conservative tradition
T	**rain employees constantly to develop a competent workforce with professional orientation.**
I	**nstill integrity** and adhere to strong moral principles.
G	**enerate maximum returns to honor its commitment** in creating value to our shareholders
E	**nsure adherence to BSP regulations and of other regulatory agencies.**

Core Values

Professionalism	We are committed to devoting the best of our attention and abilities to properly discharge tasks, roles, and responsibilities assigned to us in Prestige Bank, continually upgrading our skills and knowledge keeping abreast with ongoing local and global developments, aiming a setting example of excellence to inspire others within and outside Prestige Bank

Transparency & Accountability	**We are committed to transparency and accountability to our stakeholders in discharge of our official decisions and actions**
Open-mindedness & Receptivity to new ideas	**We are committed to receptivity to new ideas and suggestions, within or outside the company, coming through vertical and lateral channels in setting and proactively pursuing our organizational objectives and goals.**
Teamwork	**We are committed to participatory, collaborative work in team relationships towards attainment of organizational objectives extending across business lines.**
Integrity	**We are committed to the highest standards of probity and integrity in our actions and decisions in Prestige Bank. We shall carefully avoid any abuse for personal gain of privileged information obtained in connection with official duties in Prestige Bank; we shall also carefully avoid conflicts of institutional interests of Prestige Bank with our own private interests.**

b. Valuing Clients

Laguna Prestige Bank has always been known for its outstanding customer service. Focusing on customer satisfaction is essential to retain existing patrons and attract potential clients. The very foundation of our relationship with our customers is built on trust. Thus, we continually strive to create a customer-centric culture that helps our customers meet their financial goals by rendering proactive and personalized service, while observing fair and responsible conduct in everything we do.

In managing feedback, we ensure that customers' evaluation, comments and suggestions that are placed in our survey forms are disseminated to management down to our front liners.

We have also adopted our own whistleblowing policy to encourage and enable employees to report an actual or suspected wrongdoing in the Bank

The Admin. department will continue to nurture the Bank's human capital through continuous seminars and trainings to ensure delivery of personal and proactive service aligned with the Bank's promise to our customers.

c. Business Model

Laguna Prestige Bank continues to practice a traditional banking business model. LPBRB generates funds by accepting deposits which, in turn, is made available to borrowers to fund their personal and business needs. Small and medium enterprises that need additional funds for capital, inventory build-up and business expansion make up the majority of the Bank's borrower profile. Aside from this, the Bank offers property acquisition loans, Agri/Agra loans, revolving credit line, consumer loans, teacher’s loans, and pension loans.

Over the years, the Bank has been maintaining a high liquidity position. HTM investments, such as retail treasury notes and corporate bonds as well as medium-term Time Deposits have also contributed to the Bank's income generation.

The Bank's business model, which relies heavily on interest income, has been challenged by the bigger banks as they have challenged the Rural Banking industry by offering low interest-bearing loan products as well as other bank-related products.

As part of the Bank's thrust to evolve and adapt to the changing times, LPBRB has added fee based products such as POS, Money Remittance, SSS payments and payouts as it sees the need to diversify in order to establish additional income streams. With the quick emergence of financial digitalization, the Bank is also keen on tapping innovative technologies being offered by several Fintech companies in order for the Bank to catch up with the new financial trends.

2. Financial Summary Highlights

a. Highlights as of December 31, 2022

	2022	2021
BALANCE SHEET		
Total Assets	653,672,487.52	637,465,766.42
Liquid Assets	118,463,370.54	163,721,329.29
Gross Loans	309,796,376.47	260,398,206.08
Deposits	401,916,483.45	386,585,482.08
Total Equity	239,511,171.74	239,677,259.94
PROFITABILITY		
Total Net Interest Income	31,528,536.30	30,540,649.04
Total Non-Interest Income	6,034,676.67	5,188,310.65
Total Interest Expense	2,036,479.42	2,195,147.72
Total Non-Interest Expense	27,910,500.36	27,150,411.34
Allowance for Credit Losses	11,006,214.10	11,006,214.10
Pre-provision profit	9,652,712.61	8,578,548.35
Net Income	7,220,986.80	7,131,068.45
RATIOS		
Return on Equity (ROE)	3.01%	2.98%
Return of Assets (ROA)	1.10%	1.11%
Capital Adequacy Ratio	47.815	48.929
OTHERS		
Cash dividends declared	4,064,244.00	3,047,622.00
Headcount (employees)	39	42
Officers	13	13
Staff	24	27
Consultant (Security)	1	1
Outsourced (Internal Audit)	1	1

b. Risk-Based Capital Adequacy Ratio (as of December 31, 2022)

RBCAR RATIO – 47.815

LAGUNA PRESTIGE BANKING CORPORATION (A RB)

Name of Bank

COMPUTATION OF THE RISK-BASED CAPITAL ADEQUACY RATIO COVERING COMBINED CREDIT MARKET AND OPERATIONAL RISKS

SIMPLIFIED SOLO BASIS

As of December 31, 2022

CONTROL PROOFLIST

PART I. CALCULATION OF RISK-BASED CAPITAL ADEQUACY RATIO (Amounts in ₱0.000 million)

Item	Nature of Item	Account Code	Amount	
A.	**Calculation of Qualifying Capital**			
A.1	Net Tier 1 Capital	395000000000710000		239.510
A.2	Net Tier 2 Capital	395000000000720000		2.550
A.3	Total Qualifying Capital *[Sum of A.1 and A.2]*	395000000000700000		242.060
B.	**Calculation of Risk-Weighted Assets**			
B.1	Total Credit Risk-Weighted Assets [*B.1(d) minus B.1(h)*]	195931000000000000		445.295
(a)	Risk-Weighted On-Balance Sheet Assets	100000000000811000	449.918	
(b)	Risk-Weighted Off-Balance Sheet Assets	400000000000812000		
(c)	Counterparty Risk-Weighted Assets	110100000000813000	0.000	
(d)	Total Credit Risk Weighted Assets [*Sum of B.1(a), B.1(b) and B.1(c)*]	100000000000810000	449.918	
(e)	Deductions from Total Credit Risk-Weighted Assets			
(f)	General Loan Loss Provision (in excess of the amount permitted to be included in upper Tier 2 capital) [*Part III.1, Item G.(1)(b) minus Part II, Item B.1 (7)*]	175150500000000000	0.000	
(g)	Unbooked valuation reserves and other capital adjustments affecting asset accounts based on the latest report of examination as approved by the Monetary Board	365052000000711000	0.000	
(h)	Total Deductions [*Sum of B.1(f) and B.1(g)*]	165000000000810000	0.000	
B.2	Total Operational Risk-Weighted Assets	195000000000830000		56.323
B.3	Total Market Risk-Weighted Assets	100000000000820000		0.000
B.4	Total Risk-Weighted Assets [*Sum of B.1, B.2 and B.3*]	100000000000800000		506.242
C.	**RISK-BASED CAPITAL ADEQUACY RATIO [*A.3 divided by B.4 multiply by 100*]**	990000000000000000		**47.815**

I hereby certify that all matters set forth in this Computation of the Risk-Based Capital Adequacy Ratio Covering Combined Credit Market and Operational Risks are true and correct to the best of my knowledge and belief.

MARIBEL C. NARVASA
Authorized Signatory

RBCAR TIER 1 & 2 COMPONENTS

PART II. QUALIFYING CAPITAL (in absolute amounts)

Item	Nature of Item	Account Code	Amount	
A.	**Tier 1 (Core plus Hybrid) Capital**			
A.1	**Core Tier 1 Capital**			
(1)	Paid up common stock	305050000000000000		10,155,000.00
(2)	Deposit for common stock subscription	305250500000000000		
(3)	Paid-up perpetual and non-cumulative preferred stock	305100000000000000		56,100.00
(4)	Deposit for perpetual and non-cumulative preferred stock subscription	305251000000000000		
(5)	Additional paid-in capital	305200000000000000		
(6)	Retained earnings	315000000000000000		222,079,084.94
(7)	Undivided profits	315150000000000000		7,220,986.80
(8)	Net gains on fair value adjustment of hedging instruments in a cash flow hedge of available for sale equity securities	320101000500000000		
(9)	Cumulative foreign currency translation	320150000000000000		
(10)	Minority interest in subsidiary financial allied undertakings (i.e., RBs and venture capital corporations (VCCs) for TBs, and RBs for Coop Banks) which are less than wholly-owned (for consolidated basis) [1/]	325150000000000000		
(11)	Sub-total *[Sum of A.1 (1) to A.1 (10)]*	300000000000711000		239,511,171.74
A.2	**Deductions from Core Tier 1 Capital**			
(1)	Common stock treasury shares (for consolidated basis)	365050500000711000		
(2)	Perpetual and non-cumulative preferred stock treasury shares (for consolidated basis)	365051000000711000		
(3)	Net unrealized losses on available for sale equity securities purchased	365051500000711000		
(4)	Unbooked valuation reserves and other capital adjustments based on the latest ROE as approved by the Monetary Board	365052000000711000		
(5)	Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance for credit losses	365052500000711000		
(6)	Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates, net of allowance for credit losses	365053000000711000		
(7)	Deferred tax asset, net of deferred tax liability [2/]	365053500000711000		
(8)	Goodwill, net of allowance for losses [3/]	365054000000711000		
(9)	Total Deductions *[Sum of A.2 (1) to A.2 (8)]*	365050000000711000		0.00
A.3	**Total Core Tier 1 Capital *[A.1 (11) minus A.2 (9)]***	395000000000711000		239,511,171.74
A.4	**Hybrid Tier 1 Capital**			
(1)	Perpetual preferred stock	310030500000000000		
(2)	Perpetual unsecured subordinated debt	310031000000000000		
(3)	Total Hybrid Tier 1 Capital *[Sum of A.4 (1) and A.4 (2)]*	300000000000712000		0.00
(4)	Eligible Hybrid Tier 1 Capital *[limited to 17.65% of Total Core Tier 1 Capital (Item A.3)]*	396000000000712000		0.00
A.5	**Total Tier 1 Capital** *[Sum of A.3 and A.4 (4)]*	300000000000710000		239,511,171.74

Item	Nature of Item	Account Code	Amount	
B.	**Tier 2 (Supplementary) Capital**			
B.1	**Upper Tier 2 Capital**			
(1)	Paid-up perpetual and cumulative preferred stock	305150000000000000		
(2)	Deposit for perpetual and cumulative preferred stock subscription	305251500000000000		
(3)	Paid-up limited life redeemable preferred stock with the replacement requirement upon redemption	220250500000000000		
(4)	Deposit for limited life redeemable preferred stock subscription with the replacement requirement upon redemption	305252000000000000		
(5)	Appraisal increment reserve – bank premises, as authorized by the Monetary Board	325050000000000000		
(6)	Net unrealized gains on available for sale equity securities purchased (subject to a 55% discount)	320052000500000000		
(7)	General loan loss provision [limited to 1.00% of total credit risk-weighted assets computed per Part I, Item B.1(d)]	175151000000000000		2,550,495.18
(8)	Unsecured subordinated debt with a minimum original maturity of at least 10 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)	295202001000000000		
(9)	Hybrid Tier 1 Capital (in excess of the max allowable 15% limit of total Tier 1 capital) *[A.4 (3) minus A.4 (4)]*	310031500000000000		0.00
(10)	Sub-total *[Sum of B.1 (1) to B.1 (9)]*	300000000000721000		2,550,495.18
B.2	**Deductions from Upper Tier 2**			
(1)	Perpetual and cumulative preferred stock treasury shares (for consolidated basis)	365100500000721000		
(2)	Limited life redeemable preferred stock treasury shares with the replacement requirement upon redemption (for consolidated basis)	365101000000721000		
(3)	Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon redemption	365101500000721000		
(4)	Net losses in fair value adjustment of hedging instruments in a cash flow hedge of available for sale equity securities	365102000000721000		
(5)	Total Deductions *[Sum of B.2 (1) to B.2 (4)]*	365100000000721000		0.00
B.3	**Total Upper Tier 2 Capital *[B.1 (10) minus B.2 (5)]***	395000000000721000		2,550,495.18
B.4	**Lower Tier 2 Capital**			
(1)	Paid-up limited life redeemable preferred stock without the replacement requirement upon redemption (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)	220251000000000000		
(2)	Deposit for limited life redeemable preferred stock subscription without the replacement requirement upon redemption	305252500000000000		
(3)	Unsecured subordinated debt with a minimum original maturity of at least 5 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)	295202002000000000		
(4)	Sub-total *[Sum of B.4 (1) to B.4 (3)]*	300000000000722000		0.00

Item	Nature of Item	Account Code	Amount	
B.5	**Deductions from Lower Tier 2**			
(1)	Limited life redeemable preferred stock treasury shares without the replacement requirement upon redemption (for consolidated basis)	365150500000722000		
(2)	Sinking fund for redemption of limited life redeemable preferred stock without the replacement requirement upon redemption (limited to the balance of redeemable preferred stock after applying the cumulative discount factor)	365151000000722000		
(3)	Total Deductions *[Sum of B.5 (1) and B.5 (2)]*	365150000000722000		0.00
B.6	**Total Lower Tier 2 Capital** *[B.4 (4) minus B.5 (3)]*	395000000000722000		0.00
B.7	**Eligible Amount of Lower Tier 2 Capital** *(limited to 50% of total Tier 1 capital per Item A.5)*	396000000000722000		0.00
B.8	**Total Tier 2 Capital** *[Sum of B.3 and B.7]*	300000000000720000		2,550,495.18
B.9	**Eligible Amount of Tier 2 Capital** *(limited to 100% of total Tier 1 capital per Item A.5)*	396000000000720000		2,550,495.18
C.	**Gross Qualifying Capital** *(Sum of A.5 and B.9)*	396000000000700000		242,061,666.92
(1)	Total Tier 1 Capital *(Item A.5)*	300000000000710001	239,511,171.74	
(2)	Total Tier 2 Capital *(Item B.9)*	396000000000720001	2,550,495.18	
D.	**Deductions from Tier 1 and Tier 2 Capital**			
(1)	Investments in equity of unconsolidated subsidiary RBs and VCCs for TBs, and RBs for Coop Banks after deducting related goodwill, if any (for solo basis)	365200500000700000		
(2)	Investments in other regulatory capital instruments of unconsolidated subsidiary RBs for Coop Banks (for solo basis)	365201000000700000		
(3)	Investments in equity of unconsolidated subsidiary non-financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases)	365201500000700000		
(4)	Significant minority investments (20%-50% of voting stock) in banks and other financial allied undertakings (for both solo and consolidated bases)	365202000000700000		
(5)	Reciprocal investments in equity/other regulatory capital instruments of other banks/quasi-banks/enterprises	365202500000700000		
(6)	Total Deductions *[Sum of D (1) to D (5)]*	365200000000700000		0.00
E.	**Net Tier 1 and Tier 2 Capital**			
E.1	Net Tier 1 Capital [4/] *{C (1) minus [D (6) multiply by 50%]}*	395000000000710000	239,511,171.74	
E.2	Net Tier 2 Capital [4/] *{C (2) minus [D (6) multiply by 50%]}*	395000000000720000	2,550,495.18	
F.	**Total Qualifying Capital** *[C minus D (6)]*	395000000000700000		242,061,666.92

1/ Provided that a bank shall not use minority interests in the equity accounts of consolidated subsidiaries as an avenue for introducing into its capital structure elements that might not otherwise qualify as Tier 1 capital or that would, in effect, result in an excessive reliance on preferred stock within Tier 1.

2/ Provided that the conditions to offset under PAS 12 are met and that any excess of deferred tax liability over deferred tax assets (i.e., net deferred tax liability) shall not be added to Tier 1 capital.

3/ This shall include those relating to unconsolidated subsidiary RBs and VCCs for TBs, and RBs for Coop Banks (on solo basis) and unconsolidated non-financial allied undertakings (on solo and consolidated bases).

4/ The amount to be deducted from Tier 2 capital shall be limited to its balance and any excess thereof shall be deducted from Tier 1 capital.

3. Financial Condition and Results of Operation

a. Overview & Developments

The Bank is bolstered by the fact that that it has survived, withstood and overcome the ill-effects of the pandemic. The past few years have been a relentless acid test for Prestige Bank as it had to endure the challenges of ever-changing health protocols, lockdown, manpower concerns and of course, the economic downturn. These factors greatly affected the Bank's performance over the recent years as deposit and lending activity slowed down significantly. Although the Bank proactively confronted the covid situation head on, targets and objectives had to be tempered accordingly during the recent years.

For 2022, it was evident that the world has started to revert to its old fervor. Although there were still quite a few unpleasantries the past year, - the escalating inflation rate, political disparities, war conflicts, and a few of covid surges, it can be assumed that the worst is over. For Laguna Prestige Bank, Banking operations have started to normalize. Deposit and loan Activity and business activity, as whole have regained its pre-pandemic momentum.

Although this is a good indicator moving forward, the financial landscape has evolved dramatically during the pandemic. Rural Banks, as a whole are now at a crossroads. The need for non-contact avenues to perform bank transactions accelerated the digitalization of the financial industry. Fintechs and Digital Banks have flourished and have been trailblazing the financial industry. Mobile and online banking have emerged as more convenient alternatives to traditional over the counter transactions. Digital Banking has now become the standard and the Rural Bank's as a whole is compelled to catch up with this innovation to stay relevant.

The Bank also believes that the recently ratified SPRB program of the BSP shall transform the Rural Banking industry into a highly competitive industry. With the new increased capital requirements, we believe that there will be stronger, but fewer Rural Banks that will exist in the next 3 to five years. The Bank is fortunate to be adequately capitalized to meet the capitalization requirements.

The Rural Banking industry is drastically evolving and Laguna Prestige Bank must be able to cope up with the changing times. With all these in mind, the Bank is geared towards the direction of sustainability, growth and to maintain its relevance in the banking sector.

Manpower Re-alignment

Continuing the Bank's 2021 thrust to improve operational efficiency and internal control, The Bank has installed the Bank's Independent Director, Ms. Estela A. Liamson, as the Bank's new Chief Operating Officer. She is a CPA and has been a banker for almost 40 years with track record across several commercial banks namely, Prudential Bank, Asiatrust Bank, and China Banking Corporation.

Mr. Cristobal C. Umale replaces Ms. E. Liamson as the Bank's new Independent Director. Mr. Umale has been approved by the BSP to act as the Bank's ID as well as Audit Committee Chair. He is a CPA and has his own Audit and Management Firm. The Bank believes that this new appointment will bolster the Audit plans and programs of the Bank.

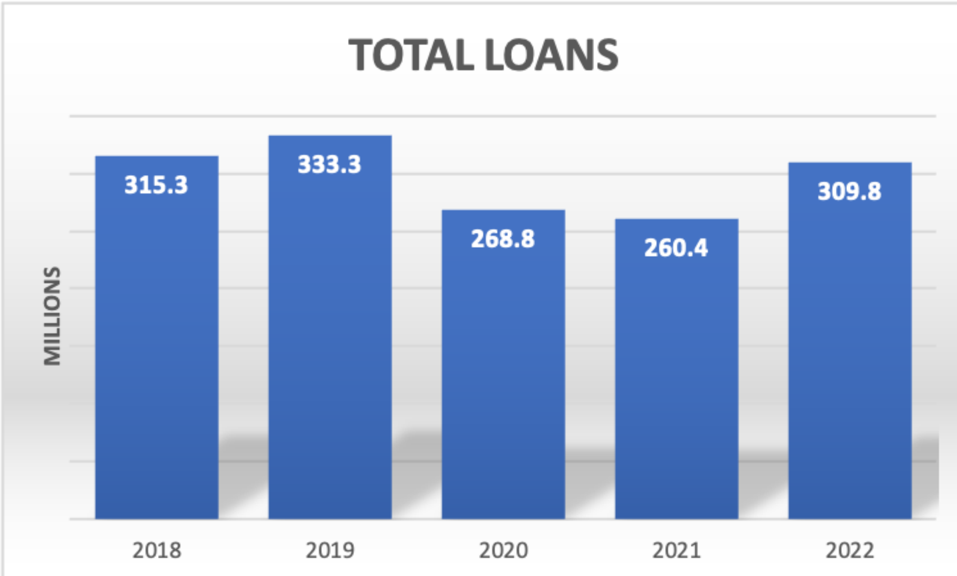
Furthermore, the Bank has continued to obtain the services of Mr. Arwin B. Ramos as outsourced Internal audit head. Mr. Ramos has been heading the audit department for since 2021 and the Bank has seen much improvement with regards to its audit program and reporting.

Bank Seminars and Trainings in 2022

With the Bank's thrust to improve internally, seminars and trainings were provided to the officers and staff. Seminars and trainings were attended by the employees as new BSP circulars and memoranda were issued. Moreover, other gov't institutions provided several webinars to update the Bank with new developments and resolutions.

DATE	TOPIC	PROVIDER
1/7/22	**Tax Information Drive**	BIR – BIÑAN
1/25/22	Briefing on BSP's Relief Measures on Loan Modification / Restructuring and Capital relief on prov. Req.	BSP
2/10-11/22	Generic Manual-Credit Risk Management	RBAP
3/10/22	BIR Monthly, Quarterly, Semestral Annual Requirements	PICPA
3/14/22	Fire Drill and Actual Practice/use of Fire Extinguishers	Fire Dept/Security Cons.
3/15-16/22	Corporate Governance Course for RB Bank Directors and Officers	RBAP
3/28/22	Comp. Officers/IA Gen. Assembly	CO Federation
4/5/22	Briefing on Circular 1085 & 1128	RBAP/BSP
4/25/22	Regulatory Insurance 2021-01	PDIC/RBAP
Apr/2722	Economic Market Update	Eastwest Bank
4/29/ 2022	Different Digital Services of SSS Online Transactions	SSS
5/10-12/22	Generic Manual- Operations Manual	RBAP
5/20/22	AML Rules and Regulations and Risk Rating System	RBAP
5/23/22	Compliance, Audit and MTPP Program Manual	RBAP
6/1/22	Regulatory Reporting Through Application Programming Interface	RBAP
6/3-4/22	Risk-Based Internal Auditing	RBAP
7/8/22	CASA/GL Webloan Updates/AMLA Updates/DIGICUR/ etc.	In-House
7/13-14/22	Credit Investigation and Loan Packaging Webinar	RBAP
7/15-16/22	Introduction to IT Auditing	RBAP
7/22/22	Briefing for Save-plus Updates	In-House/Byte Per Byte
8/26/22	Virtual Briefing session on the Implementing Guidelines of RBSP	RBAP
9/28/22	Strategic/Corporate Planning	In-House
9/29-30/22	Basic Corporate Governance for Bank Officers/Directors	RBAP
10/13/22	Conducting Internal Audit Engagement	RBRDFI
10/20/2022	Virtual Session on the Regulatory Requirements for Amending AOI and BL	RBAP
10/24/22	Generic Manual Treasury Operations and Liquidity Management	RBRDFI
11/22-23/22	RBAP 65TH Anniversary Symposium	RBAP
11/25/22	CSTB General Membership Meeting	CSTRB
11/28/22	API-XML Briefing on Submission of Report via IFSS Enterprise Web Portal	RBAP
12/20/22	Strategic Planning	In-House

b. Financial Highlights 2021



The Bank experienced a slowdown in loan approvals and releases in 2020 and 2021. Most of the Bank's existing clients deferred their financing requirements and held off any plans for expansion and growth as the global economic slowdown posed significant risks to their business endeavors.

