LAGUNA
PRESTIGEBANK
A Rural Bank

ANNUAL REPORT

2024

Laguna Prestige
Banking Corporation
A Rural Bank

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Dear Valued Stakeholders,

Warm greetings from Laguna Prestige Bank!

As we continue to serve and grow alongside our communities, we would like to extend our sincere gratitude for your unwavering support and trust. Your continued partnership is the cornerstone of our mission to provide accessible, reliable, and inclusive financial services to Rural Filipinos.

Despite the challenges faced by the banking sector and the broader economy, we remain committed to our vision of financial empowerment for every household we serve. Over the past year, we have strengthened our operational resilience, our realigned our workforce, and introduced new products tailored to the evolving needs of our clients, particularly our small and medium entrepreneurs as well as the underserved communities.

We also take pride in our financial performance and regulatory compliance, guided by the principles of transparency, prudence, and sustainability. Our efforts are aligned with our shared goal of building a more inclusive Rural economy.

Looking ahead, we are excited to continue innovating, forging new partnerships, and expanding our reach. Together, let us build stronger and a more resilient Prestige community.

Thank you once again for your trust, support, and collaboration.

With warm regards,

Gilbert Francis B. Bella
President/CEO

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 and pension loans.

Over the years, the Bank has maintained 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 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, 2024

	2024	2023
BALANCE SHEET		
Total Assets	678,337,801.30	658,066,571.41
Liquid Assets	115,931,241.17	94,237,949.62
Gross Loans	391,738,392.68	356,115,417.99
Deposits	385,508,062.41	386,590,706.28
Total Equity	280,495,710.05	260,752,922.71
PROFITABILITY		
Total Net Interest Income	42,754,514.48	38,678,312.52
Total Non-Interest Income	4,706,149.29	28,911,687.74
Total Interest Expense	2,497,963.49	2,162,749.47
Total Non-Interest Expense	30,680,434.11	33669915.84
Allowance for Credit Losses	11,006,214.10	11,006,214.10
Pre-provision profit	26,159,573.85	33,920,084.42
Net Income	19,742,740.35	26,320,372.96
RATIOS		
Return on Equity (ROE)	7.04%	10.09%
Return of Assets (ROA)	2.91%	4.00%
Capital Adequacy Ratio	53.62%	54.09%
OTHERS		
Cash dividends declared	0.00	5,077,500.00
Headcount (Employees)	40	40
Officers	17	12
Staff	22	26
Outsourced (Internal Audit)	1	1

b. Risk-Based Capital Adequacy Ratio (as of December 31, 2024)

RBCAR RATIO – 53.62%

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, 2024

CONTROL PROOFLIST

PART I. CALCULATION OF RISK-BASED CAPITAL ADEQUACY RATIO (in absolute amounts)

Item	Nature of Item	Account Code	Amount	
A.	**Calculation of Qualifying Capital**			
A.1	Tier 1 Capital (Sum of A.2 and A.3)	395000000000710000		280,495,710.05
A.2	Common Equity Tier 1 Capital	395000000000711000		280,439,610.05
A.3	Additional Tier 1 Capital	395000000000712000		56,100.00
A.4	Tier 2 Capital	395000000000720000		2,550,495.18
A.5	Total Qualifying Capital *[Sum of A.1 and A.4]*	395000000000700000		283,046,205.23
B.	**Calculation of Risk-Weighted Assets**			
B.1	Total Credit Risk-Weighted Assets [*B.1(d) minus B.1(h)*]	195931000000000000		465,228,403.84
(a)	Risk-Weighted On-Balance Sheet Assets	100000000000811000	465,228,403.84	
(b)	Risk-Weighted Off-Balance Sheet Assets	400000000000812000		
(c)	Counterparty Risk-Weighted Assets	110100000000813000		
(d)	Total Credit Risk Weighted Assets [*Sum of B.1(a), B.1(b) and B.1(c)*]	100000000000810000	465,228,403.84	
(e)	Deductions from Total Credit Risk-Weighted Assets			
(f)	General Loan Loss Provision (in excess of the amount permitted to be included in Tier 2 capital) [*Part III.1, Item G.(1)(b) minus Part II, Item B.1 (7)*]	175150500000000000		
(g)	Unbooked allowance for credit losses and other capital adjustments affecting asset accounts based on the latest report of examination as approved by the Monetary Board	365052000000711000		
(h)	Total Deductions [*Sum of B.1(f) and B.1(g)*]	165000000000810000	0.00	
B.2	Total Operational Risk-Weighted Assets	195000000000830000		57,899,229.19
B.3	Total Market Risk-Weighted Assets	100000000000820000		
B.4	Total Risk-Weighted Assets [*Sum of B.1, B.2 and B.3*]	100000000000800000		523,127,633.03
C.	**Minimum Capital Ratios**			
C.1	RISK-BASED CAPITAL ADEQUACY RATIO [A.5 divided by B.4 multiply by 100]	990000000000000000		**54.11**
C.2	Common Equity Tier 1 Ratio [A.2 divided by B.4 multiply by 100]	990000000000000001		**53.61**
C.3	Capital Conservation Buffer [C.2 minus 6]	990000000000000002		**50.39**
C.4	Tier 1 Capital Ratio [A.1 divided by B.4 multiply by 100]	990000000000000003		**53.62**

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

b.1.1 TIER 1 CAPITAL – 280,495,710.05

PART II. QUALIFYING CAPITAL (in absolute amounts)

Item	Nature of Item	Account Code		Amount	
A.	**Tier 1 Capital**				
A.1	**Common Equity Tier 1 (CET1) Capital [Sum of A.1(1) to A.1 (8)]**	300000000000711000			280,439,610.05
(1)	Paid up common stock	305050000000000000		10,155,000.00	
(2)	Deposit for common stock subscription	305250500000000000			
(3)	Common stock dividends distributable	315120000000000000			
(4)	Additional paid-in capital	305200000000000000			
(5)	Retained earnings [1]	315000000000000000		250,541,869.70	
(6)	Undivided profits	315150000000000000		19,742,740.35	
(7)	Other Comprehensive Income (Sum of A.7(i) to A.7(iv))	320000000000000000		0.00	
	(i) Net Unrealized Gains/(Losses) on Financial Assets at FVOCI	322080000000000000			
	(ii) Cumulative foreign currency translation	330150000000000000			
	(iii) Net Gains/(Losses) on Fair Value Adjustment of Hedging Instruments in a cash flow hedge	320101000000000000			
	(iv) Others	320900000000000000		0.00	
	(a)