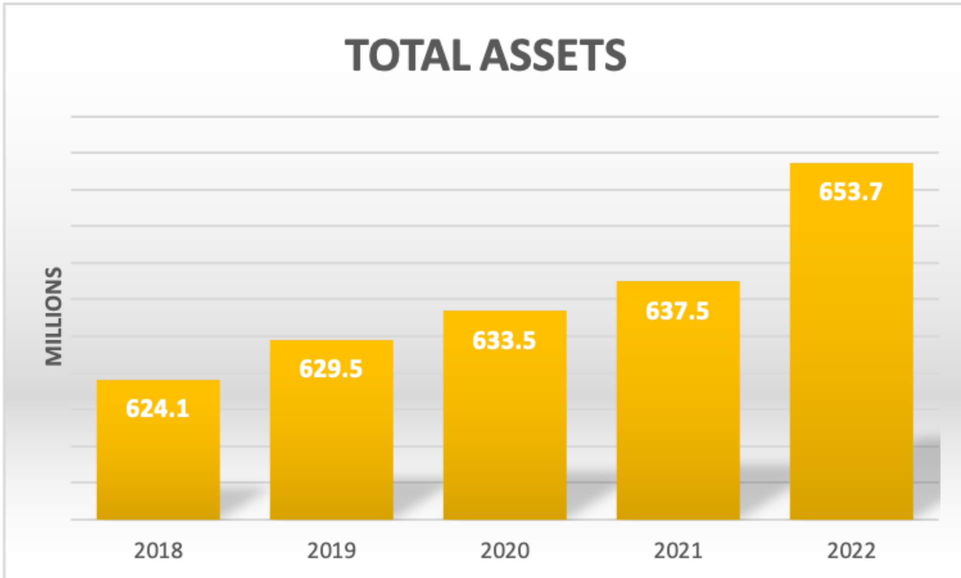
For 2022 the Bank was able to regain its loan volume as business and loan activity began to normalize. Total loans have reached the 300MM mark after two years of slowdown in Loan activity. Nevertheless, the Bank maintains its conservative and stringent approach for new loan applications and renewals.

The Bank has a total of 500 active loan accounts as of December 31, 2022. Commercial loans remain to be the Bank's core loan product. "Other loans" include other small business loans like businesses engaging in apartment rentals, tuition fee loans and chattel mortgage loans. Prestige Bank is top 98 in terms of loan portfolio among all Rural Banks as of September 2022.

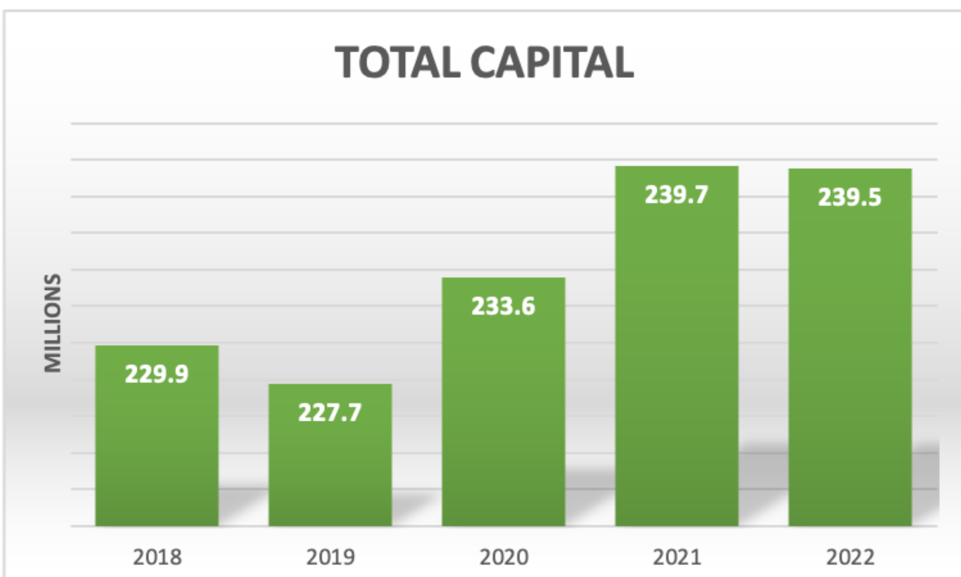
With no deliberate marketing campaigns, the Bank's Deposit liabilities continue to increase. Total Deposits increased by 15.3 MM. This is a good indicator that the Bank still holds its depositor's trust and confidence through the years. As loans continue to hopefully increase, the Bank shall resume deposit generation campaign in 2023 in order to supplement its lending activities. Prestige Bank is top 90 among all Rural Banks nationwide in terms of deposit liabilities as of September 2022.

DEPOSIT SIZE	NUMBER OF ACCOUNTS	AMOUNT
≤ 5,000	1864	3.3 MM
5,000 -100,000	2257	39.2 MM
100,000.01 - 500,000	475	102.3 MM
500,000.01 – 1MM	91	59.1 MM
1MM – 2MM	56	73.3 MM
2MM ≤	34	124.35 MM
TOTAL	3,947	401.6 MM

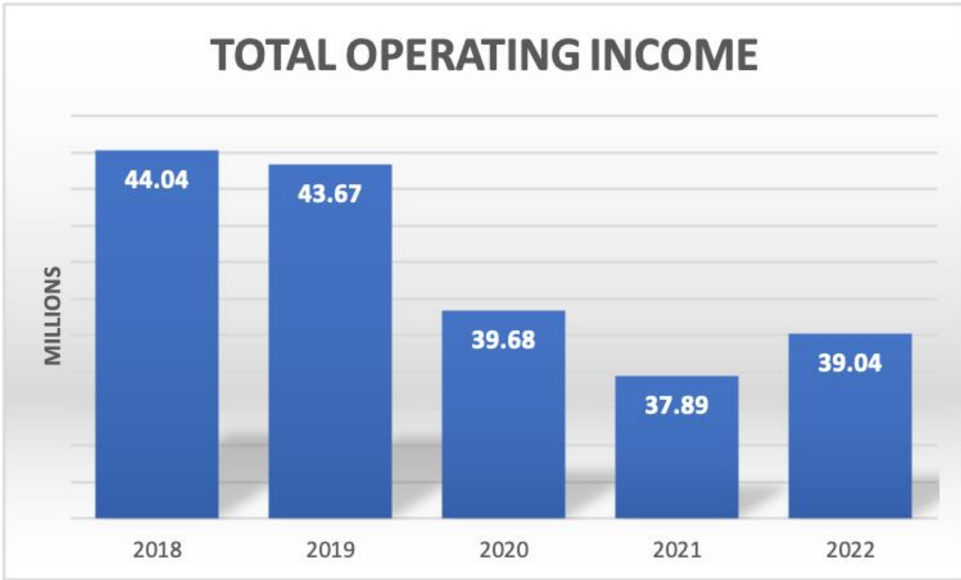
The Bank has 3,947 existing deposit accounts as of December 31, 2022. Concentration of deposit accounts comes from the 100,000 pesos and below balances.



Total assets have consistently increased over the years. The Bank now has an asset size of 653.7 This is due to the increase in deposit liabilities and the Board's stance to conservatively distribute annual dividends and retain a portion of its annual earnings in its books. Prestige Bank is on top 81 in terms of assets among all Rural Banks in the country as of September 2022.

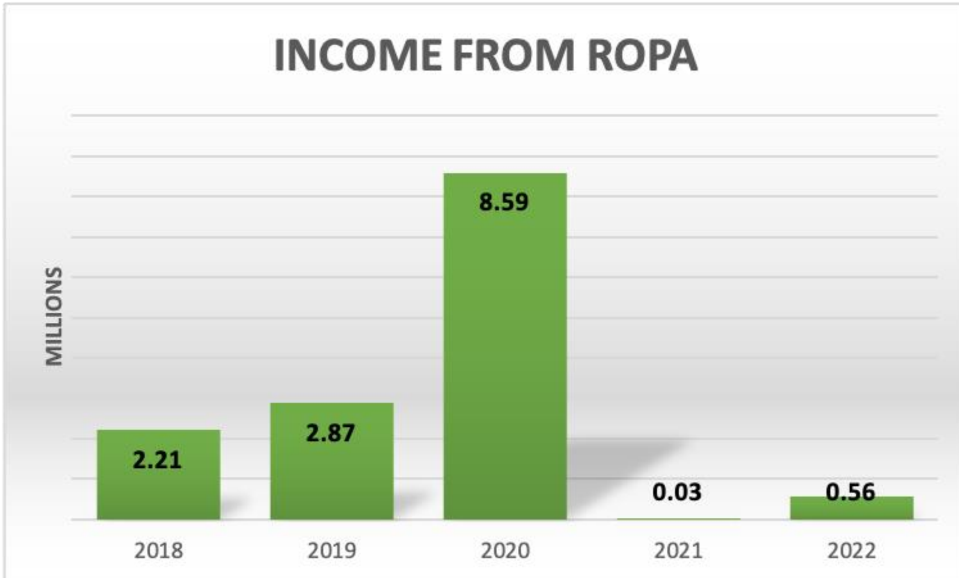


One of the Bank's key strengths is its capital adequacy. With this, the Bank has enough capital to meet the new capital requirements imposed by the BSP. As of December, 2022. The Bank's Capital adequacy Ratio stands at 47.82 %. Prestige Bank is on top 49 in terms of capital among all Rural Banks nationwide as of September 2022.

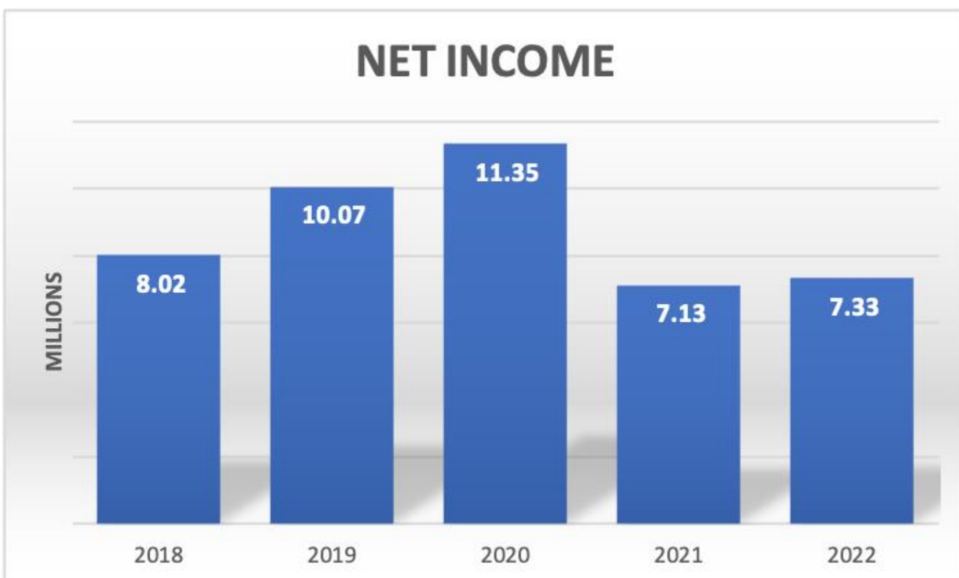


The increase in total operating income can be attributed to the Bank's improved lending activity in 2022. Interest income from HTM investments and liquid assets also contributed to the increase in TOI.

The Bank felt the effects of the global inflation crisis in 2022 as the rising cost of fuel, supplies, and other consumables increased. Aside from this, a bank-wide salary adjustment was implemented last year. Nevertheless, total operating expense for 2022 is still relatively lower than previous years.



The Bank was able to liquidate one (1) ROPA in 2022. The Bank has remained steadfast to sell remaining ROPAs but has tempered its campaign until real estate market values returns to normal.



Our net income for 2022 slightly increased from last year. As the Bank regains its momentum with its Loan activity, Net income will indeed improve. A primary objective of the Bank set during its recent annual strategic planning session is to improve its profitability thru its core lending business. Return on Equity is 3.01% Return on Asset is at 1.11% as of December 31, 2022.

Other Key Financial Ratios

- Liquidity Position – 29.47% (Ind standard 20%)
- Loans to Deposit Ratio – 77.08% (75% up)
- Operating Efficiency – 81.77% (60 - 80%)
- Capital Adequacy Ratio – 47.82% (10% minimum)

c. Targets vs. Performance

	TARGET	PERFORMANCE
LOANS	287 MM	309.8 MM
DEPOSITS	395 MM	401.9 MM
INTEREST INCOME	35.8 MM	33.6 MM
INTEREST EXPENSE	2.5 MM	2.04 MM
NON-INTEREST INCOME	5.1 MM	6.01 MM
NON-INTEREST EXPENSE	28.9 MM	27.9 MM
ROPA SALES (NET)	1 MM	.5 MM
NET INCOME	9.5 MM	7.2 MM

For 2022, The Bank was able to achieve and/or surpass five (5) out of the eight (8) targets set. Loans, deposits and non-interest income were higher than projected. In the meantime, interest expense and non-interest expense were both lower than expected as prudent and spend-thrift measure to cut down costs were consciously made. The Bank failed to meet the targets for its ROPA sales, Interest earnings on Loans and investments and Net income. On a positive note, the Bank forecasts a better bottom line figure in 2023 as a lot of new loans were booked during the latter part of 2022.

d. 2023 Plans, Programs & Targets

- Initiate marketing programs and campaigns to increase loan volume
  - Intensive new borrower acquisition
  - Expand Market base
  - Reinvent Sales Culture
  - Review Loan Utilization Rate

- Deposit generation campaign
  - To complement the Bank's lending activity, marketing and branch heads shall solicit and market fresh funds from new and existing bank clients. Bank shall revisit deposit rates to evaluate competitiveness of offerings.

- Strengthen credit processes & enhance loan recommendation in format & content.
  - Re-evaluate credit process to improve risk assessment, efficiency and accuracy of loan applications, loan monitoring and credit appraisal.

- Hire additional personnel for marketing and business development
  - Improve business activity, internal business operation and succession plan through hiring of new personnel adept to specific functions which are currently undermanned.

- New signages and Branch improvement / Security Devices
  - Assess branch aesthetics, cleanliness, organization and security features to maintain respectable corporate image and reputation.

- Entertain possible digital service providers to aid with the bank's digitalization campaign
  - Initiate discussions with prevailing digital service providers to open up the Bank to possible innovative digital transformation

- Incorporate Sustainable Finance Framework and E&S risk management system to the Bank
  - Integration of the approved SFF framework to the Bank's business operations

2023 Bank Targets

With the hopes of realizing the Bank's main objective to generate more loans and deposits, management believes that the set targets for 2023 is indeed achievable.

The Bank is targeting a 24.7 M increase in loans with our conscious effort to be more aggressive in our loans marketing. We shall focus on building up our portfolio targeting stable and promising SME's as well as tapping Start-up businesses that have flourished during the pandemic.

The Bank expects an increase in expense as the Bank shall be investing in capital expenditures and manpower development and recruitment.

The Bank shall also target to dispose at least one of its ROPA's to assist in the Bank's profitability for 2023.

Considering all these, we have set out Net Operating income at 9.2MM. Hopefully, the set targets can be achieved with the concerted effort of the employees and stakeholders of Prestige Bank.

2023 TARGETS (in millions)		
	2022 FIGURES	TARGET
Operating Income		
Interest Income	33.6	36.30
Non-Interest Income	6.01	6.42
Operating Expense		
Interest Expense	2.04	2.24
Non-Interest Expense	27.9	28.74
Net Operating Income	7.2	9.19
Loans	309.8	334.50
Deposits	401.9	422.01
ROPA sales	.5	2

4. Risk Management

a. Risk Management Culture and Philosophy

LPBRB recognizes that risks are inevitable but losses should be avoided at all times. It is the Bank's philosophy that risk is better managed and controlled if it is measured consistently and accurately.

The Bank affirms that an effective risk management system is a critical component of bank management and a foundation for safe and sound operation. The risk management is a top-down process and shall continuously operate at all levels within the Bank. It is important to emphasize that each individual within the Bank has a role and must participate in the process

The Bank adheres to a strong dual-control system and promotes the culture of risk awareness and not risk aversion.

b. Risk Appetite and Strategy

Throughout its entire corporate life, LPBRB has maintained a conservative risk profile. It is central to our business and strategy. The following principles express the Bank's encompassing risk appetite and fundamentally drive how risks are managed.

Financial Position:

- Strong capital position, defined by regulatory and internal ratios.
- Liquidity position is over and above industry average.

Operations:

- Operating Efficiency is ideal; (Operating income vs operating expense)
- Almost all loans are fully secured
- Stringent loan requirements
- Modest profit in line with risk taken
- Sustainable earnings while delivering consistent dividends for shareholders
- Consistent increase in capital annually.

However, due to the competitive financial industry, the Bank is open to shifting the risk appetite for credit as it is apparent that there is a need to be more aggressive in our lending operations. The Bank plans to roll out additional attractive, diversified product more focused on Banking digitalization in the coming years to cater to more clients and target markets. Deposit generation is also an objective of the bank to expand asset size and the business as a whole.

c. Risk Governance Structure and Risk Management Process

The bank has adopted the "three lines of defense structure that includes three distinct units comprised of (1) front line units, (2) independent risk management, and (3) internal audit.

UNIT	RESPONSIBILITIES	REPORTS TO
FRONT LINE UNITS (Tellers, Cashiers, Loan Department, BDO, BOO, IT Officer, Admin. Dept., Treasury Dept.)	Take responsibility for appropriately assessing and effectively managing all of the risks associated with their activities adhere to all applicable policies, procedures and processes established by independent risk management	CEO COO BOD
INDEPENDENT RISK MANAGEMENT (Chief Compliance Officer)	Ensures that the bank's risk governance framework complies with applicable rules and regulations Identifies and assesses, on an ongoing basis, the bank's aggregate risks and use the assessments to determine if actions need to be taken to strengthen risk management or reduce risk; Establish and adhere to procedures and processes to ensure compliance with its risk policies;	CEO COO BOD
INTERNAL AUDIT (Audit Department)	Establish and adhere to an audit plan that will evaluate the bank's risk profile, emerging risks, and issues, and rates the risk presented by each front-line unit, product line, service, and function and that is periodically reviewed and updated; Report in writing conclusions and issues and recommends to the board's audit committee and, in the process, determine (a) the root cause of issues and whether it has an impact on the Bank (b) the effectiveness of frontline units and independent risk management in identifying and resolving issues in a timely manner Identify and communicate to the board's audit committee significant instances where front line units or independent risk management are not adhering to the risk governance framework	AUDIT COMMITTEE

d. Money Laundering / Terrorist Financing Risk Management

LPBRB affirms that Money Laundering (ML) / and Terrorist Financing (TF) risk management is an integral part of risk management. This has particular relevance to the overall safety and soundness of the Bank as well as the whole banking system. A sound risk management framework is important as it protects the reputation and integrity of LPBRB as well as the whole international financial system by preventing and deterring the possibility of using the Bank to launder illicit proceeds or to raise of move funds in support of terrorism.

The BOD has appointed the CCO to have overall responsibility for the AMLA function. It is essential to identify and analyze the ML/TF risks present with the bank. Information about ML/TF risk assessment should be communicated to the board in a timely, complete, understandable and accurate manner so that it is equipped to make informed decisions.

Explicit responsibility is allocated to the Audit Committee of LPBRB to approve and oversee the policies for ML/TF risk. Implementing functions have been delegated to three separate departments in the bank to ensure proper ML/TF risk management.

e. Sustainable Finance

LPBRB recognizes that climate change and other environmental and social risk could pose concerns on the financial stability of the bank. Physical and transition risks arising from climate change could result in significant economic and financial risks affecting the bank and the stakeholders. The bank also recognizes its critical role in pursuing sustainable and resilient growth by enabling environmentally and socially responsible business decisions consistent with the aspiration set out for the people of the community and all Filipinos under the Philippine Development Plan.

Toward this end, the bank shall commence its SFF this 2023 (upon BSP Approval of 2^{nd} draft) to promote sustainability principles, including those covering environmental and social risks areas. These sustainability principles are also embedded in the corporate governance framework of the bank, risk management systems and strategic objectives consistent with the size of the bank, its risk profile and the simplicity of its operation.

5. Corporate Governance

a. Structure and Practices

The Prestige Bank's Board of Directors is composed of seven (7) directors with a combination of executive and non-executive directors. The present number of directors is commensurate to the size and complexity of the Bank's operations. Due to the non-complexity of the Bank's business model, the Board has only one (1) Independent Director. All are professionals with competencies and experience in the fields of banking, accounting, economics, microfinance, law and agri-business.

The Board is mandated to meet at least once a month. Board meetings are usually held at Casa Bella, #74 Limcaoco Street, Cabuyao City, Laguna beginning at 1:00p.m. or done virtually via Zoom or any other teleconferencing platform. Every member of the BOD shall participate in at least 50% of all meetings of the BOD every year. The absence of a director in more than 50% of all regular and special meetings of the BOD during incumbency is a ground for disqualification in the succeeding election. The attendance and participation of members in committee meetings are considered in the assessment of continuing fitness and propriety of each director as member of the board-level committees and the BOD. For 2022, the Board held a total of twelve (12) meetings.

b. Selection Process for the Board

Members of the Board are elected during the annual stockholders meeting and each will hold office for one (1) year, subject to the approved qualification and disqualification criteria established under the Corporate Governance Committee, BSP's fit and proper rule and other existing laws and regulations.

The selection, renewal and appointment processes for directors are adequate that allow the Bank to select from a broad pool of candidates with diverse background and relevant experiences. It is also reflective of the standards set by the board.

Board Qualification

1. Shall be at least twenty-five (25) years of age at the time of election or appointment;

2. Shall be at least a college graduate or have at least five (5) years' experience in business;

3. Must have attended a special seminar on corporate governance for board directors;

4. Must be fit and proper for the position, and in this regard, the following shall be considered: integrity/probity, physical/mental fitness, competence, relevant education/financial literacy training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind, and sufficiency of time to fully carry out responsibilities. In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with Bank's policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies;

5. Must have a practical understanding of the business of the Bank;

6. Must be a member of good standing in the relevant industry, business or professional organizations;

7. The members of the Board of Directors shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.

c. Board's Overall Responsibility

The Board is primarily responsible for the governance of the Bank, ensuring that the Bank is run in a prudent and sound manner under high standards of honesty, integrity and best practice. It is vested with the fiduciary duties and loyalty and care for which Board members should act on a fully informed basis, in good faith, with due diligence, and in the best interest of the Bank and the shareholders.

The Board overall responsibility includes the following:

1. Define corporate culture and values:
   a. Code of Conduct or Code Ethics
   b. Policies and Procedures for Whistle Blowing
   c. Prevent the use of the Bank facilities for criminal/illegal/improper activities, (e.g. financial misreporting, money laundering fraud, bribery or corruption)

2. Approving the Bank's objectives and strategies and overseeing management's implementation thereof:
   a. Ensure the Bank's beneficial influence on the economy
   b. Approve the Bank's strategic objectives and business plans
   c. Actively engage in the affairs of the Bank
   d. Approve and oversee the implementation of policies governing major areas of operations

3. The board of directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel. In this regard, the board of directors shall:
   a. Be responsible for the appointment/selection of key officers and heads of control functions
   b. Approve and oversee the implementation of performance standards/remuneration and incentive policies
   c. Oversee the performance of senior management and heads of control functions
   d. Establish a succession planning/retirement program for the directors, officers and other critical positions
   e. Ensure that personnel's expertise and knowledge remain relevant. The board of directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.
   f. Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times, and that all transactions involving the pension fund are conducted at arm's length terms.
   g. Conduct and maintain the affair of the Bank within the scope of its authority/effective compliance, existing laws, rules/regulations

4. Responsible for approving and overseeing implementation of the Bank's corporate governance framework and structure. In this regard, the board of directors shall:
   a. Create committees/meet regularly/sound and effective info sharing

b. Define risk appetite/risk management compliance
c. Regularly review the structure, size and composition of the BOD and Board level committees for balanced membership
d. Adopt policies aimed at ensuring that the BOD is able to commit to effectively discharge their responsibilities
e. Maintain appropriate records (meeting minutes or summaries of matters reviewed, recommendations/decisions made, dissenting opinions etc.) of its deliberations and decisions
f. Conduct annual assessment of its performance and effectiveness as a body, the various committees, the CEO, individual directors and the Bank itself.
g. Approve an overarching policy on the handling of Related Party Transactions (RPT)

5. The Board of Directors shall be responsible for approving Bank's risk governance framework and overseeing management's implementation thereto, In this regard, the board of directors shall:
   a. Define the Bank's risk appetite
   b. Approve and oversee adherence to the risk appetite statement (RAS), risk policy, and risk limits.
   c. Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the Bank
   d. Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit function for the third line of defense.
      - The board of directors shall ensure that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively
      - The board of directors shall ensure that non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.

d. Chairman of the Board

The Chairman of the Board of Directors' primary duty is to provide leadership and direct the Board towards the realization of the duties and responsibilities of its members while ensuring that the Bank's management are working towards the attainment of set goals and efficient execution of its agreed strategies. The Chairman carries the following duties and responsibilities:

a) Ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
b) Ensure a sound decision making process;
c) Encourage and promote critical discussion;
d) Ensure that dissenting views can be expressed and discussed within the decision-making process;
e) Ensure that members of the board of directors receives accurate, timely, and relevant information;

f) Ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors; and
g) Ensure conduct of performance evaluation of the board of directors at least once a year.

e. Board Composition

i. Type of Directorship

NAME OF DIRECTOR	TYPE OF DIRECTORSHIP
GUILLERMO D. BELLA	Chairman of the Board – Non-Executive
GILBERT FRANCIS B. BELLA	Member – Executive / Credit Comm
KATRINA MARIE B. BELLA	Member – Non-Executive / Audit Comm
MARIA ISABEL A. DELFINO	Member – Non-Executive
LOUIS ANTHONY A. DELFINO	Member – Non-Executive / Credit Comm
JOSE MARIA C. MERCADO	Member – Non-Executive / Audit Comm
CRISTOBAL C. UMALE	Member – Independent Director / Audit

ii. List of Stockholders

NAME OF DIRECTOR	NO. OF SHARES	VOTING%
Guillermo D. Bella	18,680	18.395%
Gilbert Francis B. Bella	16,014	15.770%
Jose Ma. C. Mercado	15,301	15.067%
Angela Marie B. Pagulayan	6,077	5.984%
Gino Paolo B. Bella	6,077	5.984%
Katrina Marie B. Bella	6,077	5.984%
Estate of Teodora G.Hemedes	4,082	4.020%
Louis Anthony A. Delfino	2,717	2.676%
Isabelita D. Alon	2,716	2.675%
Rory Magno A. Delfino	2,716	2.675%
Roland Rex B. Bella	2,035	2.004%
Maria Isabel A. Delfino	1,887	1.858%
Mariano A. Delfino	1,725	1.699%
Maria Angeles V. Mercado	1,683	1.657%
Obdulia H. Espejo	1,524	1.501%
Pollie L. Deza	1,404	1.383%
Maria Gracia A. Delfino	1,151	1.133%
Maria Luisa D. Gregorio	1,151	1.133%
Fr. Gabriel A. Delfino	1,150	1.132%
Maria Regina D. Rosella	1,150	1.132%
Estate of Diosdado G. Hemedes	959	0.944%
Marianne Joy M. Delfino	864	0.851%
Ma. Susanna B. Delfin	563	0.554%
Erico H. Bailon	561	0.552%
Leoncio H. Bailon	561	0.552%
Jeanette B. Zulueta	556	0.548%
Inocencio B. Deza, Jr.	476	0.469%
Catherine Dianne Reyes-Delfino	288	0.284%
Cynthia B. Buluag	262	0.258%
Jaime H. Maranan	250	0.246%
Estate of Myrna Monteverde	204	0.201%
Pacita M. Dizon	150	0.148%
Loureen M. Evangelista	135	0.133%
Maria Theresa C. Abaygar	149	0.147%
Jose M. Saturno	84	0.083%
Christopher Jeffrey N. Tenorio	78	0.077%
Benigna J. Lazaga	48	0.047%
Erlinda D. Barriga	39	0.038%
Zenaida Delfin	4	0.004%
Estela A. Liamson	1	0.001%
Cristobal C. Umale	1	0.001%

Capital Share	100
Common Share Paid up and Issued	10,155,000
Preferred Share Paid Up and Issued	56,100

f. 2021 Board of Directors

2. GUILLERMO D. BELLA		Chairman of the Board – Non-Executive 72 years old, Filipino
Degree/Course	:	Master in Business Administration Asian Institute of Management (1973) AB Humanities and General Studies Ateneo de Manila University (1971)
Prestige Bank	:	Director (1979 to present) Management Consultant (2016 to 2018) President/CEO (1979-2015)
Other Institutions	:	
Gianka Land, Inc.		Chairman of the Board / President (2003-present)
Racil Realty, Inc.		Chairman of the Board / President (2003-present)
Bell Taft Realty Corp.		Chairman of the Board / President (2017-present)
Polimer & Sons Corp		Chairman of the Board / President (1980-Present)
Don Mariano Realty Corp		Director (2009-present)

3. GILBERT FRANCIS B. BELLA		Executive / Director 41 years old, Filipino
Degree/Course	:	Master in Business Administration Ateneo Professional Schools (2008) Bachelor of Arts in Political Science Ateneo de Manila University (2003)
Prestige Bank		Director (2005 to present) President/CEO (2016 to present) Exec. Asst. to the President (2005 to 2015)
Other Institutions	:	
Paramount Ophthalmics Corp.		Chief Financial Officer (2012 to present)
AvveneIT		Treasurer / Director (2016 to 2018)
Alphan Farms, Inc.		Director (2017 to present)
Gianka Land, Inc.		Director (2003-present)
Racil Realty, Inc.		Director (2003-present)
Bell Taft Realty Corp.		Director (2017-present)
Polimer & Sons Corp		Director (2015-present)
Power Mechanics Auto Services		Proprietor (2003-2008)

4. MARIA ISABEL A. DELFINO		Non-executive Director 74 years old, Filipino
Degree/Course	:	Master in Business Administration Ateneo Graduate School of Business (1981) AB Secretarial St. Scholastica College (1971)
Prestige Bank		Director (1991 to present) Administration Manager (1995 to 2012) Technical Assistant (1990 to 1994)
Other Institutions	:	
Don Mariano Realty Corp. 6 D Realty, Inc. Delfino Realty Devt., Inc.		Secretary/Treasurer (2009 to present) President (2009 to present) Vice President (2007 to present)

5. LOUIS ANTHONY A. DELFINO		Non-executive Director 59 Years old, Filipino
Degree/Course	:	BS Marketing San Sebastian College (1986)
Prestige Bank	:	Director (2018 to present)
Other Institutions	:	
Colegio De Santa Rosa De Lima, Inc Don Mariano Realty Apelo-Delfino Corporation Joen Food Services		Chairman of the Board / VP Operations (2019) President (2015-present) President (1999 to present) Marketing Manager (2000 to present)

6. KATRINA MARIE B. BELLA		Non-executive Director 46 Years old, Filipino	
Degree/Course	:	LIA-COM Humanities-Marketing Management De La Salle University (1999)	
Prestige Bank	:	Director (2018 to present)	
Other Institutions	:		
Gianka Land, Inc.		Corporate Secretary	(2003-present)
Racil Realty, Inc.		Corporate Secretary	(2003-present)
Bell Taft Realty Corp.		Corporate Secretary	(2017-present
Stores Specialists, Inc.		Merchandise Manager	(2005-2008)
Directories Phils. Corp.		Sales Executive	(1999-2003)

6. JOSE MARIA C. MERCADO — Non-executive Director
64 years old, Filipino

Degree/Course	:	MS in Food Science University of the Philippines (1984) BS Agriculture University of the Philippines (1980)
Prestige Bank	:	Independent Director (2002 to 2017) Director (2018-present)
Other Institutions	:	
South Legacy Realty, Inc.		President (1998 to present)
Goldmunzen, Inc.		Director/Vice President (2005 to present)
Fudchafen, Inc.		Vice President (2014 to present)
Tropical Blooms		Manager (1989 to 1993)
RAM Food Products, Inc.		RD Manager (1984 to 1986)
Encarnacion Village		Manager (1980 to 1984)
Casmer Trading International		Manager (1982 to 1984)

7. CRISTOBAL C. UMALE — Independent Director
46 years old, Filipino

Degree/Course	:	Bachelor of Legal Laws University of Perpetual Help – Biñan (2009) Master in Business Administration Ateneo De Manila University (2008) BS – Accountancy (2003) Union College BS - Forestry University of the Philippines (1993)
Prestige Bank	:	Independent Director (2022 to present)
Other Institutions	:	
RB of Cuenca		Corp Secretary (2018-Present)
CCUMALE Audit & Mgt.		Proprietor (2016-Present)
Cristobal C. Umale, CPA		Proprietor (2008 to Present)

g. Board Level Committees & Function

At a minimum, the Bank, due to its simple/non-complex business model, established the Audit Committee as its sole Board level committee. The Audit Committee is composed of three (3) members of the board who are non-executive directors, including the Chairperson who is an independent director.

Duties and Responsibilities of the Audit Committee

1. Oversee the financial reporting framework – oversee the financial reporting process, practices, and controls; ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information reports.

2. Monitor and evaluate the adequacy and effectiveness of the internal control system – oversee the implementation of internal control policies and activities; ensure the periodic assessment of the internal control system to identify the weaknesses and evaluate its robustness.

3. Oversee the internal audit function – oversee the appointment / selection / remuneration / dismissal of internal auditor; review and approve the audit scope and frequency. Shall meet with the Head of the Internal Audit and such meeting shall be duly written in minutes/documented; review and approve the performance and compensation of the Head of IA, and the budget of the internal audit function

4. Oversee the external audit function – responsible for the appointment, fees and replacement of external auditor; review and approve the engagement contract/scope of audit which should likewise cover areas specifically prescribed by the BSP and other regulators.

5. Oversee implementation of corrective actions – shall receive key audit reports, ensure that senior management is taking necessary and timely corrective actions to address audit findings.

6. Investigate significant issues/concern raised – shall have the explicit authority to investigate, full access to and cooperation of management; full discretion to invite any director/officer to attend its meetings.

7. Establish whistleblowing mechanism – which officers and staff shall, in confidence, raise concerns about improprieties or malpractices in financial reporting, internal control, auditing, or other issues to persons or entities; ensure independent investigation, appropriate follow-up action and resolution.

h. Directors' Attendance at Board Meetings for 2022

NAME OF DIRECTORS	Board Meetings		Audit Committee	
	Attended	%	Attended	%
GUILLERMO D. BELLA	12	100%		
GILBERT FRANCIS B. BELLA	12	100%		
KATRINA MARIE B. BELLA	11	92%	10	100%
MARIA ISABEL A. DELFINO	12	100%		
LOUIS ANTHONY A. DELFINO	12	100%		
JOSE MARIA C. MERCADO	12	100%	10	100%
ESTELA A. LIAMSON (Outgoing ID)	9	100%	6	100%
CRISTOBAL C. UMALE (New ID)	3	100%	4	100%

i. Senior Management/List of Officers

NAME	POSITION	QUALIFICATION	AGE	NATIONALITY
Gilbert Francis B. Bella	President/CEO	BA – Political Science / MBA	41	Filipino
Estela A. Liamson	Chief Operating Officer	BSC- Accounting (CPA)	59	Filipino
Dorisa B. Caro	Chief Loan Officer	BSC – Management	62	Filipino
Erwin O. Escuzar	Treasury Manager	BS – Accountancy	43	Filipino
Maria Theresa C. Abaygar	Compliance Officer/ Corp. Sec.	BS – Mathematics / MBA	50	Filipino
Maribel C. Narvasa	Chief Accountant	BS – Accountancy	45	Filipino
Carmelo M. Palad	Appraiser/Credit Investigator	BS-Business Administration	57	Filipino
Pacita M. Dizon	Administration Manager	BSC – Accounting	60	Filipino
Alex L. De Dios	IT Officer	BS – Computer Science	48	Filipino
Jennifer R. Salonga	Branch Operations Officer	BSC -Accounting	54	Filipino
Nancy N. Garcia	Branch Operations Officer	BS-Business Administration	56	Filipino
Jeanette C. Velasquez	Branch Operations Officer	BSC – Accounting	52	Filipino
Ma. Teresa H. Palad	Bank Development Officer	BSC – Accounting	56	Filipino
Arwin B. Ramos	Internal Auditor (Outsourced)	BS – Accountancy	29	Filipino

j. Performance Assessment Program

Board

The Board self-assessment process is undertaken annually to measure board efficiency vis-a-vis the goals that the Board has set at the beginning of the year. Further, the assessment provides the Board and its committees valuable information that can be used as a guiding tool in succession planning, objective setting, as well as analysis of whether they have accomplished the purpose for which they were established and to act to address any concern emanating there from.

The Self-Assessment Evaluation for the board is divided into seven (7) categories namely: (1) Corporate Governance (2) Capital Management (3) Credit Management (4) Liquidity Management (5) Asset/Liability Management (6) Business Decision Evaluation (7) Risk Management/Internal Controls. The Assessment form is answerable by YES, if being implemented/practiced, NO, if not being practiced/implemented and N/A if not applicable. The Corporate Secretary prepares the overall report and presents this to the Board for discussion, including the recommended actions and focus areas to improve effectiveness.

Senior Management

The Bank evaluates the performance of the Senior Management on a semi-annual basis through the adopted Performance Evaluation Form which comprised of five (5) performance evaluation factors, namely: (1) Company-wide Target Attainment (2) Specific Job Performance (3) Competency and Ability (3) Interpersonal Skills (5) Administrative Compliance. Senior Officers are required to discuss performance and development feedback with the President/CEO. The adoption of the evaluation system aims to continuously develop Senior Officers in order to achieve improved performance, employee engagement and positive business results.

k. Orientation and Education Program

All first-time Directors must attend a special seminar on corporate governance for board of directors. Orientation for first-time Directors begins immediately after they are selected and before their first Board meeting. They are furnished with a copy of the general responsibility and specific duties and responsibilities of the Board and of a director. Directors are required to certify under oath that they have received a copy and fully understand and accept the general responsibility and specific duties. The certification is then submitted to the BSP together with a certification that he or she has fulfilled all the prescribed qualifications and none of the disqualifications after their election.

The Bank provides an in-house seminar/refresher course on corporate governance annually. Through this continuing education, the Directors enhance their skills, knowledge and understanding of the activities that the Bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes.

For Senior Management, the Bank provides seminar/trainings in line with the individual officer's area of responsibility through RBAP, BSP and other regulators. The objective is to update/enhance the knowledge of the Senior Officers in line with their duties/functions as against regulatory issuances/policy guidelines.

l. Retirement and Succession Policy

Senior Management

The Bank values the contributions made by its Officers during their service with the Bank and provides benefits at their retirement.

a. Normal Retirement

A Senior Officer who has reached the age of sixty (60) and has rendered at least five (5) years of continuous service to the Bank, is entitled to the full normal retirement benefit equivalent to the amount of his/her one (1) month gross salary times the number of service.

b. Early Retirement

Upon reaching the age of fifty (50) and upon completion of no less than ten (10) years of service, a Senior Officer is entitled to the following applicable benefits. The amount is computed based on the last monthly gross salary times the number of years times the percentage applicable.

RETIREMENT AGE	PERCENTAGE
50	60%
51	64%
52	68%
53	72%
54	76%
55	80%
56	84%
57	88%
58	92%
59	96%

c. Late Retirement

With the approval of the Board, a Senior Officer may continue to work beyond the normal retirement age and shall be entitled to the normal retirement benefit computed from the date of hiring to the actual date of his/her retirement. The continuity of the tenure shall be subject to the approval of the Board on a year-to year basis.

SUCCESSION PLAN

Board

Succession planning in the Board is well in place, wherein vacancies in the Board may be filled up by appointment or election of the remaining directors, if still constituting a quorum; otherwise, the stockholders shall fill such vacancy in a regular annual meeting or special meeting called for the purpose.

Senior Management

To ensure replacements for key job incumbents in the Bank, the board has adopted policy guidelines covering Senior management positions. The succession planning program desires to: (1) Identify high-potential employees capable of rapid advancement to positions of higher responsibility than those they presently occupy; (2) Ensure the systematic and long-term development of individuals to replace key job incumbents as the need arises due to deaths, disabilities, retirements, and other unexpected losses; (3) Provide a continuous flow of talented and skilled people to meet the Bank's management needs.

During the first officers' meeting of the year, the previous year's succession planning efforts is reviewed and revised for the present year's succession program. Throughout the year, officers periodically visit the succession program to assess in developing successors throughout their areas of responsibility. As the need arises, the Succession policy is accessed as a source of possible successors in the organization.

m. Remuneration Policy

Board

The Directors of the Board receive fees and bonuses. Executive directors receive salaries, bonuses and other usual Bank benefits. Executive directors are entitled to fixed compensation and performance-based bonuses plus fees for attendance in meetings. Non-executive directors receive fees in form of honoraria for attendance in meetings of the Board and its committees. The directors have no other compensation plan or arrangement with the Bank.

Senior Management

The Bank provides Senior Officers fair and equitable remuneration commensurate to the individual's qualifications and experience, nature of the job, position, and level of responsibility. The salary and benefit package of the Bank's Senior Officers including the President/CEO are designed to attract, motivate and retain a high-caliber workforce. The Bank's compensation package is reviewed regularly and benchmarked against competition through benefit surveys to ensure its competitiveness vis-à-vis industry and other market considerations.

The Bank aims to achieve a performance-driven work culture by providing meaningful rewards for performance. Thus, the Bank grants semi-annual performance bonus (non-guaranteed) based on the Bank's overall performance, Group and individual performance.

n. Policies and Management of Related Party Transactions

The objective of the policy is to define the scope of conflicts of interest and related party transactions and to set out policies and procedures that would ensure the integrity and transparency of related party transactions.

Conflict of Interest

Directors, stockholders, and senior management have a legal obligation to act in the best interest of the Company and should put their best effort to avoid situations where there may be a potential conflict of interest or situations where others might reasonably perceive there to be a conflict of interest.

The personal interests of a director, stockholder, and/or officers persons closely should not take precedence over those of the organization and its shareholders.

The aim of this policy is to protect both the Laguna Prestige Banking Corporation and the individuals involved from any appearance of impropriety.

Definition of Conflict of Interest

Conflict of interest can be defined as any situation in which an individual or Company is in a position to exploit a professional or official capacity in some way for their personal or corporate benefit. A potential conflict of interest exists if the Company intends to enter into a transaction with a related party. A conflict of interest also occurs when an individual or organization is involved in multiple interests, one of which could possibly create unfavorable influence for an act in the other.

Definition of Related Party Transaction

For the purposes of this policy, a "Related Party Transaction" is any financial transaction, arrangement or relationship or any series of similar transactions, arrangements or relationships in which:

1. The Company, the holding company or any of its subsidiaries is a participant; and;
2. Any 'Related Party' has or will have a direct or indirect interest.

For the purposes of this policy a "Related Party" is

1. Directors, stockholders, and officers of the Company;
2. Immediate family members of any of the foregoing persons, which means any child, stepchild, parent, spouse or sibling of the director or the executive officer.
3. Firms, corporations or other entities in which any of the foregoing persons has 10% or greater beneficial ownership interest.
4. The parent company and its subsidiaries.

Management of Conflicts of Interest and Related Party Transactions

1. Upon appointment, each Director, Stockholder, and Officer of the Bank will make a full, written disclosure of interests which will be handed over to the Company Secretary who will be responsible for maintaining an interests' register.

2. It is the responsibility of each Director, Stockholder, Officer of the Bank to ensure that any interests be reported to the Company Secretary so as to be recorded in this register. Full and timely disclosure of any conflict, or potential conflict, must be made to the Board. This written disclosure will be kept on file and will be updated annually or as appropriate.

3. In the course of meetings or activities, Directors, stockholders, and officers, shall forthwith after becoming aware of the fact that he is interested in a transaction or proposed transaction with the Company, disclose same to the Board and cause same to be entered in the interests register. If in doubt, the potential conflict must be declared anyway and clarification sought.

4. Any member of the Board having a conflict of interest will not vote or use his or her personal influence on the matter when the matter is discussed by the Board. The minutes of the meeting will reflect that a disclosure was made, and the abstention from voting.

5. All transactions in which there are conflicts of interest with Board Members shall be agreed on terms that are customary for arm's length transactions in the organization business. Decisions to enter into transactions in which there are conflicts of interest with Board members require the approval of the Board.

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of TXN	Amount/Contract Price	Terms	Rationale for Entering to the Transaction
GILBERT FRANCIS B. BELLA **(DOSRI)**	Stockholder/ Director/ President/CEO	8/3/2021 under BR No. 2021-069 dated 8/3/2021	Lease Contract	98,500	Monthly basis (2-year contract)	The BOD considered the low rental fee as compared to other commercial building / property located within the vicinity or nearby areas within Cabuyao City. The building is spacious with wide parking space for clients. The property is strategically located within the city's town proper. The building is not prone to fire and even robbery.
ANGELA MARIE B. PAGULAYAN **(DOSRI)**	Stockholder	1/1/2017 under BR No. 2016-130 dated 11/2/2016	Rental	1,000 Per usage	Per use basis	Casa Bella - owned by Ms. Pagulayan, a stockholder of the Bank. The place being used for BOD and Officers' meetings, conferences with BSP examiners and other regulatory agencies, Christmas party and other occasions.

						The BOD considered the low rental fee as compared to other commercial buildings or restaurants within the first district of Laguna. The building is spacious, fully air-conditioned and with wide parking space for BOD members and other guests. Travelling is very convenient since the location is adjacent to the Bank's Head Office.

o. Self -Assessment Function

Internal Audit

The Bank’s Internal Audit Division is an independent body that supports the Audit Committee to meet the functions set forth in the Internal Audit Charter that includes transaction testing and assessment of specific internal control procedures; and the examination and evaluation of the following: (1) Evaluation of the adequacy, efficiency and effectiveness of internal control, risk management and governance systems in the context of current and potential risks; (2)Review of the reliability, effectiveness and integrity of management and financial information systems, including the electronic information system and electronic banking services; (3) Review of the systems and procedures of safeguarding the Bank’s physical and information assets; (4) Review of the compliance system and the implementation of established policies and procedures; (5) Review of areas of interest to regulators such, as among others monitoring of compliance with relevant laws, rules and regulations, including but not limited to the assessment of the adequacy of capital and provisions; liquidity level; regulatory and internal reporting.

This unit reports directly to the Board through its Audit Committee. It collaborates with, Compliance Office and external auditors, and for a comprehensive review of risks and compliance in the Bank. The internal audit function as empowered by the Internal Audit Charter includes free access to all records, properties and personnel. The Audit Committee reviews the internal audit function, including its independence and the authority of its reporting relationships. The Internal Audit Division continuously improves the capabilities of its auditors by attending seminars on auditing techniques, internal audit control system and other auditing courses.

The Internal Audit Division is headed by the Internal Auditor who is appointed by the Board and reports functionally to the Board of Directors through the Audit Committee and administratively to the President/CEO.

The Audit Committee recommends to the Board the appointment of the Bangko Sentral accredited external auditor for the purpose of preparing or issuing an audit report or related work. It also assesses the external auditor’s effectiveness, independence and objectivity, ensuring that key partners are rotated at appropriate intervals. The Committee also reviews the external auditor's annual plan, scope of work, and, in consultation with management, approves the external auditor's term of engagement and audit fees.

Compliance Function

The Compliance Function is independent from the business activities of the Bank. The Compliance Office ensures that the Bank and its branches comply with all the laws, regulations, external and internal policies, corporate governance and other best practices in the implementation of its business operations. Its functions include the following: (1) Advising the Board of Directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area; (2) Apprising Bank personnel on compliance issues, and acting as a contact point within the Bank for compliance queries from Bank personnel; (3) Establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines; (4) Identifying, documenting and assessing the compliance risks associated with the Bank's business activities, including new products and business units; (5) Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments; (6) Monitoring and testing compliance by performing sufficient and representative compliance testing; (7) Maintaining a constructive working relationship with the Bangko Sentral and other regulators.

The Compliance Office, headed by the Chief Compliance Officer, reports directly to the Board of Directors. The Compliance Office oversees the implementation of the compliance program as well as its related policies and guidelines. It ensures that compliance issues are expeditiously resolved. The CCO informs Senior Management and the Board of Directors of the ongoing implementation and assessment of the effectiveness and appropriateness of the compliance program and any matters or issues relating thereto or emanating therefrom.

p. Dividend Policy

Dividends are declared and paid out of unrestricted retained earnings of the Bank at such intervals as the Board of Directors may determine and in accordance with the provisions of law and the regulations of the BSP and the SEC. The payment of dividends depends on the Bank's earnings, cash flow, financial condition, regulatory requirements for capital and other factors. The Board of Directors may, at any time, modify the Bank's dividend payout ratio depending on the results of operations and future projects and plans of the Bank. Cash dividends are subject to approval by at least a majority of the Board of Directors.

q. Consumer Protection Practices

The Bank fully supports the policy of the State to protect the interest of the consumers, promote their welfare and to establish standards of conduct for the banking industry. Our vision is to be the leading rural bank in Laguna and the country as well. In doing this, the Bank's task is to gear up for intense competition against the bigger banks. In achieving our vision and mission it is imperative that the Bank operates within the ethical business practices that govern the conduct of the Bank in dealing with its customers. The Bank's paramount goal is to provide excellent, committed, transparent, fair, honest and dedicated services to its customers that will translate into prestige, profitability and stability of the Bank.

The Bank has developed and adopted its Financial Consumer Protection Manual (FCPM) with the following objectives:

1. To protect the financial rights of its clients which include among others, (a) right to information, (b) right to choose, (c) right to redress, (d) right to education.

2. To maintain good relationship of the Bank with its clients (depositors, loan borrowers and other customers) over a long period of time.
3. To promote transparency and better understanding and appreciation of banking products and services;

The FCPM shall be the guiding document of the Bank to deliver the required level of fair treatment, honesty, transparency and commitment to its customers

Roles and Responsibilities of the Oversight Bodies

BOARD OF DIRECTORS

1. The Board of Directors (BOD) has the ultimate responsibility for the level of customer risk assumed by the Bank. Accordingly, the Board approves the Bank's overall business strategies and significant policies, including those related to managing and taking customer risks.

2. The Board of Directors takes steps to develop an appropriate understanding of the customer risks the Bank faces through briefings from auditors and experts external to the organization.

3. The board of directors provides clear guidance regarding the level of customer protection risk acceptable to the Bank and ensures that senior management implements the procedures and controls necessary to comply with the policies that have been adopted.

4. The BOD is responsible for developing and maintaining a sound Customer Protection Risk Management System that is integrated into the over-all framework for the entire product and service life-cycle.

5. Each director has a level of knowledge commensurate with the nature of his or her role in managing the Bank's customer protection program. This can be done through attendance to trainings and seminars, interaction with experts and regulatory personnel knowledgeable to this line.

6. The Board reviews and approves appropriate customer protection policies to limit risks inherent in the Bank's significant business lines, activities, or products, including ensuring effective oversight of any third-party providers that provide products and services for the Bank.

7. The Board periodically reviews and approves customer protection risk exposure limits to conform to any changes in the Bank's strategies and addresses the extent of protection assumed by the customers when new products are introduced.

SENIOR MANAGEMENT

1. Senior management is responsible for implementing a program to manage the customer compliance risks associated with the Bank's business model, including ensuring compliance with laws and regulations on both a long-term and a day-to-day basis. Accordingly, management should be fully involved in its activities and possess sufficient knowledge of all major products to ensure that appropriate risk controls are in place and that accountability and lines of authority are clearly delineated.

2. Senior management also is responsible for establishing and communicating a strong awareness of, and need for, effective customer protection risk controls and high ethical standards.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

1. The BOD and Senior Management periodically review the effectiveness of the Customer Protection Risk Management System (CPRMS) including how findings are reported and whether the audit mechanism in place enable adequate oversight.

2. The BOD and Senior Management must ensure that sufficient resources are devoted to the customer protection program.

3. They must be certain the FCP weaknesses are properly addressed and corrective actions are taken in a timely manner.

4. The Board and Senior Management are sufficiently familiar with and are using adequate record keeping and reporting systems to measure and monitor the major sources of customer risk to the Bank.

5. The Board and Senior Management ensure that the depth of staff resources is sufficient to operate and manage the Bank's customer protection activities soundly and that employees have the integrity, ethical values, and competence that are consistent with a prudent management philosophy and operating style.

6. The Board and Senior Management anticipate and respond to customer protection risks that may arise from changes in the Bank's competitive environment and to risks associated with new or changing regulatory or legal requirements.

The Customer Protection Risk Management System (CPRMS) is embedded in the Bank's FCPM by which a Bank can identify, measure, monitor and control customer protection risks inherent in its operations. The risks belong to the financial customer or the Bank. The CPRMS is proportionate to the size, structure and complexity of Prestige Bank's operations. It provides the foundation for ensuring the Bank's adherence to CP standards of conduct and compliance with customer protection laws, rules and regulations in order to prevent risk to the Bank and any harm or financial loss to the customer.

The Board of Directors has the ultimate responsibility for the level of risk taken by the Bank. Accordingly, board members approves the overall customer protection policies of the Bank, including those related to managing and taking risks, and also ensure that senior management is fully capable of managing the activities that the Bank conducts. Senior management is responsible for implementing strategies in a manner that limits the risk associated with each strategy and ensures compliance with laws and regulations on both a long-term and day-to-day basis. Management is fully involved in the activities of the Bank and possesses sufficient knowledge of all major business lines to ensure that appropriate policies, controls, and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated.

The Bank identifies its customer protection risks in each principle through analysis of its effects to the Bank and the customer. The following were specifically recognized or identified risks by the Bank under the different principles or protection standards of consumer protection: (1) Oversight Bodies (2) Disclosure and Transparency (3) Conflict of Interest (4) Protection of Customer Information (5) Fair Treatment (6) Remuneration Structure (7) Effective Recourse (8)Financial Education and Awareness .

The Bank recognizes the importance of measuring risks in relation to the degree and extent of risks in financial customer protection. In this view, the Bank has established two (2) approaches in measuring the effects of failure to follow the required protection standards or principles. The Bank has policies and procedures to address the different identified risks of financial customer protection. These are in-placed in different standards to protect the customer during the life-cycle of his/her relationships with the Bank. They are embedded in different aspects of operations of the Bank as emboldened either in Bank's manuals, forms, advertisements, websites or posters installed at the lobby or other places as the Management deems fit.

CUSTOMER ASSISTANCE MANAGEMENT SYSTEM (CAMS)

The Board of Directors has the full responsibility in the oversight supervision of the Customer Assistance Management System (CAMS). The Senior Management is primarily responsible in the proper implementation of the CAMS. It shall take reports and recommended actions/solutions from the Office of the COO and Branches' Operations Head (BOH).

The Bank follows its existing operational channel in handling customer complaints. It has designated its BOO to serve as the Customer Assistance Officers (CAOs), while the COO is designated Head of the Customer Assistance Officers. The COO then reports to the Senior Management or the President for the latter to present and discuss the report on complaints to the Board which will provide action based on his recommendations.

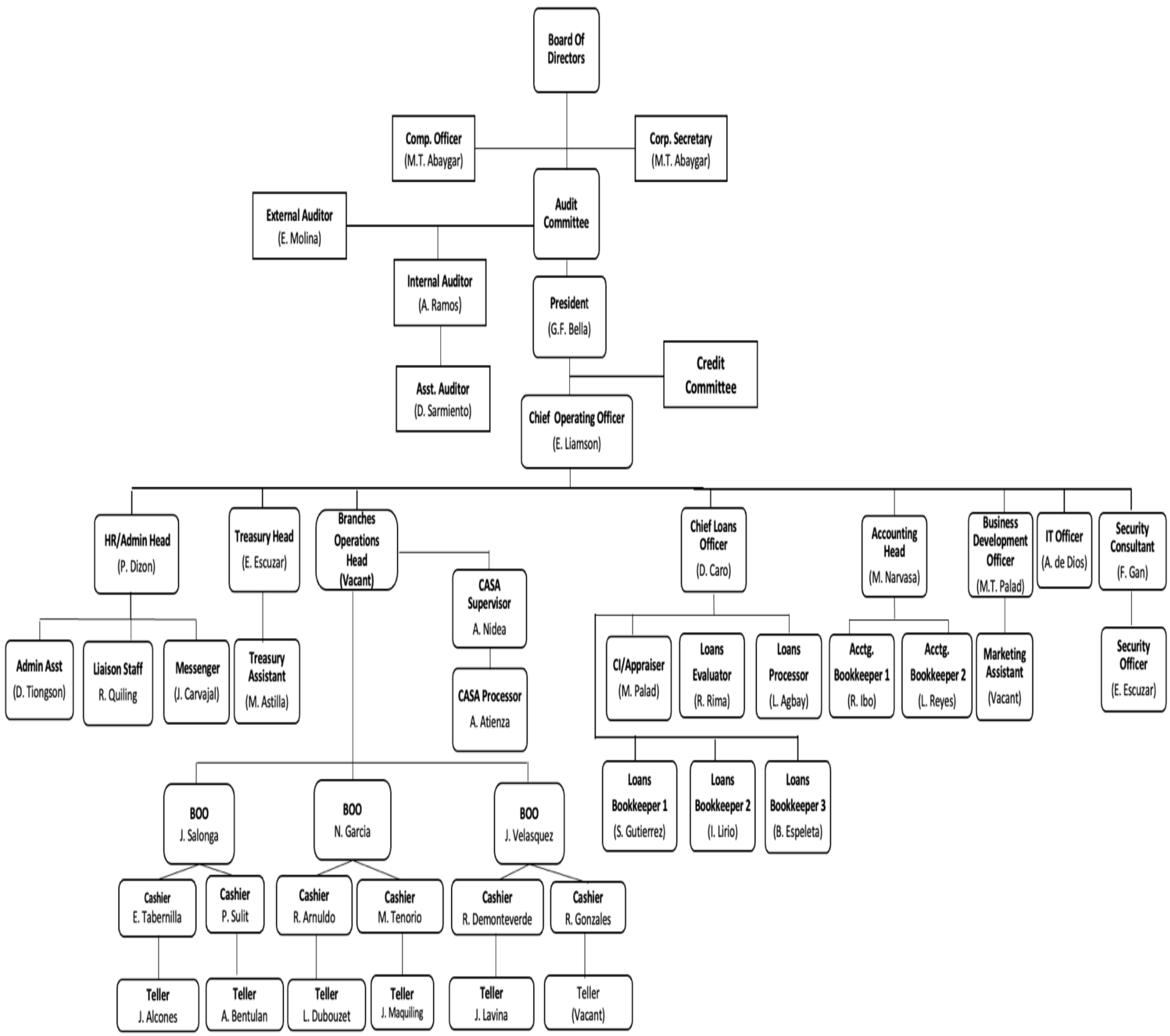
Customer Assistance Process

Any concerns (complaint or request) shall be processed by the Bank within seven (7) days and the reply shall be issued within two (2) days after the resolution is completed. Below is process and timelines for simple concern

STEP	PROCEDURE	RESPONSE TIME	PERSON IN CHARGE	FORMS
1	Approach the Customer Assistance Officer (CAO)	1 minute	Branch Operations Officer	
2	Fill-out the Complaint Form	30 minutes	-do-	Complaint Form
3	Submit the Complaint Form to Customer Assistance Officer	1-3 minutes	-do-	Complaint Form
4	Refer the Complaint to the Head CAO	Within 1 Day	-do-	Complaint Form
5	Investigate the complaint or request	Within 2 Day	-do-	
6	Analyze the nature of complaints and prepare the recommended solution(s)	Within 4 Days	COO (Head CAO)	Memo
7	Review and approve the recommended solutions	Within 7 Days	President	Memo
8	Provide official reply to the Customer	Within 9 Days	COO or Branches' Operations Head	Letter

6. Corporate Information

a. Organizational Structure



b. Products and Services

c. Website and Pages

Website - www.prestigebank.com.ph

Facebook - www.facebook.com/prestigebank/

d. List of Banking Units

Head Office/Main Branch	:	233 JP Rizal and Limcaoco Streets, Cabuyao City, Laguna Tel. no. (049) 531-2006, (049) 304-7294
Sta. Rosa Branch	:	Rizal Boulevard, Tagapo, Sta. Rosa City, Laguna Tel. no. (049) 254-1421
Banlic Branch	:	National Highway, Banlic, Cabuyao City, Laguna Tel. No. (049) 304-0230
Biñan Branch	:	National Highway, San Antonio, Biñan City, Laguna Tel. No. (049) 530-0835
Balibago Branch	:	National Highway, Balibago, Sta. Rosa City, Laguna Tel. No. (049) 302-0672
Calamba Branch	:	National Highway, Parian, Calamba City Tel. No. (049) 254-1881

e. Memberships and Affiliations

Member:

- Philippine Deposit Insurance Corporation (PDIC)
- Rural Bankers Association of the Philippines (RBAP)
- Confederation of Southern Tagalog Rural Banks (CSTRB)

Partners:

- Cebuana Lhuillier
- BDO-POS System
- Byte per Byte – Coreware provider
- BAP – Credit Bureau

Laguna Prestige Banking Corporation (A Rural Bank)

233 J.P. Rizal St. corner F. Limcaoco St., Barangay Poblacion Uno, Cabuyao City, Laguna

AUDITED FINANCIAL STATEMENTS (AFS)
December 31, 2022

This AFS includes the following basic Financial Statements:

Statement of Financial Position (Balance Sheet)
Statement of Income and Other Comprehensive Income
Statement of Changes in Equity
Statement of Cash Flows
Notes to Financial Statements

Laguna Prestige Banking Corporation (A Rural Bank)

233 J.P. Rizal St. corner F. Limcaoco St., Barangay Poblacion Uno, Cabuyao City, Laguna

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of the Laguna Prestige Banking Corporation (A Rural Bank) is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Laguna Prestige Banking Corporation (A Rural Bank) complete and correct in all material respect. Management likewise affirms that:

(a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) the Laguna Prestige Banking Corporation (A Rural Bank) has filed all applicable Tax returns, reports and statements required to be filed under Philippine Tax laws for The reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for The reporting period, except those contested in good faith.

Signature: ____________________________
Printed Name of the Chairman of the Board: Guillermo D. Bella

Signature: ____________________________
Printed Name of the Chief Executive Officer/President: Gilbert Francis B. Bella

Signature: ____________________________
Printed Name of the Chief Financial Officer: Erwin O. Escuzar

Signed - April 25, 2023

Laguna Prestige Banking Corporation (A Rural Bank)

233 J.P. Rizal St. corner F. Limcaoco St., Barangay Poblacion Uno, Cabuyao City, Laguna

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Laguna Prestige Banking Corporation (A Rural Bank) (Company) is responsible for the preparation and fair presentation of the financial statements including schedules attached therein, for the years ended December 31, 2022 and December 31, 2021, 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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company'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.

EDGARDO M. MOLINA of Blk 10, Lot 26, Kroner Street, Villa Carolina I Muntinlupa City, Metro Manila, the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: ______________________________
Printed Name of the Chairman of the Board: Guillermo D. Bella

Signature: ______________________________
Printed Name of the Chief Executive Officer/President: Gilbert Francis B. Bella

Signature: ______________________________
Printed Name of the Chief Financial Officer: Erwin O. Escuzar

Signed - April 25, 2023

EDGARDO M. MOLINA

Blk 10, Lot 26, Kroner Street, Villa Carolina I
Tunasan, Muntinlupa City
Email: molina.audit@gmail.com

Supplemental Written Statement

Board of Directors
Laguna Prestige Banking Corporation (A Rural Bank)
233 J.P. Rizal St. corner F. Limcaoco St., Barangay Poblacion Uno, Cabuyao City, Laguna

I have examined the financial statement of the Laguna Prestige Banking Corporation (A Rural Bank) for the year ended December 31, 2022, on which I have rendered the attached report dated April 25, 2023.

In compliance with the Revised SRC Rule 68, I am stating that the Laguna Prestige Banking Corporation (A Rural Bank) has a total number of Thirty Four (34) stockholders owning one hundred (100) or more shares each.

EDGARDO M. MOLINA
TIN No. 123-467-133-000
CPA Certificate No. 39419 expiry September 1, 2023
PTR No. 4347773, Issued at Muntinlupa City on January 4, 2023
BOA/PRC Certificate No. 2577, expiry on September 1, 2024
BIR Accreditation No. 08-005012-001-2022, expiry on September 27, 2025
BSP Accreditation(Category C), valid to audit until 2023 Financial Statements

This certification is issued on April 25, 2023 at Muntinlupa City, Metro Manila

EDGARDO M. MOLINA

Blk 10, Lot 26, Kroner Street, Villa Carolina I
Tunasan, Muntinlupa City
Email: molina.audit@gmail.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Laguna Prestige Banking Corporation (A Rural Bank)
233 J.P. Rizal St. corner F. Limcaoco St., Barangay Poblacion Uno, Cabuyao City, Laguna

I have audited the accompanying financial statements of Laguna Prestige Banking Corporation (A Rural Bank) for the year then ended December 31, 2022, on which I have rendered the attached report dated April 25, 2023.

In compliance with Revenue Regulations V-20, I am stating that I am not related by consanguinity or affinity to the president, manager or principal stockholders of the Laguna Prestige Banking Corporation (A Rural Bank).

EDGARDO M. MOLINA
TIN No. 123-467-133-000
CPA Certificate No. 39419 expiry September 1, 2023
PTR No. 4347773, Issued at Muntinlupa City on January 4, 2023
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EDGARDO M. MOLINA

Blk 10, Lot 26, Kroner Street, Villa Carolina I
Tunasan, Muntinlupa City
Email: molina.audit@gmail.com

Report of Independent Auditor to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

Board of Directors
Laguna Prestige Banking Corporation (A Rural Bank)
233 J.P. Rizal St. corner F. Limcaoco St., Barangay Poblacion Uno, Cabuyao City, Laguna

I have audited in accordance with Philippine Standards on Auditing, the financial statements of Laguna Prestige Banking Corporation (A Rural Bank) for the year ended December 31, 2022, on which I have rendered my report dated April 25, 2023. My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following applicable supplementary information are presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards:

Schedule of the amount available for dividend declaration as of December 31, 2022.

Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic statements taken as a whole.

EDGARDO M. MOLINA
TIN No. 123-467-133-000
CPA Certificate No. 39419 expiry September 1, 2023
PTR No. 4347773, Issued at Muntinlupa City on January 4, 2023
BOA/PRC Certificate No. 2577, expiry on September 1, 2024
BIR Accreditation No. 08-005012-001-2022, expiry on September 27, 2025
BSP Accreditation(Category C), valid to audit until 2023 Financial Statements

This certification is issued on April 25, 2023 at Muntinlupa City, Metro Manila

Laguna Prestige Banking Corporation (A Rural Bank)

233 J.P. Rizal St. corner F. Limcaoco St., Barangay Poblacion Uno, Cabuyao City, Laguna

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DECLARATIONS

December 31, 2022

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	P 230,796,176
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	P 4,314,554
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Sub-total	P -
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Sub-total	P -
Net income actually earned during the period	P 4,314,554
Add (Less):	
Dividend declarations during the period	P (4,064,244)
Appropriation for Retirement of Officers and Employees	-
Reversal of Excess Booked Dividend and Income Tax	(71,018)
Effects of adjustments	-
Treasury shares	-
Sub-total	P (4,135,262)
TOTAL RETAINED EARNINGS, END - AVAILABLE FOR DIVIDEND	P 230,975,468

Note: Before declaring dividend, the Bank has to comply with the requirements of Sections 124, 125, 121 of the Manual of Regulations for Banks.

EDGARDO M. MOLINA
Blk 10, Lot 26, Kroner Street, Villa Carolina I
Tunasan, Muntinlupa City
Email: molina.audit@gmail.com

REPORT OF INDEPENDENT AUDITOR

The Board of Directors and Shareholders of
Laguna Prestige Banking Corporation (A Rural Bank)
233 J.P. Rizal St. corner F. Limcaoco St., Barangay Poblacion Uno, Cabuyao City, Laguna

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Laguna Prestige Banking Corporation (A Rural Bank) which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Laguna Prestige Banking Corporation (A Rural Bank) as at December 31, 2022, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

I conducted my audit in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Corporation in accordance with the Code of Ethics for Professional Accountants in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.

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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 but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Corporation's internal control.

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

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- 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 Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion, my conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation 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 represents the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

Report on Other Regulatory Requirement

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Notes to Financial Statements is presented for purposes of filing with the Bureau of Internal Revenue, and the disclosure required under Section 174 of the Manual of Regulation for Banks is for the filing to the Bangko Sentral ng Pilipinas are both not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

EDGARDO M. MOLINA
TIN No. 123-467-133-000
CPA Certificate No. 39419 expiry September 1, 2023
PTR No. 4347773, Issued at Muntinlupa City on January 4, 2023
BOA/PRC Certificate No. 2577, expiry on September 1, 2024
BIR Accreditation No. 08-005012-001-2022, expiry on September 27, 2025
BSP Accreditation(Category C), valid to audit until 2023 Financial Statements

April 25, 2023

Laguna Prestige Banking Corporation (A Rural Bank)

233 J.P. Rizal St. corner F. Limcaoco St., Barangay Poblacion Uno, Cabuyao City, Laguna

Comparative Statements of Financial Position

As of December 31, 2022 and 2021

Amounts are in Philippine Pesos

Account Titles	Notes		2022		2021
Asset					
Cash and Other Cash Items	7	P	2,850,625	P	4,489,093
Due from Bangko Sentral ng Pilipinas	7		10,580,873		12,799,232
Due from Other Banks	7		105,031,873		146,433,004
Investment in Securities Measured at Amortized Cost	8		190,355,124		179,448,868
Loans and Other Receivables - Net	9		296,494,662		247,139,451
Bank Premises, Furniture, Fixtures and Equipment net	10		17,969,707		19,253,818
Investment Property	11		20,176,747		21,558,968
Other Assets - net	12		13,305,474		10,167,227
Total Assets		P	**656,765,084**	P	**641,289,662**

Account Titles	Notes		2022		2021
Liabilities and Capital Funds					
Total Deposit Liabilities	13	P	401,916,483	P	386,585,482
Lease Liabilities	10.a		671,475		1,752,349
Accrued Expenses and Other Liabilities	14		12,332,056		11,286,054
Total Liabilities		P	**414,920,015**	P	**399,623,885**
Capital Stock - Common	15	P	10,155,000	P	10,155,000
Capital Stock - Preferred	15		56,100		56,100
Retained Earnings Reserve	15		658,501		658,501
Retained Earnings Free	15		230,975,468		230,796,176
Total Capital Funds		P	**241,845,069**	P	**241,665,777**
Total Liabilities and Capital Funds		P	**656,765,084**	P	**641,289,662**
Book Value per Common Share in Pesos	15	P	**2,381**	P	**2,379**

Laguna Prestige Banking Corporation (A Rural Bank)

233 J.P. Rizal St. corner F. Limcaoco St., Barangay Poblacion Uno, Cabuyao City, Laguna

Comparative Statements of Income and Other Comprehensive Income

For the years ended December 31, 2022 and 2021

Amounts are in Philippine Pesos

Account Titles	Notes		2022		2021
INTEREST INCOME					
Interest - Loans and Other Receivables	*9*	P	25,950,463	P	25,791,651
Interest - Investments	*8*		6,417,755		5,789,599
Interest - Deposit with banks	*7*		1,196,797		1,154,547
Total interest Income		P	**33,565,016**	P	**32,735,797**
INTEREST EXPENSE					
Interest-Deposits	*13*	P	2,036,479	P	2,195,148
Interest - Lease Liability	*10.a*		101,126		75,527
Total Interest Expense		P	**2,137,606**	P	**2,270,675**
NET INTEREST INCOME		P	**31,427,410**	P	**30,465,122**
OTHER INCOME					
Fees, Commission and Other Income	*16*	P	1,453,792	P	1,195,932
Profit or (Loss) From Assets Sold	*17*		778,394		153,134
Other Income	*18*		3,802,753		3,839,669
Total Other Income		P	**6,034,939**	P	**5,188,734**
Income before Other Expenses		P	**37,462,349**	P	**35,653,856**
OTHER EXPENSES					
Compensation and Fringe Benefits	*19*	P	15,786,648	P	15,100,460
Taxes and Licenses	*25.b*		2,279,942		2,309,072
Depreciation and Amortization	*20*		2,810,232		2,869,290
Administrative Expense	*21*		6,940,623		6,713,111
Impairments and Provisions	*22*		3,322,831		4,882
Total Other Expense		P	**31,140,276**	P	**26,996,815**
Net Operating Income		P	**6,322,073**	P	**8,657,041**
Provision for (Benefit From) Income Tax	*25.a*	P	2,007,520	P	2,078,181
Net Income Before Comprehensive Income		P	**4,314,554**	P	**6,578,860**
Other Comprehensive Income			-		-
NET INCOME (LOSS)		P	**4,314,554**	P	**6,578,860**
Earnings per Share	*23*		**42.49**		**64.78**

Laguna Prestige Banking Corporation (A Rural Bank)

233 J.P. Rizal St. corner F. Limcaoco St., Barangay Poblacion Uno, Cabuyao City, Laguna

Comparative Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

	(No of Shares)		(In Pesos)			
	2022	2021		2022		2021
Ordinary Shares						
Beginning Balance	101,550	101,550	P	10,155,000	P	10,155,000
Additional Issuance/Stock Dividend	-	-		-		-
Ending Balance	**101,550**	**101,550**	**P**	**10,155,000**	**P**	**10,155,000**
Preference Shares						
Beginning Balance			P	56,100	P	56,100
Ending Balance	-	-	P	**56,100**	P	**56,100**
Retained Earnings Reserve						
Retained Earnings Reserve Beginning Balance			P	658,501	P	658,501
Retained Earnings Reserve Ending Balance			**P**	**658,501**	**P**	**658,501**
Retained Earnings Free						
Retained Earnings Free Beginning Balance			P	230,796,176	P	224,781,635
Net Earnings Closed to Retained Earnings				4,314,554		6,578,860
Reversal of Excess Booked Dividend and Income Tax				(71,018)		2,483,303
Dividends Declared				(4,064,244)		(3,047,622)
				-		-
Retained Earnings Free Ending Balance			**P**	**230,975,468**	**P**	**230,796,176**
Total Capital Funds			**P**	**241,845,069**	**P**	**241,665,777**

Laguna Prestige Banking Corporation (A Rural Bank)

233 J.P. Rizal St. corner F. Limcaoco St., Barangay Poblacion Uno, Cabuyao City, Laguna

Comparative Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(In Pesos)

	NOTES		2022		2021
Cash Flows from Operating Activities:					
Net Income before Non-cash Expenses and Income Tax		P	6,322,073	P	8,657,041
Add: Depreciation and Amortization	*20*		2,810,232		2,869,290
Add: Impairments and Provisions	*22*		3,322,831		4,882
Add: Interest - Lease Liability	*10.a*		101,126		75,527
Operating income before changes in working capital		P	12,556,263	P	11,606,740
(Increase) Decrease in operating assets:					
Loans & Receivable - net	*9*	P	(49,355,211)	P	8,456,579
Investment Properties - net	*11*		243,105		168,577
Other Assets - net	*12*		(3,138,247)		(492,806)
Increase (Decrease) in operating liabilities:					
Deposit liabilities	*13*		15,331,001		324,794
Accrued Interest & Other liabilities	*14*		(2,189,604)		130,135
Income taxes Paid	*25*		(2,165,762)		(2,078,181)
Net Cash Provided by (Used in) Operating activities		**P**	**(28,718,455)**	**P**	**18,115,838**
Cash Flows from Investing Activities					
Acquisition of Fixed Assets	*10*	P	(387,004)	P	(3,124,219)
Payment for Lease Liability	*10.a*		(1,080,874)		1,166,936
Interest Paid on Lease Liability	*10.a*		(101,126)		(75,527)
Additional Placement of Investments	*8*		(10,906,256)		(55,319,489)
Net cash provided by (Used in) Investing Activities		**P**	**(12,475,260)**	**P**	**(57,352,299)**
Cash Flows from Financing Activities:					
Dividends	*15*	P	(4,064,244)	P	(3,047,622)
Net cash provided by (Used in) Financing Activities			**(4,064,244)**		**(3,047,622)**
Net increase (Decrease) in cash and cash equivalents		**P**	**(45,257,959)**	**P**	**(42,284,083)**
Cash and other cash items	*7*	P	4,489,093	P	4,153,103
Due from Bangko Sentral ng Pilipinas	*7*		12,799,232		11,926,303
Due from other banks	*7*		146,433,004		189,937,039
Cash and cash equivalents at the beginning of the period		**P**	**163,721,329**	**P**	**206,016,444**
Cash and other cash items	*7*	P	2,850,625	P	4,489,093
Due from Bangko Sentral ng Pilipinas	*7*		10,580,873		12,799,232
Due from other banks	*7*		105,031,873		146,433,004
Cash and cash equivalent at the end of the period		**P**	**118,463,371**	**P**	**163,721,329**

Laguna Prestige Banking Corporation (A Rural Bank)

233 J.P. Rizal St. corner F. Limcaoco St., Barangay Poblacion Uno, Cabuyao City, Laguna

Notes to Financial Statements
December 31, 2022

Amounts in Philippine Pesos with comparative figures from December 31, 2021

1. CORPORATE INFORMATION

Formerly Rural Bank of Cabuyao, Inc., Laguna Prestige Banking Corporation (A Rural Bank), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on **August 14, 1961** as per registration number 19270 with current business address at 233 J.P Rizal St. Corner Limcaoco St. Barangay Poblacion Uno, Cabuyao City, Laguna. Formally started its operation on August, 1961 with a paid up capital share of P100,000.00, its main objective is to provide effective financial services to the small farmers, individuals and deserving enterprises of Cabuyao, Laguna. The need to extend its services was felt by the management that in January 1975, an extension office was put up at Banlic, Cabuyao which later developed into branch in May 2002. A branch office in Sta. Rosa, Laguna started operating on August 1983. The opening of Binan, Balibago, Calamba branches on November 1993, October 1994 and November 2008 followed these developments respectively.

The Bangko Sentral ng Pilipinas has approved the change of corporate name of the Rural Bank of Cabuyao, Inc. to "LAGUNA PRESTIGE BANKING CORPORATION, (A RURAL BANK)". The Bank has registered with the Securities and Exchange Commission its Amended Articles of Incorporation and Amended By-Laws bearing its new corporate name on 01 June 2011.

The financial statements of the Bank for the year ended December 31, 2022 (including the financial Statements and other data from previous year presented) were authorized for issue by the Bank's Board of Directors (BOD) on April 25, 2023.

Status of Operation

The financial statements of Laguna Prestige Banking Corporation (A Rural Bank) were prepared on a going concern basis. The going concern basis assumes that the bank will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business and there are no events or conditions which indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

b) Presentation of Financial Statements

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

c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts, except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates.

2.2 Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended standards and interpretations which became effective for the year 2022.

The adoption of these new standards, amendments and interpretations unless otherwise stated, did not have any material impact on the financial statements of the Bank. Others were cited in this report for information purposes and may not be applicable to the bank. In case new standard is applicable to the Bank, detailed disclosures showing its effect in the Financial Statements were provided.

PFRS 3 (Amendments), Business Combinations – Reference to the Conceptual Framework (effective January 1, 2022). The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

The amendments also clarified existing guidance in IFRS 3 for contingent assets. IAS 37 defines a contingent asset as 'a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity'. The acquirer shall not recognize a contingent asset at the acquisition date.

PAS 16 (Amendments), Property, Plant and Equipment – Proceeds Before Intended Use (effective January 1, 2022). The amendments prohibit a Bank from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Bank is preparing the asset for its intended use. Instead, a Bank will recognize such sales proceeds and related cost in profit or loss.

PAS 37 (Amendments), Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts - Cost of Fulfilling a Contract (effective January 1, 2022). The cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both: (a) the incremental costs of fulfilling that contract—for example, direct labor and materials; and (b) an allocation of other costs that relate directly to fulfilling contracts— for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

Before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Bank:

- PFRS 9 (Amendments), Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities. This is the amendment to IFRS 9 clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability (10% test) . If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

- Illustrative Examples Accompanying PFRS 16, Leases – Lease Incentives. This requires a lessee to include lease incentives in the measurement of both the right-of-use asset and the lease liability. Therefore all forms of lease incentive should be considered when determining the carrying amount of the lease liability and the right-of-use asset

2.3 Financial Assets

Financial assets are recognized when the Bank becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, Financial Instruments: Presentation. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are as follows;

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met: (1) the asset is held within the Bank's business model whose objective is to hold financial assets in order to collect the contractual cash flows; and, (2) the contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using effective interest method, less any impairment in value.

The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans and Other Receivables, Investment Securities, and Other Resources in respect of advance deposits, if there is any, are presented as part of Others.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash and other cash items and non-restricted balances due from BSP and due from other banks. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost The Bank has not made such designation.

(b) Recognition of Interest Income

Interest income on financial assets at amortized cost is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired and those that are purchased or originated credit-impaired assets. For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(c) Impairment of Financial Assets

Impairment losses is based on the Bangko Sentral ng Pilipinas (BSP) methodology as described in Circular 1011. This method is promulgated by the BSP to align the Bank's practice of recognizing impairment based on the "Expected Credit Loss" method mandated by the PFRS 9.

The Bangko Sentral ng Pilipinas issued Circular 1011 to align its financial reporting requirements with standards and practices that are widely accepted internationally to promote fairness, transparency, and accountability in the financial industry and to comply with the provision of PFRS 9. The Bank is regarded by the regulation as a "simple Bank", with credit operations that may not economically justify the adoption of loan loss estimation methodology based on PFRS 9, the Circular 1011, required the Bank to comply with the regulatory guidelines in setting up an allowance for credit losses prescribed under the Appendix 15 of the Manual of Regulations for Bank. The Bank believes that the parameters in the said circular can be considered as the Expected Credit Loss of the rural Banking industry, which is based on the BSP nationwide rural bank loss database.

Definition of "default" and "cure"

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, in all cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days and has exhibited a satisfactory track record.

(d) Write-off Policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity; and, where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. Any outstanding contractual amounts of such assets written off during the period ended December 31, 2022 and 2021 if there is any, is disclosed in the notes discussing details of Loans and Other Receivables.

(e) Derecognition of Financial Assets

(1) Modification of Loans

When the Bank derecognizes a financial asset through renegotiation or modification of contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

a. If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;

b. Whether any substantial new terms are introduced that will affect the risk profile of the loan;

c. Significant extension of the loan term when the borrower is not in financial difficulty;

d. Significant change in the interest rate; and/or,

e. Insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment, calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments.

Differences in the carrying amount are as gain or loss on derecognition of financial assets in profit or loss. As to the impact on ECL measurement, the expected fair value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that ate discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

(2) Derecognition of Financial Assets Other than Modification

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and a collateralized borrowing for the proceeds received.

2.4 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less any impairment losses. All other items of bank premises, furniture, fixtures and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Useful Life of Building	5 yrs
Useful Life of Furniture Fixture	1-5 yrs
Useful Life of Transpo. Equipment	5-7 yrs
Useful Life of Office Equipment	1-5 yrs
Useful Life of I.T. Equipment	1-5 yrs
Useful life of software	5 yrs

Leasehold rights and improvements amortization if there is any, is computed over the lease term or the estimated useful life of the improvement, whichever is shorter. The estimated useful life of leasehold rights and improvements is five years depending on the nature of the improvement.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment are reviewed and adjusted, if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and impairment losses, 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 recognized in profit or loss in the year the item is derecognized.

Leases - Bank as Lessee

Right-of Use Asset, since last December 31, 2019, Bank Premises Furniture and Fixtures' line item includes an account - Right-of-use Asset, this refers to real properties which the bank rents and is a lessee. In 2019 the Bank has adopted new guidance for the recognition of leases. PFRS 16 states that the ROU asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the entity, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adoption as at January 01, 2019 being recognized as a single adjustment to Retained Earnings (Deficit) account. Accordingly, the Bank is not required to present a third statement of financial position as at that date. Prior periods have not been restated.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Bank classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

For any new contracts entered into, the Bank considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.' To apply this definition, the Bank assesses whether the contract meets three key evaluations which are whether:

-- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;

-- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

-- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank amortizes the right-of-use asset on a straight-line basis from the lease commencement date over the useful life of the right-of-use asset or the term of the lease, whichever is shorter. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including those determined to be fixed in substance), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank has elected to account for any short-term leases (less than 12 months) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The corresponding right-of-use assets and lease liabilities are presented as part of Bank Premises, Furniture, Fixtures and Equipment, and Other Liabilities, respectively, in the statement of financial position.

2.5 Investment Properties

Investment properties represent properties that were foreclosed by the Bank from defaulted borrowers and held either to earn rental income or for capital appreciation or for sale or for both, this also includes the foreclosed properties of the bank as required by the Manual of Regulations for Banks and available for sale after redemption period in the ordinary course of business.

The Bank adopted the cost model in measuring its investment properties; hence, these are stated at cost less accumulated depreciation and any impairment in value. The initial cost of Real and Other Properties Acquired (ROPA) shall be booked initially at the carrying amount of the loan (i.e., outstanding loan balance adjusted for any unamortized premium or discount less allowance for credit losses. Direct operating expenses such as repairs and maintenance and real estate taxes are normally charged against current operations during the period in which these costs are incurred.

In case the collateral of defaulted loan that was foreclosed has depreciable improvements, the booking of real and other property acquired (ROPA) is divided into the accounts ROPA-Land and ROPA-Building. The allocation of initial recognized costs is based on the market value at the time of foreclosure.

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets, the bank regulations provide that the depreciation of shall not exceed ten years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Investment properties including the related accumulated depreciation and any impairment losses are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss and is presented as part of Other Operating Income in the statement of comprehensive income in the year of retirement or disposal.

2.6 Other Assets

Other resources pertain to other assets that are controlled by the Bank as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably.

2.7 Financial Liabilities

Financial liabilities, which include deposit liabilities and accrued expenses and other liabilities (except tax-related liabilities and retirement benefit obligation), are recognized when the Bank becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss as part of Interest Expense in the statement of comprehensive income.

Financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost using the effective interest method for those with maturities beyond one year, less settlement payments.

Dividend distributions to shareholders if there is any, are recognized as financial liabilities upon declaration by the Bank's BOD.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.8 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.9 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events. This also includes any provisions of bank for losses and provision for retirement of employees.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Bank that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Bank can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.10 Other Income and Expense Recognition

Revenue is recognized only when (or as) the Bank satisfies a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may partially be within the scope of PFRS 9 and partially within the scope of PFRS 15. In such case, the Bank first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then applies PFRS 15 to the residual part of the contract.

Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

The Bank also earns service fees and commissions on various banking services, and gains on sale of properties, which are supported by contracts approved by the parties involved.

These revenues are accounted for by the Bank in accordance with PFRS 15. For revenues arising from various banking services, which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

(a) *Service charges, fees and commissions* – are recognized as earned when collected or when there is reasonable degree of certainty as to their collectability and based on the agreed term and conditions with customers which are generally when the services has been performed. This is included as part of the Other Operating Income in the statement of comprehensive income.

(b) *Penalties* – these are charges from deposit accounts that fall under dormancy or maintaining balance. These fees are recognized at the time of dormancy. Penalty is also imposed against non-payment of loans and receivables.

(c) Gains or losses on sale of non-financial assets – presented as Profit or (Loss) From Assets Sold include net gains or losses from the disposals of bank premises, furniture, fixtures and equipment and investment properties. The Bank recognizes the gain on sale at the time the control of the assets is transferred to the buyer, when the Bank does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold, and when the collectability of the entire sales price is reasonably assured. Thus, revenue is recognized at a point of disposal.

2.11 Impairment of Non-financial Assets

Bank premises, furniture, fixtures and equipment, investment properties and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Bank's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.12 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Bank's defined benefit post-employment plan covers all regular full-time employees.

(b) Termination Benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets, and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Compensated Absences and Other Employee Benefits

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. In addition, the Bank recognizes a liability and an expense for other employee benefits based on a formula that is fixed, regardless of the Bank's income after certain adjustments, and does not take into consideration the profit attributable to the Bank's shareholders.

The Bank recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation. They are included in Accrued other expenses under Accrued Expenses and Other Liabilities account in the statement of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

2.13 Income Taxes

Tax expense recognized in profit or loss comprises the sum of final income tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

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, provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Bank has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

2.14 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Bank and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual; and, (d) the Bank's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.15 Equity

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

Retained Earnings - reserves, this pertains to the reserves for the retirement of redeemable preferred shares. More details are disclosed in Notes 15.

Retained earnings - Free (Deficit) represents all current and prior period results of operations as reported in the profit and loss section of the statement of income and other comprehensive income, reduced by the amounts of dividends declared, if any.

For the years ended December 31, 2022 and 2021, the Laguna Prestige Banking Corporation (A Rural Bank) declared cash dividend amounting to P4,064,244 and P3,047,622 respectively.

2.16 Events After the End of the Reporting Period (Subsequent Events)

Any post-year-end event that provides additional information about the Bank's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. 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. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Evaluation of Business Model Applied in Managing Financial Instruments

The Bank manages its financial assets based on business models that maintain an adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio consistent with its risk appetite.

The Bank has developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at the entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e.., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of an individual financial instrument).

In determining the classification of a financial instrument, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belongs to, taking into consideration the objectives of each business model established by the Bank as those relating to the Bank's investment and lending strategies.

(b) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding.

The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents the time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion.

The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, the Bank assesses whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

(c) Distinguishing between Investment Properties and Owner-managed Properties

The Bank determines whether a property qualifies as an investment property. In making its judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the Bank's operations.

The Bank classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations or as Investment Properties if the Bank intends to hold the properties for capital appreciation or for rental.

(d) Classification and Determination of Fair Value of Acquired Properties

The Bank classifies its acquired properties as Bank Premises, Furniture, Fixtures, and Equipment if the property is expected to be used in operations, as Investment Properties if the Bank expects that the properties will be recovered through sale rather than use and the disposal is expected to be materialized within one year.

(c) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition of provisions and contingencies are already discussed in this Notes to Financial Statements.

3.2 Key Sources of Estimation Uncertainty

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

(a) Estimating Impairment of Financial Assets

The Bank provides impairment for financial instruments based on BSP's Appendix 15 of the Manual of Regulations for Banks in conjunction with the provisions of BSP Circular 1011.

These pronouncements from the BSP details the underlying assumptions which also include the criteria for assessing if there has been a significant increase in credit risk. The said Circular is to align the practice of the Bank in providing impairment based on PFRS 9.

(b) Determination of Fair Value Measurement for Financial Assets

The Bank carries certain financial assets at fair value which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument -which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument.

The amount of changes in fair value would differ if the Bank had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss and other comprehensive income.

Estimating Useful Lives of Bank Premises, Furniture, Fixtures and Equipment and Investment Properties

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment based on the period over which the assets are expected to be available for use.

The estimated useful lives of bank premises, furniture, fixtures and equipment 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. Investment properties are depreciated over ten years pursuant with the mandate of the Bangko Sentral ng Pilipinas.

Based on management's assessment as at December 31, 2022 and 2021, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors used in the estimation.

Estimating Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment loss was recognized on bank premises, furniture, fixtures and equipment in year 2022 and 2021 (see Note 10). Impairment losses on investment properties if there is any, can be found in Note 11.

Determining Fair Value of Investment Properties

The Bank's investment properties are composed of parcels of land acquired from defaulting borrowers not held-for-sale in the next twelve months, which are measured at cost. The estimated fair values of these assets, as disclosed in Notes 11, are determined by in-house appraisers. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller m an arm's length transaction as at the valuation date.

Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties.

For investment properties with appraisal conducted prior to the end of the reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of the fair value of those properties.

Determining Realizable Amount of Deferred Tax Assets

The Bank reviews its deferred tax assets at the end of each reporting period 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 asset to be utilized. The carrying amount of deferred tax assets is detailed and disclosed in Notes 25.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

4.1 Integrated Risk Management Framework

The Bank operates an integrated risk management system to address the risks it faces in its banking activities, including credit, market, liquidity and operations risks. The Bank's risk management objective is to adequately and consistently evaluate, manage, control, and monitor the risk profile of the Bank to optimize the risk-reward balance and maximize return on the Bank's capital.

4.2 Risk Responsibilities

The BOD directs the Bank's over-all risk management strategy and performs an oversight function on the Bank's implementation of its risk policies through the Audit Committee. In addition the Internal Auditor and Compliance Officer, provides the independent assessment of the over-all effectiveness of, and compliance with the Bank's risk management policies and processes.

4.3 Financial Risk Management

The Bank's financial instruments comprise of cash and cash equivalents, receivables and payables, which arise from operations, and investments. Risks are inherent in these activities but are managed by the Bank through continuous process of identification, measurement, monitoring and mitigation of these risks, partly through the effective use of risk and authority limits, process controls and monitoring, and independent controls.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing each of these risks summarized below and in the succeeding pages.

4.3.1 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Bank. It arises from lending, and other activities undertaken by the Bank. Managing credit risk involves defining the principles and parameters governing credit activities at various levels, (i.e. strategic level, portfolio level down to individual transaction or account level).

The Bank is exposed to credit risk from its operating activities and from its financing activities consisting of cash and loans and receivables. The Bank manages credit risk by assessing the creditworthiness of its counterparties. It continuously monitors the financial health and status of its counterparties to ascertain that receivables from these counterparties will be substantially collected on due dates. Credit risk on receivables is assessed on an ongoing basis.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position, as summarized in the table below.

	Notes	2022	2021
Cash and Other Cash Items	7	P 2,850,625	P 4,489,093
Due from Bangko Sentral ng Pilipinas	7	10,580,873	12,799,232
Due from Other Banks	7	105,031,873	146,433,004
Investment in Securities Measured at Amortized Cost	8	190,355,124	179,448,868
Loans and Other Receivables - Net	9	296,494,662	247,139,451
		P 605,313,156	**P 590,309,648**

Due from BSP and Other Banks

The credit risk for Due from BSP and other Banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Due from other banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of P500,000 per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, Amendment to Charter of PDIC.

In respect of loans and receivables, the Bank is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Loans consist of a large number of customers in various industries and geographical areas.

4.3.2 Market Risk

Market risk is the risk to earnings and capital arising from the possible decline in value in case of market reverses. The Bank manages its risk by identifying, analyzing and measuring relevant or likely market risk. Moreover, it ensures that each investment is in accordance with current BSP regulations.

(a) Interest Risk

The Bank's policy is to minimize interest rate cash flow risk exposures. As of 2022, the Bank is exposed to changes in market interest rates through its short-term placements which form part of amounts due from other banks and investments, which are subject to variable interest. All other financial assets and liabilities have fixed interest rates.

The following table illustrates the sensitivity of the Bank's profit before tax and equity to a reasonably possible change in interest rates of its placements and Investments with all other variables held constant.

	2022		
	Sensitivity Rate +/- %	**Profit Before Tax**	**Equity**
Due from other banks	1.26%	1,323,402	1,058,721
Investment in Securities Measured at Amortized Cost	1.26%	2,398,475	1,918,780

	2021		
	Sensitivity Rate +/- %	**Profit Before Tax**	**Equity**
Due from other banks	0.14%	205,006	164,005
Investment in Securities Measured at Amortized Cost	0.14%	251,228	200,982

The sensitivity rates used in the analysis of both placements are based on the volatility of the BSP's compilation of monthly domestic rates on Treasury Bills on all maturities for the years presented. The rates used were computed using standard deviation of twelve end-of-months domestic rates.

4.3.3 Liquidity Risk

Liquidity risk is the risk that funds available may not be adequate to meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a loan portfolio with evenly-spaced maturities and cash flows. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when they arise.

The analysis of the maturity groupings of the Bank's financial assets and financial liabilities made and disclose in this financial statements.

	2022			
	Due Within One Year	Due Beyond One Year But Within Five Years	Due Beyond Five Years	Total
Financial Resources:				
Cash and Other Cash Items	P 2,850,625	P -	P -	P 2,850,625
Due from Bangko Sentral ng Pilipinas	10,580,873	-	-	10,580,873
Due from Other Banks	105,031,873	-	-	105,031,873
Investment in Securities Measured at Amortized Cost	968,212	73,340,000	116,046,912	190,355,124
Loans and Other Receivables - Net	62,508,861	151,810,541	95,476,975	309,796,376
Sales Contract and Receivables	-	1,089,184	-	1,089,184
Total	**P 181,940,444**	**P 226,239,725**	**P 211,523,886**	**P 619,704,055**
Financial Liabilities:				
Deposit Liabilities	P 401,916,483	P -	P -	P 401,916,483
Lease Liabilities	671,475	-	-	671,475
Accrued Expenses & Other Liabilities	12,332,056	-	-	12,332,056
Total	**P 414,920,015**	**P -**	**P -**	**P 414,920,015**
Positive (negative) liquidity gap	**(232,979,571)**	**226,239,725**	**211,523,886**	**204,784,040**
Cumulative Total Gap	**(232,979,571)**	**(6,739,846)**	**204,784,040**	**409,568,081**

	2021			
	Due Within One Year	Due Beyond One Year But Within Five Years	Due Beyond Five Years	Total
Financial Resources:				
Cash and Other Cash Items	P 4,489,093	P -	P -	P 4,489,093
Due from Bangko Sentral ng Pilipinas	12,799,232	-	-	12,799,232
Due from Other Banks	145,433,004	1,000,000	-	146,433,004
Investment in Securities Measured at Amortized Cost	-	83,206,212	96,242,656	179,448,868
Loans and Other Receivables - Net	40,780,666	128,440,936	91,176,604	260,398,206
Sales Contract and Receivables	-	1,132,144	-	1,132,144
Total	**P 203,501,995**	**P 213,779,292**	**P 187,419,260**	**P 604,700,547**
Financial Liabilities:				
Deposit Liabilities	P 386,585,482	P -	P -	P 386,585,482
Lease Liabilities	1,080,874	671,475	-	1,752,349
Accrued Expenses & Other Liabilities	11,286,054	-	-	11,286,054
Total	**P 398,952,410**	**P 671,475**	**P -**	**P 399,623,885**
Positive (negative) liquidity gap	**(195,450,415)**	**213,107,817**	**187,419,260**	**205,076,663**
Cumulative Total Gap	**(195,450,415)**	**17,657,402**	**205,076,663**	**410,153,325**

4.3.4 Operations Risk

Operations risk is the risk of direct or indirect loss from inadequate or failed internal processes, people and systems or from external events.

Managing operations risk in the Bank is founded on a sound internal control environment. Among the key components of a sound internal environment are recruitment and placement policies in place that ensure the integrity, ethics and competence of personnel; a written Code of Conduct; written policies and procedures that clearly establish accountability and responsibility, segregation of functions, verification and reconciliation procedures; and, an effective assurance and internal audit function.

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown.

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

		2022		2021	
	Note	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets					
Cash and Other Cash Items	7	P 2,850,625	P 2,850,625	P 4,489,093	P 4,489,093
Due from BSP	7	10,580,873	10,580,873	12,799,232	12,799,232
Due from Other Banks	7	105,031,873	105,031,873	146,433,004	146,433,004
Loans and Other Receivables	9	296,494,662	296,494,662	247,139,451	247,139,451
Other Assets - net	12	13,305,474	13,305,474	10,167,227	10,167,227
		P 428,263,506	P 428,263,506	P 421,028,007	P 421,028,007
Investment in Securities Measured at Amortized Cost	8	190,355,124	187,647,400	179,448,868	176,647,400
		P 618,618,630	P 615,910,906	P 600,476,875	P 597,675,407

		2022		2021	
	Note	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Liabilities					
At Amortized Cost:					
Deposit Liabilities	14	P 401,916,483	P 401,916,483	P 386,585,482	P 386,585,482
Lease Liabilities	10.a	671,475	671,475	1,752,349	1,752,349
Accrued Expenses & Other Liabilities	14	12,332,056	12,332,056	11,286,054	11,286,054
		P 414,920,015	P 414,920,015	P 399,623,885	P 399,623,885

Notes to Financial Statement discusses description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Bank's risk management objectives and policies for financial instruments is also provided.

Offsetting of Financial Assets and Financial Liabilities

For financial assets subject to enforceable master netting arrangements or similar arrangements between the Bank and counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

Fair Value Hierarchy

In accordance with PFRS 13, Fair Value Measurement, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to the fair value. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset 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 within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Financial Instruments Measured at Fair Value

The Bank's has no financial assets of financial liabilities measured at fair value as of December 31, 2022.

Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The fair values of financial assets and financial liabilities measured at amortized cost approximate their carrying values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. These financial assets and financial liabilities are as follow:

	2022			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash and Other Cash Items	P 2,850,625	P -	P -	P 2,850,625
Due from Bangko Sentral ng Pilipinas	10,580,873	-	-	10,580,873
Due from Other Banks	105,031,873	-	-	105,031,873
Investment in Securities Measured at Amortized Cost	190,355,124	-	-	190,355,124
Loans and Receivables	-	-	296,494,662	296,494,662
Total	**P 308,818,494**	**P -**	**P 296,494,662**	**P 605,313,156**
Financial Liabilities:				
Deposit Liabilities	P 401,916,483	P -	P -	P 401,916,483
Lease Liabilities	671,475	-	-	671,475
Accrued Expenses & Other Liabilities	12,332,056			12,332,056
Total	**P 414,920,015**	**P -**	**P -**	**P 414,920,015**

	2021			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash and Other Cash Items	P 4,489,093	P -	P -	P 4,489,093
Pilipinas	12,799,232	-	-	12,799,232
Due from Other Banks	146,433,004	-	-	146,433,004
Investment in Securities Measured at Amortized Cost	179,448,868	-	-	179,448,868
Loans and Receivables	-	-	247,139,451	247,139,451
Total	**P 343,170,197**	**P -**	**P 247,139,451**	**P 590,309,648**
Financial Liabilities:				
Deposit Liabilities	P 386,585,482	P -	P -	P 386,585,482
Liabilities	11,286,054	-	-	11,286,054
Total	**P 397,871,536**	**P -**	**P -**	**P 397,871,536**

Fair Value Measurement for Non-financial Assets

Determining Fair Value of Investment Properties

The table below shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis.

	2022			
	Level 1 1	Level 2	Level 3	Total
Investment Properties:				
Land	-	-	P 82,889,706	**P 82,889,706**
Building	-	-	15,484,450	**15,484,450**
Total	-	-	**P 98,374,156**	**P 98,374,156**

	2021				
	Level 1	1	Level 2	Level 3	Total
Investment Properties:					
Land	-		-	P 89,956,727	P **89,956,727**
Building	-		-	15,484,450	**15,484,450**
Total	-		-	P **105,441,177**	P **105,441,177**

The fair value of the Bank's investment properties is determined on the basis of the appraisals performed by the Bank's own appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Bank's non-financial assets indicated above is their current use.

The fair value of these non-financial assets were determined based on the following approaches:

Fair Value Measurement for Land

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3.

The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value.

Fair Value Measurement for Buildings

The Level 3 fair value of the buildings under the Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

7 - Cash and Other Cash Items

Cash and cash equivalents include the following components as of December 31:

	2022	2021
Cash and Other Cash Items	P 2,850,625	P 4,489,093
Due from BSP	10,580,873	12,799,232
Due from Other Banks	105,031,873	146,433,004
	P **118,463,371**	P **163,721,329**

Deposit with other banks generally earns interest based on daily bank deposit rates. Other cash items include cash items (other than currency and coins on hand), such as checks drawn on other banks after the clearing cut-off time until the close of the regular banking hours.

Due from BSP represents the aggregate balance of noninterest-bearing deposit accounts in local currencies and to serve as a clearing account for the interbank claims.

Due from Other Banks generally earn interest based on average daily balance at a depository bank's deposit interest rates. This account consist of the following items:

		2022		2021
Demand Deposit	P	78,106,569	P	98,700,968
Savings Deposit		2,222,137		6,508,151
Now (UCPB)		-		84,551
Time Deposit		24,703,167		41,139,333
	P	**105,031,873**	**P**	**146,433,004**

As of December 31, the maturity profile of the Bank's Due from Other Banks follows:

		2022		2021
Within one year	P	105,031,873	P	145,433,004
Beyond one year but within five years		-		1,000,000
	P	**105,031,873**	**P**	**146,433,004**

Savings accounts represent clearing and other depository accounts with other banks which bear annual interest. Actual return for each type of deposit is shown:

		2022		2021
Demand Deposit	P	115,153	P	155,182
Savings Deposit		142,796		40,937
Time Deposit		938,848		958,428
	P	**1,196,797**	**P**	**1,154,547**

Deposit from other banks are placed on a varying rates from as low as 0.20% to as high as 3.250%, the actual interest rate as earned by these placements are disclosed below:

	2022	2021
Demand Deposit	0.15%	0.16%
Savings Deposit	6.43%	0.63%
Time Deposit	3.80%	2.33%

8 - Investment in Securities Measured at Amortized Cost

This account consists of:

		2022		2021
Government Treasury Bills	P	1,980,762	P	1,012,550
Government Treasury Bonds		84,511,424		76,719,043
Government Treasury Notes		90,355,213		98,115,807
Other Banks - (Bonds)		10,000,000		-
Bangko Sentral ng Pilipinas		800,000		800,000
Total	**P**	**187,647,400**	**P**	**176,647,400**
Unamortized Premium (Discount)		2,707,724		2,801,468
Investment in Securities Measured at Amortized Cost	**P**	**190,355,124**	**P**	**179,448,868**

As of December 31, the maturity profile of the Bank's Investment in Securities Measured at Amortized Cost investments follows:

		2022		2021
Within one year		968,212		-
Beyond one year but within five years	P	73,340,000	P	83,206,212
Beyond five years		116,046,912		96,242,656
	P	**190,355,124**	**P**	**179,448,868**

Movements of these investments are summarized below:

		2022		2021
Balance at beginning of year	P	179,448,868	P	124,129,379
Additions		10,906,256		55,319,489
Maturities		-		-
Balance at end of year	**P**	**190,355,124**	**P**	**179,448,868**

The above account represents 100% risk free investment in government equity which were availed off through authorized underwriters.

These investments earn interest at the rates ranging from 2.38% to 6.25% in both 2022 and 2021. The Laguna Prestige Banking Corporation (A Rural Bank) earned an interest income on its investment, total recognized income from interest amounted to P6,417,755 and P5,789,599 in years 2022 and 2021 respectively, and are presented as Interest - Investments in the statements of income and other comprehensive income.

The bank does not provide any allowance for credit losses and impairment as the management believes that these investments are reasonably collectible and their fair market values may not be materially affected by the present economic behavior. These investments were availed from and secured by the State.

9 - LOANS AND RECEIVABLES

Details of this account are disclosed below at Amortized Cost:

	2022	2021
Current	P 302,815,942	P 230,586,898
Past Due -Performing	3,002,125	27,994,524
Past Due - Non-Performing	4,288,103	2,124,675
Items in Litigation	36,682	36,682
Total Loans	**P 310,142,851**	**P 260,742,779**
Unamortized Discount	346,475	344,573
Amortized Cost	**P 309,796,376**	**P 260,398,206**
Allowance for Credit Losses	11,006,214	11,006,214
General Loan Loss Provision	2,550,495	2,550,495
Net Loan Portfolio	**P 296,239,667**	**P 246,841,496**
Sales Contract Receivables *(Note 9a)*	**254,995**	**297,954**
Loans and Other Receivables - Net	**P 296,494,662**	**P 247,139,450**

Distribution of Exposure per Types of Loans:

	2022	2021
Agrarian Reform Loans	P 10,694,881	P 15,213,881
Other Agricultural Credit Loans	8,777,728	6,132,100
Small Scale Enterprises	24,090,313	34,505,429
Medium Scale Enterprise	167,454,492	120,601,217
Loans to Individuals for Personal Use Purposes	80,562,302	57,804,673
Loans to Individual for Housing Purposes	16,926,709	24,754,409
Loans to Individuals for Other Purposes	1,289,951	1,386,499
Total Loans	**P 309,796,376**	**P 260,398,206**

As of December 31, 2022 - Net of Discount

	Current		Past Due Performing		Past Due Non-Performing	
Agrarian Reform Loans	P	10,500,000	P	-	P	194,881
Other Agricultural Credit Loans		8,777,727		-		1
Small Scale Enterprises		24,090,307		-		6
Medium Scale Enterprise		165,680,866		1,773,626		-
Loans to Individuals for Personal Use		78,270,061		632,936		1,659,305
Loans to Individual for Housing Purposes		13,881,690		595,563		2,449,456
Loans to Individuals for Other Purposes		1,268,816		-		21,136
TOTALS	**P**	**302,469,467**	**P**	**3,002,125**	**P**	**4,324,785**

As of December 31, 2021 - Net of Discount

	Current		Past Due Performing		Past Due Non-Performing	
Agrarian Reform Loans	P	15,000,000	P	-	P	213,881
Other Agricultural Credit Loans		6,132,099		-		1
Small Scale Enterprises		25,505,423		9,000,000		6
Medium Scale Enterprise		104,792,198		15,809,019		-
Loans to Individuals for Personal Use		54,893,926		2,105,045		805,701
Loans to Individual for Housing Purposes		22,553,317		1,080,460		1,120,632
Loans to Individuals for Other Purposes		1,365,363		-		21,136
TOTALS	**P**	**230,242,325**	**P**	**27,994,524**	**P**	**2,161,357**

Interest income on loans and receivables amounted to P25.950 million and P25.792 million in 2022 and 2021 respectively, and are presented as Interest - Loans and Other Receivables in the Comparative Statements of Income and Other Comprehensive Income.

Loans classified as to type of security

	2022		2021	
Secured by Real Estate Mortgage	P	282,146,287	P	240,226,173
Secured by other type of securities		8,645,055		12,494,653
Unsecured Loans		19,005,035		7,677,380
Amortized Cost	**P**	**309,796,376**	**P**	**260,398,206**

Distribution/Concentration of credits presented at Amortized Costs:

	2022	
	In Millions of Pesos	Concentration Ratio
Agriculture, Forestry and Fishing	0.19	0.06%
Water supply, Sewerage, Waste management and Remediation Activities	0.38	0.12%
Construction	1.21	0.39%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	112.90	36.44%
Accommodation and Food Service Activities	0.04	0.01%
Transportation and Storage	8.76	2.83%
Financial and Insurance Activities	17.53	5.66%
Real Estate Activities	128.73	41.55%
Education	23.48	7.58%
Human Health and Social Work Activities	0.64	0.21%
Other Service Activities	14.65	4.73%
Salary Based and Other Consumption Loans	1.29	0.42%
Total	**309.80**	**100.00%**

Distribution/Concentration of credits presented at Amortized Costs:

	2021	
	In Millions of Pesos	Concentration Ratio
Agriculture, Forestry and Fishing	0.21	0.08%
Manufacturing	0.28	0.11%
Construction	0.52	0.20%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	84.20	32.34%
Transportation and Storage	11.67	4.48%
Financial and Insurance Activities	18.02	6.92%
Real Estate Activities	95.97	36.85%
Education	29.97	11.51%
Human Health and Social Work Activities	12.04	4.62%
Other Service Activities	6.13	2.35%
Salary Based and Other Consumption Loans	1.39	0.53%
Total	**260.40**	**100.00%**

Maturity Analysis:

	2022	2021
Short Term (one year or less)	P 62,508,861	P 40,780,666
Medium Term (>1 year to 5 years)	151,810,541	128,440,936
Long Term (>5 years)	95,476,975	91,176,604
Total	**P 309,796,376**	**P 260,398,206**

The recorded allowance for losses is based on existing BSP rules and regulations, which was issued aiming to align the method in the provision of PFRS 9, requiring the use of the "Expected Credit Loss" method. The Bangko Sentral ng Pilipinas issued Circular 1011 to align its financial reporting requirements with standards and practices that are widely accepted internationally to promote fairness, transparency, and accountability in the financial industry and to comply with the provision of PFRS 9. The Bank is regarded by the regulation as a "simple Bank", with credit operations that may not economically justify the adoption of loan loss estimation methodology based on PFRS 9, Circular 1011, requires the Bank to comply with the regulatory guidelines in setting up an allowance for credit losses prescribed under the Appendix 15 of the Manual of Regulations for Bank.

	2022	2021
Balance at beginning of year	13,556,709	13,556,709
	13,556,709	**13,556,709**

There is no movements in the recorded allowance for losses as of the years presented.

9.a - Sales Contract Receivables

This refers to the amortized cost of assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of selling price.

	2022	2021
Sales Contract Receivable - Current and Performing	P 84,001	P 126,961
Sales Contract Receivable - Non-Performing	1,005,183	1,005,183
Gross Sales Contract Receivable	P 1,089,184	P 1,132,144
Less: Impairment Loss/ Allowance	834,190	834,190
Sales Contract Receivable - Net	**P 254,995**	**P 297,954**

Sales Contract Receivable with net amount of P254,995 and P297,954 in years 2022 and 2021 respectively, represents assets acquired in settlement of loans through foreclosure or dacion en pago subsequently sold on installment basis whereby the title to the said property is transferred to the buyer only upon full payment of the account.

Maturity Analysis at Gross Receivables:

	2022		2021		
Medium Term (>1 year to 5 years)	P	1,089,184	P	1,132,144	
Total	**P**	**1,089,184**	**P**	**1,132,144**	#

10 - BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts of these fixed assets including right-of-use assets and their respective accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment shown below.

Details of net carrying amount as of December 31, 2022

	Acquisition Costs	Accumulated Depreciation	Allowance / Impairment	Net Carrying Amount
Land	P 15,791,520	P -	P -	P 15,791,520
Buildings	12,310,406	(11,851,149)	-	459,257
Furniture and Fixtures	1,828,575	(1,780,103)	-	48,472
IT Equipment	4,694,389	(3,908,128)	-	786,260
Other Office Equipment	4,644,655	(4,398,430)	-	246,225
Transportation Equipment	3,632,910	(3,630,155)	-	2,755
Leasehold Rights & Improvements	3,324,271	(3,324,271)	-	-
Right-of-use Assets (ROUA)	2,177,889	(1,542,671)	-	635,218
	P 48,404,615	**P (30,434,908)**	**P -**	**P 17,969,707**

Details of net carrying Amount as of December 31, 2021

	Acquisition Costs	Accumulated Depreciation	Allowance / Impairment	Net Carrying Amount
Land	P 15,791,520	P -	P -	P 15,791,520
Buildings	12,292,406	(11,727,342)	-	565,064
Furniture and Fixtures	1,841,675	(1,734,591)	-	107,084
IT Equipment	4,572,704	(3,710,981)	-	861,723
Other Office Equipment	4,389,735	(4,285,942)	-	103,793
Transportation Equipment	4,022,610	(3,922,138)	-	100,472
Leasehold Rights & Improvements	3,324,271	(3,324,271)	-	-
Right-of-use Assets (ROUA)	2,177,889	(453,727)	-	1,724,162
	P 48,412,810	**P (29,158,991)**	**P -**	**P 19,253,819**

Roll forward analysis of acquisition costs for the year ended December 31, 2022

	Beginning Balance	Additions	Disposals/ Retirement	Other Adjustments	Ending Balance
Land	15,791,520	-	-	-	15,791,520
Buildings	12,292,406	18,000	-	-	12,310,406
Furniture and Fixtures	1,841,675	17,500	-	(30,600)	1,828,575
IT Equipment	4,572,704	121,685	-	-	4,694,389
Other Office Equipment	4,389,735	254,920	-	-	4,644,655
Transportation Equipment	4,022,610	5,500	(395,200)	-	3,632,910
Leasehold Rights & Improvements	3,324,271	-	-	-	3,324,271
Right-of-use Assets (ROUA)	2,177,889			-	2,177,889
	48,412,810	**417,605**	**(395,200)**	**(30,600)**	**48,404,615**

Roll forward analysis of acquisition costs for the year ended December 31, 2021

	Beginning Balance	Additions	Disposals	Other Adjustments	Ending Balance
Land	15,791,520	-	-	-	15,791,520
Buildings	12,292,406	-	-		12,292,406
Furniture and Fixtures	1,811,075	30,600	-	-	1,841,675
IT Equipment	3,765,685	822,019	(15,000)	-	4,572,704
Other Office Equipment	4,296,024	93,711	-		4,389,735
Transportation Equipment	5,606,669	-	(1,533,168)	(50,890)	4,022,610
Leasehold Rights & Improvements	3,324,271	-	-	-	3,324,271
Right-of-use Assets (ROUA)	2,371,372	2,177,889	(2,371,372)		2,177,889
	49,259,022	**3,124,219**	**(3,919,540)**	**(50,890)**	**48,412,810**

Roll forward analysis of the accumulated depreciation/impairments December 31, 2022

	Beginning Balance	Depreciation/ Impairments for the year	Reversals	Other Adjustments	Ending Balance
Land	-	-	-	-	-
Buildings	11,727,342	123,808	-		11,851,149
Furniture and Fixtures	1,734,591	48,062	-	-	1,782,653
IT Equipment	3,710,981	197,148	-	-	3,908,128
Other Office Equipment	4,285,942	109,938	-	-	4,395,880
Transportation Equipment	3,922,138	103,216	(395,199)	-	3,630,155
Leasehold Rights & Improvements	3,324,271	-	-	-	3,324,271
Right-of-use Assets (ROUA)	453,727	1,088,944			1,542,671
	29,158,991	**1,671,116**	**(395,199)**	**-**	**30,434,908**

Roll forward analysis of the accumulated depreciation/impairments December 31, 2021

	Beginning Balance	Depreciation/ Impairments for the year	Reversals	Other Adjustments	Ending Balance
Land	-	-	-	-	-
Buildings	11,517,812	209,529	-	-	11,727,342
Furniture and Fixtures	1,685,146	49,445	-	-	1,734,591
IT Equipment	3,585,169	139,561	-	(13,750)	3,710,981
Other Office Equipment	4,117,444	183,321	(1,581,519)	(14,823)	4,285,942
Transportation Equipment	5,283,341	220,316	-	-	3,922,138
Leasehold Rights & Improvements	3,324,271	-	-	-	3,324,271
Right-of-use Assets (ROUA)	1,897,098	928,001	(2,371,372)	-	453,727
	31,410,281	**1,730,173**	**(3,952,891)**	**(28,573)**	**29,158,991**

Under BSP rules, investments in bank premises, furniture, fixtures and other equipment should not exceed 50% of a bank's unimpaired capital. As of December 31, 2022 and 2021, The Laguna Prestige Banking Corporation (A Rural Bank)'s level of investment in fixed assets stand at 7.43% and 7.97% respectively.

Total Depreciation Expenses amount to P1,671,116 and P1,730,173 for the years ended December 31, 2022 and 2021 details of which are disclosed in Note 20.

10.a - Leases (Details of adoption of PFRS 16"

Bank Premises Furniture and Fixtures line item includes the building which the bank rents and is a lessee. The Bank adopted new guidelines for the recognition of leases. PFRS 16 states that the ROU asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the entity, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The weighted average incremental borrowing rate applied to lease liabilities was 5.00%. The rate that the bank intends to use in loan with this kind of or comparable collateral and risk profile of borrower. During the years ended December 31, 2022 and 2021, Laguna Prestige Banking Corporation (A Rural Bank) recorded an interest expense on lease liability amounting to P101,126 and P75,527, respectively.

Right of Use Assets (ROU)	No. of ROU assets leased	Term	Renewal Option
Office Building	1	2 years	Yes

Maturity Analysis of the Lease Liability as of December 31, 2022:

	Within 1	1-2 years	2 to 3	3-5 years	After five	Total
Lease payments	P 689,500	P -	P -	P -	P -	P 689,500
Finance charges	(18,025)	-	-	-	-	(18,025)
Net present values	**P 671,475**	**P -**	**P -**	**P -**	**P -**	**P 671,475**

Maturity Analysis of the Lease Liability as of December 31, 2021:

	Within 1	1-2 years	2 to 3	3-5 years	After five	Total
Lease payments	P 1,182,000	P 689,500	P -	P -	P -	P 1,871,500
Finance charges	(101,126)	(18,025)	-	-	-	(119,151)
Net present values	**P 1,080,874**	**P -**	**P -**	**P -**	**P -**	**P 1,752,349**

Roll Forward analysis of the carrying amounts of Right-of-Use Asset are disclosed below:

	2022	2021
Beginning Balance	P 1,724,162	P 474,274
Additions - New Leases	-	2,177,889
Depreciation for the year	(1,088,944)	(928,001)
Ending Balance	**P 635,218**	**P 1,724,162**

Roll Forward analysis of capitalized Lease Liability is disclosed below:

	2022	2021
Beginning Balance	P 1,752,349	P 585,413
Additions	-	2,177,889
Payment for the year	(1,080,874)	(1,010,953)
Ending Balance	**P 671,475**	**P 1,752,349**

Risk Discussion:

The Bank is exposed to potential future increases in lease payments, since the lessor may imposed a higher rental upon renewal. The possible increase of rental is not included in the lease liability until they take effect. When adjustments to lease payments or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the following if present: (a) the amount of the initial measurement of lease liability; (b) any lease payments made at or before the commencement date less any lease incentives received; (c) any initial direct costs, and; (d) restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the bank is reasonably certain to exercise any purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

11 - INVESTMENT PROPERTIES

Investment properties include land and buildings and improvements acquired by the Bank through foreclosure.

The gross carrying amounts and accumulated depreciation and impairment of investment properties are shown below.

December 31, 2022

	Land	Building and	Total
Cost	P 17,576,735	P 11,447,872	P **29,024,607**
Accumulated depreciation	-	(8,847,860)	**(8,847,860)**
Allowance for impairment	-	-	-
Net carrying amount	**P 17,576,735**	**P 2,600,012**	**P 20,176,747**

December 31, 2021

		Land		Building and Improvements		Total
Cost	P	17,819,840	P	11,447,872	P	29,267,712
Accumulated depreciation		-		(7,708,744)		(7,708,744)
Allowance for impairment				-		-
Net carrying amount	P	17,819,840	P	3,739,128	P	21,558,968

A reconciliation of the carrying amounts of investment properties at the beginning and end of the year is shown below:

	2022	2021
Balance at beginning of year	21,558,969	22,866,662
Disposals	(243,105)	(168,577)
Depreciation	(1,139,116)	(1,139,116)
Balance at end of year	20,176,748	21,558,969

The market values of ROPA stand at P98.37 million in For the years ended December 31, 2022 and 2021 and P105.44 million in As of December 31, 2022 and 2021.

The Laguna Prestige Banking Corporation (A Rural Bank) sold certain investment properties, which resulted in a gain of P778,394 in the year 2022 and P153,134 in year 2021 and are presented as Profit or (Loss) From Assets Sold in the Comparative Statements of Income and Other Comprehensive Income.

12 - OTHER RESOURCES

This account consists of:

		2022		2021
Accounts Receivable	P	276,410	P	504,567
Advance Rental		100,000		100,000
Deferred Tax Asset		2,457,379		2,099,734
Retirement Fund		10,161,634		6,999,112
Accrued Interest Receivables		122,899		127,281
Petty Cash Funds		12,500		12,500
Unused Office Supplies		171,617		313,083
Miscellaneous Assets		7,917		15,833
Less: Allowance for Probable Losses (Others)		(4,882)		(4,882)
	P	13,305,474	P	10,167,227

Movements of Retirement Fund

		2022		2021
Balance of Fund Jan. 01		6,999,112		6,610,534
Added/Deposited		3,322,831		-
Interest Earned by the Fund		ako		542,546
Payment for Retiree		-		(153,968)
Ending Balance	P	10,321,943	P	6,999,112

The retirement fund is deposited in UCPB under Trustee Account Number 95-3634. As of December 31, 2022, the financial position shows a total equity of P8.776 million. The fund is composed of the following: Deposit with Bank amounted to P4.2 million, Debt Securities amounting to P4.63 million.

13 - Total Deposit Liabilities

Details of this account as of December 31, 2022 and 2021 are disclosed below:

	2022	2021
Demand Deposit	P 299,710	P 317,466
Savings Deposit	241,364,697	226,015,940
Termed/Time Deposit	160,252,077	160,252,077
	P 401,916,483	**P 386,585,482**

Maturity Analysis of Total Deposit Liabilities are as follow:

	2022	2021
Short Term (one year or less)	P 401,916,483	P 386,260,688
Total	**P 401,916,483**	**P 386,260,688**

During the year ended December 31, 2022 and 2021 interest expenses for deposit liabilities amounts to P2,036,479.42 and P2,195,147.72 respectively.

Interest rates on deposit liabilities range between 0.25 percent to 1.49 percent per annum in years 2022 and 2021. The related accrued interest payable amounting to P303,691.84 and P308,137.10 as of December 31, 2022 and as of December 31, 2021, respectively, is presented as Accrued Interest Expense on Financial Liabilities under the Accrued Expenses and Other Liabilities account in the statements of financial position (see Note 14).

In accordance with BSP regulations, the Bank is required to maintain regular reserves as deposits to the Bangko Sentral ng Pilipinas against savings and time deposits at 2.00% of the outstanding balance thereof. The Bank is compliant with the reserve requirements of the BSP as of December 31, 2022

14 - Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of:

	2022	2021
Accrued Interest Expense on Financial Liabilities	P 303,692	P 308,137
Income Tax Payable	87,224	83,029
Pension / Retirement Payable	10,161,634	6,999,112
Withholding Tax Payable	294,297	100,563
SSS, Medicare, employer's Compensation Premiums and Pag-	45,279	40,247
Accounts Payable	1,439,931	3,600,135
Dividends Payable	-	154,831
Total	**P 12,332,056**	**P 11,286,054**

Movements of Retirement Fund

	2022	2021
Retirement Payable Jan. 01	6,999,112	6,610,534
Added/Deposited	3,322,831	-
Interest Earned by the Fund	(160,309)	542,546
Payment for Retiree	-	(153,968)
Ending Balance	**P 10,161,634**	**P 6,999,112**

Pension / Retirement Payable

In compliance with R.A. 7641, the defined benefit plan, on which the bank's obligation is to provide a specific level of benefits for every year of service, the bank will pay a lump sum to its regular employees when they retire. The lump sum to be paid is directly related to the employees' basic salary in the final year of service and the number of years in service. Because of undue cost or effort in measuring retirement obligation under a defined benefit plan using the projected unit credit method, the Bank elected to measure its retirement obligation with respect to current employees with the following simplifications:

a. Ignored future service of current employees.
b. Ignored possible in-service mortality of current employees between December 31,2022 and the date the employees are expected to begin receiving post-employment benefits.

The Bank recognized retirement liability amounting to P10,161,634 and P6,999,112 in December 31, 2022, and 2021, respectively.

15 - EQUITY

Common Stock

As of December 31, 2022, and 2021, the Bank's authorized capital stock of Twenty Million (₱20,000,000.00) is divided into 199,373 shares of Common stock and 627 shares of Preferred Stocks both with Par Value of P100 each shares. Paid-up Common Stock stands at P10,155,000 for both years presented, paid-up Preferred Stock stands at P56,100 for both years presented.

Preferred stock shall be issue only against government investment in the capital stock of the bank. Preferred stock as issued shall have preference over common stock in the assets of the corporation in the event liquidation as provided hereunder.

Only common stock shall be entitled to voting rights. Preferred stocks shall be non-voting but in case of sale by the government of its preferred stocks to private shareholders, such stocks automatically become common stocks with voting rights, thereby reducing the number of outstanding preferred stocks and increasing the number of outstanding common stocks.

Preferred stock shall share in dividend distribution non exceeding two per centum (2%) thereof without preference. The amount of any dividend's payable to any holder of stock may be applied to the repayment of the stockholder's indebtedness to the bank.

As soon as the Bank has resources available for the purpose, the equity investment of the government, as evidence by outstanding preferred stocks, shall be reduced by retirement of such stock at its par value and its sale to private investors, in the manner provided for in Section 7 of Republic Act No. 720 (Rural Bank's Act, as amended), and implementing rules and regulations.

No retirement or purchase by the Bank of its shares subscribed by private shareholders shall be made unless an equal amount of preferred shares is retired or purchased so long as the government holds preferred shares in the bank.

In the event of liquidation, dissolution, receivership, bankruptcy, or winding up of the affairs of the bank, voluntary or involuntary, the assets of the bank remaining after payments have been made to the creditors shall be distribute in the following order. First recipient shall be the holders of preferred stock to the full par value of the preferred stock, or ratably, in so far as the assets of the Bank will permit; then, the holders of the common stock to the full par value of the common stock, or ratably, in so far as the assets of the bank will permit; and thereafter any sums remaining shall be distributed equally to holders of common or preferred stock alike. In the absence of preferred stocks, common stockholders shall share in proportion to their respective holdings in the assets available for distribution.

Book Value per Share

December 31, 2022	-	Total Capital Funds / Total Common Shares Outstanding	₱241,788,969 / 101,550	=	**₱2,381**
December 31, 2021	-	Total Capital Funds / Total Common Shares Outstanding	₱241,609,677 / 101,550	=	**₱2,379**

The Total Capital Funds used in the above computation is those that are available to Common Stockholders, and the Total Shares Outstanding includes only Common Stocks. Book Value per Share on both years presented is in Philippine Peso.

Retained Earnings-free, represents accumulated income which was not declared as dividend and formed part of thee operating resources of the Bank. The Retained Earnings reserve is set aside for the redemption of preferred shares and for other contingencies purposes. Retained Earnings Reserved represents an amount set aside by the Bank for any contingencies.

Details on Dividend declared:
The Laguna Prestige Banking Corporation (A Rural Bank) declared a cash dividend to its stockholders amounting to P4,064,244 and P3,047,622 for the years ended December 31, 2022 and December 31, 2021, respectively.

Capital Management and Regulatory Capital

Based on the provision Section 121 of the MORB, as amended by Circular Nos. 1121 and 1142, dated June 8, 2021, and March 29, 2022, respectively. The Bank has to maintain at least P50M. Rural banks which comply with the new capital levels shall submit to the BSP a certificate of compliance, signed by the president or officer of equivalent rank, within ten (10) banking days from the date of effectivity of the Circular. Non-compliant rural banks are given five (5) years to comply with the new minimum capital requirements.

As of December 31, 2022, the Bank capital stands at P241,845,069, which is compliant with the P50,000,000 capital level as cited in the regulations.

The BSP, as a lead regulator, sets and monitors capital requirements for the Bank. In implementing current capital requirements, other than the minimum required capital based on new Section 121 of the MORB, the BSP also requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

Under current banking regulations, the qualifying capital accounts of the Bank should not be less than an amount equal to ten percent of its risk-weighted assets.

The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio is total capital funds excluding among others the following:

- Common stock treasury shares (for consolidated basis)
- Perpetual and non-cumulative preferred stock treasury shares (for consolidated basis)
- Net unrealized losses on available for sale equity securities purchased
- Unbooked valuation reserves and other capital adjustments based on the latest ROE as approved by the Monetary Board
- Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance for credit losses
- Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates, net of allowance for credit losses

- Deferred tax asset, net of deferred tax liability
- Goodwill, net of allowance for losses
- Perpetual and cumulative preferred stock treasury shares (for consolidated basis).
- Limited life redeemable preferred stock treasury shares with the replacement requirement upon redemption (for consolidated basis)
- Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon redemption
- Net losses in fair value adjustment of hedging instruments in a cash flow hedge of available for sale equity securities
- Paid-up limited life redeemable preferred stock without the replacement requirement upon redemption (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)
- Deposit for limited life redeemable preferred stock subscription without the replacement requirement upon redemption
- Unsecured subordinated debt with a minimum original maturity of at least 5 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)
- Limited life redeemable preferred stock treasury shares without the replacement requirement upon redemption (for consolidated basis)
- Sinking fund for redemption of limited life redeemable preferred stock without the replacement requirement upon redemption (limited to the balance of redeemable preferred stock after applying the cumulative discount factor)

As at December 31, 2022, the Bank's capital-to-risk assets ratio stands at 47.79%, said capital adequacy ratio is compliant with the BSP's minimum requirement of 10.00%.

As at December 31, 2022, the Bank's Tier 1 capital-to-risk assets ratio stands at 47.28%.

This level of Capital can absorb losses or downward adjustment to Tier one Capital amounting to P191.31 Million before it falls lower than the 10 percent, the mimimum level of capital or adequacy ratio.

The Bank's regulatory capital position (in millions of Philippine pesos) as of December 31, 2022 based on the BSP prescribed computation is as follows:

	2022	**2021**
Tier 1 Capital		
Common stock	10.155	10.155
Retained Earnings	231.634	231.550
Unsecured DOSRI Loans	-	-
Deferred tax asset, net of deferred tax liability	(2.457)	(2.100)
	239.332	**239.605**
Tier 2 Capital		
Preferred stock	0.056	0.056
General loan loss provision	2.550	2.550
Total Qualifying Capital	**241.938**	**242.211**

Total Risk Weighted Assets	506.242	495.057
Capital Adequacy Ratio	47.79%	48.91%
Tier 1 Capital Adequacy Ratio	47.28%	48.38%

The Bank is not engaged in trading and has no foreign currency denominated assets subject to market risk.

Dividend declared during the years ended December 31, 2022 and 2021 stands at P4,064,244 and P3,047,622 respectively.

16 - FEES AND COMMISSION INCOME

	2022	2021
Income from Service Fees and Charges	P 1,453,792	P 1,195,932
Total	**P 1,453,792**	**P 1,195,932**

Income from Service fees and charges represent other charges and fees on loans collected by the Bank as payment for its services

17 - PROFIT OR (LOSS) FROM ASSET SOLD

	2022	2021
Bank Premises, Furniture, Fixture and Equipment	P 221,499	P 121,711
Income from Sale of Investment Properties	556,895	31,423
Total	**P 778,394**	**P 153,134**

These are income generated by the bank through sale of its foreclosed properties.

18 - OTHER INCOME

This represent income coming from sources which are not included in major caption presented in all income source previously discussed, sources are, penalties and charges for clients' request of statement of accounts and collection of charged off assets for years indicated. For the years ended December 31, 2022 and 2021, The Laguna Prestige Banking Corporation (A Rural Bank) earned ₱3,802,753 and ₱3,839,669 respectively.

19 - COMPENSATION AND EMPLOYEE BENEFITS

	2022	2021
Salaries / Wages and Other Benefits	P 13,195,814	P 12,582,475
Directors Fees	1,656,000	1,656,000
SSS, Philhealth and Employees' Compensation Premium and Pag-IBIG Fund Contributions	843,141	783,729
Medical, Dental and Hospitalization	86,928	78,256
Contribution to Retirement/Provident Fund	-	-
Total	**P 15,786,648**	**P 15,100,460**

20 - DEPRECIATIONS AND AMORTIZATIONS

	2022	2021
Buildings	P 123,808	P 209,529
Furniture and Fixtures	48,062	49,445
IT Equipment	197,148	139,561
Other Office Equipment	109,938	183,321
Transportation Equipment	103,216	220,316
Investment Property	1,139,116	1,139,116
Right-of-use Assets	1,088,944	928,001
Total	**P 2,810,232**	**P 2,869,290**

21 - ADMINISTRATIVE EXPENSES

This account is composed of the following:

	2022	2021
Rent	P 62,211	P 161,390
Power, Light and Water	1,204,464	882,012
Postage, Telephone, Cables and Telegrams	295,946	313,712
Repairs and Maintenance	301,674	363,390
Security Services	1,552,496	1,622,723
Information Technology Expenses	54,976	74,154
Supervision Fees	114,278	112,676
Insurance Expenses		
PDIC Insurance	786,120	760,785
Other Insurance	253,070	194,816
Management and Other Professional Fees	602,643	386,782
Representation and Entertainment	14,183	5,684
Traveling Expenses	125,840	135,488
Fuel and Lubricants	689,980	527,193
Advertising and Publicity	44,780	94,339
Membership Fees and Dues	50,120	205,391
Donations and Charitable Contributions	12,396	10,100
Periodicals and Magazines	-	-
Stationery and Supplies Used	362,882	370,290
Fines, Penalties and Other Charges	76,324	44,672
Litigation Expenses	226,629	287,652
Fees and Commission Expense	19,364	15,000
Printing, Photocopying and Other Admin. Costs	90,247	144,864
	P 6,940,623	**P 6,713,111**

22 - IMPAIRMENTS AND PROVISIONS

This account is composed of the following:

	2022	2021
Provision for Losses - Other Risk Assets	P -	P 4,882
Provision for Retirement of Employees	3,322,831	
	P 3,322,831	**P 4,882**

23 - EARNINGS (LOSS) PER SHARE - COMMON SHARES

December 31, 2022	-	Net Income / Total Common Shares Outstanding	P 4,314,554 / 101,550	= **₱42.49**
December 31, 2021	-	Net Income / Total Common Shares Outstanding	P 6,578,860 / 101,550	= **₱64.78**

Net income used in the above computation is those that are available to Common Stockholders, and the Total Shares Outstanding includes only Common Stocks. Earnings (Loss) per Share on both years presented is in Philippine Peso.

24 - RELATED PARTY TRANSACTIONS

The Bank's related parties include its DOSRI, and key management personnel and entities under common ownership.

DOSRI Loans

The Bank grants loans to DOSRI. The General Banking Act and BSP regulations limit the amount of the loans to be granted by the Bank to a single borrower to 25.00% of equity. The amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the amount of their deposits and the book value of their investments in the Laguna Prestige Banking Corporation (A Rural Bank) (Bank). In aggregate, loans to DOSRI generally should not exceed the total capital funds or 15.00% of the total loan portfolio of the Bank, whichever is lower. The Bank complied with the restrictions on DOSRI loans as of December 31, 2022 and December 31, 2021.

Complete discussion of DOSRI loans is disclosed in Note 28.

Key Management Personnel Compensation

The key management personnel compensation and are shown as part of Employee benefits under Other Operating Expenses account in the statements of comprehensive income are breakdown as follows:

	2022		2021	
Short-Term Employee Benefits	P	4,537,200	P	4,578,435
Total	**P**	**4,537,200**	**P**	**4,578,435**

Other than the amounts presented above, there is no termination, share-based payment and other benefits received by key management personnel for the year ende December 31, 2022.

25 - INCOME TAX

Regular Tax – the corporation is subject to twenty five percent (25%) income tax on taxable income of the corporation. Taxable income is derived after deducting earnings that were already subject to final tax (passive income) and allowable deductions from gross income of the corporation. Or;

Minimum Corporate Income Tax – a minimum of one percent (1%) of the gross profit of the corporation. Gross profit of the corporation is derived after deducting cost of services related to the operation of the corporation (which ever is higher of 25% regular income tax).

The Provision for (Benefit From) Income Tax consists of the following, regular income tax in the amount of P909,414, final income tax of P1,538,780, and reduced by the adjustment in deferred income tax of P440,674.

Reconciliation of the 2022 statutory net income versus net income reported under Philippine Financial Reporting Standards:

Regular Corporate Income Tax

		2022		2021
Net Income (Philippine GAAP)	P	6,322,073	P	8,657,041
Reconciling Items				
Interest income subject to final tax		(7,614,552)		(6,944,146)
Tax Arbitrage 20% of Interest Income Subject to Final Tax, maximum is equal to Interest Expense		1,522,910		1,388,829
Disallowed Expenses - Non - Deductible Penalties		76,324		44,672
Non-Cash Provisions and Impairments and Provision for Retirement		3,322,831.00		-
Adjustment due to PFRS - 16 in Interest on Lease Liability		101,126		75,527
Adjustment due to PFRS - 16 in Depreciation Expense (ROUA)		1,088,944		928,001
Adjustment due to PFRS - 16 - Rent Expense		(1,182,000)		(1,086,480)
Net Taxable Income	P	**3,637,657**	P	**3,063,445**
Tax Rate		25.00%		25.00%
Regular Corporate Income Tax	P	**909,414**	P	**765,861**

		2022		2021
Minimum Corporate Income Tax				
Total income	P	39,599,955	P	37,924,531
Interest income from T-Bills Investments	P	6,417,755	P	5,789,599
Interest on deposits in banks		1,196,797		1,154,547
Total Income Subject to Final Tax	P	**7,614,552**	P	**6,944,146**
Income Subject to Regular Income Tax	P	31,985,402	P	30,980,385
Direct Costs of Service:				
Net Interest Expense deductible for tax purposes is reduced by 20% of Interest Income subjected to Final Tax, herein the net amount.	P	513,569	P	806,319
Compensation/fringe benefits		15,786,648		15,100,460
Supervision/Banking Fees		114,278		112,676
PDIC Insurance		786,120		760,785
Total Direct Costs of Service	P	17,200,615	P	16,780,240
Income Before Ordinary Allowable Deductions (Basis of 1% MCIT)	P	14,784,788	P	14,200,145
MCIT Rate		1%		1%
Minimum Corporate Income Tax	P	**147,848**	P	**142,001**

The Bank is subject to the Regular Corporate Income Tax since the amount computed is higher than the Minimum Corporate Income Tax.

The bank should account for the tax consequences of transactions and other events in the same way it accounts for the transactions or other events themselves, it is inherent in the recognition of an asset or liability that that asset or liability will be recovered or settled, and this recovery or settlement may give rise to future tax consequences which should be recognized at the same time as the asset or liability. The Management believes that the future tax benefits (Effect on future cash flows) arising from Deferred Tax Asset from allowance for losses for loans and receivables may not be fully realizable given that the provision for losses may not result to the actual write-off of accounts.

The components of deferred tax assets are as follow:

	December 31, 2022				December 31, 2021			
		Amount		Tax Effect		Amount		Tax Effect
Post-employment defined benefit obligation	P	10,161,634	P	2,540,408	P	6,999,112	P	2,099,734
	P	**10,161,634**	**P**	**2,540,408**	**P**	**6,999,112**	**P**	**2,099,734**

25.a - Provision for (Benefit From) Income Tax

As of December 31, 2022, This account consist of the following:

Final Income Tax	P	1,538,585
Regular Income Tax		909,414
Deferred Tax		(440,674)
	P	**2,007,325**

25.b - Taxes and Licenses

As of December 31, 2022. This account consist of the following:

		2022		2021
Business Permit	P	181,371	P	172,311
Registration of Service Vehicles		14,212		23,389
Real Property Tax		80,343		123,236
Percentage Tax		2,000,016		1,987,136
Others		4,000		3,000
	P	**2,279,942**	P	**2,309,072**

26 - COMMITMENTS AND CONTINGENCIES

The following are the discussion regarding commitments and contingencies involving the Bank:

In the normal course of the Bank's operations, there are outstanding commitments and contingent liabilities such commitments to extend credit, liability to safekeep collateral of borrowers, which are not reflected in the accompanying financial statements. Management believes that, as of December 31, 2022, losses, if any, that may arise from these commitments and contingent liabilities will not have a material effect on the financial statements of the Laguna Prestige Banking Corporation (A Rural Bank).

b) The Bank has no pending legal cases arising from its normal operation that will put the Bank as defendant as a result of violation of transactions against its clients/depositors.

c) The Bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the Bank into obligation in case of non-compliance by the buyer.

d) The bank is a party to a lease agreement as disclosed in Note 10.a.

27 - SUBSEQUENT EVENTS

There is no material and significant events occurring from December 31, 2022 until the issuance of the Audited Financial Statement.

28 - REQUIRED DISCLOSURES BASED ON MORB SECTION 174.

Presented below is the supplementary information which is required by the Bangko Sentral ng Pilipinas as mandated in Section 174 of the Manual of Regulations for Banks, and as amended by Circular No. 1074 issued on February 07, 2020. This information has to be disclosed as part of the notes to financial statements of Laguna Prestige Banking Corporation (A Rural Bank). This supplementary information is not a required disclosure under PFRS, but used the provision of PAS 24 for the determining a related party.

	2022	2021
Capital Position:		
Common Equity Tier -1 (CET-1) Capital	P 241.789	P 241.610
Tier I Capital - In millions of Pesos	P 239.332	P 239.510
Total Qualifying Capital - In millions of Pesos	P 241.938	P 242.117
Total Risk Weighted Assets - In millions of Pesos	P 506.242	P 495.057
Capital Adequacy Ratio	47.79%	48.91%
CET - 1 Ratio	47.76%	48.80%
TIER 1 Ratio	47.28%	48.38%
Leverage Ratio	36.82%	37.68%
Minimum Liquidity Ratio	87.47%	86.27%
Return on average equity	1.78%	2.76%
Return on average resources	0.66%	1.03%
Net interest margin	5.40%	5.33%
Capital Instrument Issued	Please refer to Note 15 and Note 2.5.	

Based on BSP benchmark an exposure is significant if it amounts to at least 30% of the total loan exposure or at least ten percent (10%) of TIER 1 capital.

	December 31, 2022		
Industry	In Millions of Pesos	Percent to Total Loan Exposure	Ratio to Tier 1 Capital
Wholesale and Retail Trade, Repair of Motor Vehicles,	P112.90	36.44%	47.17%
Real Estate Activities	P128.73	41.55%	53.79%

Breakdown of loans as to security:

a. Secured:	
Real Estate Mortgage	P 282,146,287
Secured by Other Collaterals	8,645,055
b. Unsecured	19,005,035
Total	**P 309,796,376**

Breakdown of Loans as to Status per Product Line:

December 31, 2022

	Current	Past Due Performing	Past Due Non-Performing
Agrarian Reform Loans	P 10,500,000	P -	P 194,881
Other Agricultural Credit Loans	8,777,727	-	1
Small Scale Enterprises	24,090,307	-	6
Medium Scale Enterprise	165,680,866	1,773,626	-
Loans to Individuals for Personal Use Purposes	78,270,061	632,936	1,659,305
Loans to Individual for Housing Purposes	13,881,690	595,563	2,449,456
Loans to Individuals for Other Purposes	1,268,816	-	21,136
TOTALS	**P 302,469,467**	**P 3,002,125**	**P 4,324,785**

Information on DOSRI / Related Party (RP) Loans:

	Secured		Unsecured	
Current DOSRI/RP Loans	P	7,500,000	P	-
Past due DOSRI/RP Loans - Performing		-		-
Past due DOSRI/RP Loans -Non-Performing		-		-

	DOSRI Loans		Related Party (RP) Loans (Inclusive of DOSRI Loans)	
Outstanding Amount	P	7,500,000	P	7,500,000
a. Percent of total DOSRI/RP loans to total loan portfolio		2.42%		2.42%
b. Percent of unsecured DOSRI/RP loans to total DOSRI/RP loans		0.00%		0.00%
c. Percent of past due DOSRI/RP loans to total DOSRI/RP loans		0.00%		0.00%
d. Percent of non-performing DOSRI/RP loans to total DOSRI/RP loans		0.00%		0.00%

There is nothing to disclose about Nature and amount of contingencies and commitments arising from off-balance sheet items.

Provisions for Probable Losses:

a. Provision for Probable Losses net of any reversal for the year	P	-
b. Allowance for Probable Losses - Specific reserve	P	11,006,214
c. General Loan Loss Provision	P	2,550,495

d. How Determined: Followed guidelines prescribed by Bangko Sentral ng Pilipinas, for complete discussion please refer to corresponding Notes 9 of the Notes to Financial Statement.

Aggregate amount of secured liabilities and assets pledged as security:

a. Secured liabilities	None
b. Assets pledged as security:	None

Discussion of accounting Policies:

Discussion of accounting policies which include, general accounting principles, changes in accounting policies/ practices, policies and methods for determining when assets are impaired, recognizing income on impaired assets and losses on non-performing credits, income recognition, loan fees, premiums and discounts, bank premises/fixed assets, income taxes are all found in the Note 2 of this financial statement.

29 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Requirements Under RR No. 15-2010

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) as mandated by Revenue Regulations (RR) No. 15-2010. These taxes and licenses information has to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The Bank reported and/or paid the following types of taxes for 2022.

		2022	2021
Income Tax for last year paid this year using BIR Form 1702	P	71,018	812,641
Income Tax for this year paid this year using BIR Form 1702Q		779,213	3,998,884
Gross Receipt Tax (GRT)		2,000,016	1,987,136
Withholding Tax on Compensation		511,415	429,226
Withholding Tax on Deposit Interest Expense		408,150	506,694
Withholding tax on Dividends		406,200	304,650
Documentary Stamp Tax		1,639,477	1,151,909
Expanded Withholding Tax		293,845	288,951
Total	P	**6,109,334**	**9,480,091**

Gross Receipts Tax (GRT)

On January 29, 2004, RA No. 9238 reverted the imposition of GRT on banks and financial institutions. This law is retroactive from January 1, 2004. Further, on May 24, 2005, the amendments on RA No. 9337 was approved imposing the following rates to be collected on gross receipts derived from sources in the Philippines by all banks and non-bank financial intermediaries:

(a) On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

With maturity period of five years or less	5%
With maturity period of more than five years	1%
(b) On dividends and equity shares in the net income of subsidiaries	0%
(c) On royalties, rentals of property, real or personal, profits from exchange and all other items treated as gross income under Section 32 of the NIRC.	7%
(d) On net trading within the taxable year on foreign currency, debt securities, derivatives, and other similar financial instruments	7%

Provided, however, that in case the maturity period referred to in paragraph (a) is shortened due to pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate of tax shall be applied accordingly.

Documentary Stamp Tax (DST)

The new TRAIN law amended certain provision affecting the DST at rates of all debt instruments, the new imposes P1.50 on each P200 of the face value of the document.

1 . Original issuance of shares, ₱2.00 on each ₱200 of the par value; or in case of no-par value based on the actual consideration; or in case of stock dividends based on the actual value of each share.

2 . Sales, Agreements to sell, memoranda of sales, deliveries or transfer of shares or certificates of stock: ₱1.50 on each ₱200 of the par value; or in case of no-par value, 50% of the DST paid upon original issuance thereof.

3. Certificates of Profits or Interest in Property or Accumulations: ₱1.00 on each ₱200.00, or fractional part thereof, of the face value of such certificates or memorandum.

4. Bank checks, drafts, certificates of deposit not bearing interest, and other instruments: ₱3.00 on Each instrument.

5. All debt instruments: ₱1.50 on each ₱200.00, or fractional part thereof, of the issue price of any such debt instrument.

6. Each lease, agreement, memorandum, or contract for hire, use or rent of any lands or tenements, or portions thereof: ₱6.00 for the first ₱2,000, or fractional part thereof, and an additional ₱2.00 for every ₱1,000 or fractional part thereof, in excess of the first ₱2,000 for each year of the term of said contract or agreement.

7. Mortgages, pledges, and deeds of trust, (a) when the amount secured does not exceed ₱5,000 = ₱40.00, and (b) on each ₱5,000, or fractional part thereof in excess of ₱5,000 = additional ₱20.00.

8. Certificates: ₱30.00 per certificate.

The following instruments, documents and papers shall be exempt from DST:

- Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority;
- Loan agreements or promissory notes, the aggregate of which do not exceed P250 thousand or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on instalment for his personal use;
- Sale, barter or exchange of shares of stock listed and traded through the local stock exchange for a period of five years from the effectivity of RA No. 9243;
- Fixed income and other securities traded in the secondary market or through an exchange;
- Derivatives including repurchase agreements and reverse repurchase agreements; bank deposit accounts without a fixed term or maturity; and,
- Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities.

Deficiency Tax Assessment and Tax Cases

As of December 31, 2022, the Bank does not have any final deficiency tax assessments with the BIR nor tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

Requirements Under RR No. 19-2011

RR No. 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR; hence, may not be the same as the amounts of revenues reflected in the 2022 statement of comprehensive income.

(a) Taxable Revenues

Interest Income From Loans and Receivables	P	25,950,463
Non-Interest Income		6,034,939
Total Taxable Revenue	**P**	**31,985,402**

(b) Cost of Service

Net Interest Expense deductible for tax purposes is reduced by 20% of Interest Income subjected to Final Tax, herein the net amount.	P	513,569
Compensation/fringe benefits		15,786,648
Supervision/Banking Fees		114,278
PDIC Insurance		786,120
Total Direct Costs of Service	**P**	**17,200,615**

(c) Itemized Deductions

The amounts of itemized deductions under the regular tax rate from January to December 31, 2022:

Advertising and Promotion	P	44,780
Donation to Charitable Institutions		12,396
Commission		19,364
Communication, Light and Water		1,500,411
Depreciation		1,721,288
Fuel and Oil		689,980
Insurance		253,070
Office Supplies		362,882
Professional Fees		602,643
Rental		1,244,211
Repairs and Maintenance (Materials/Supplies)		301,674
Representation and Entertainment (up to 1% of Gross Income)		14,183
Security Services		1,552,496
Taxes and Licenses		2,279,942
Transportations and Travels		125,840
Litigation Expenses		226,629
Information Technology Expense		54,976
Other Expenses		140,367
	P	**11,147,130**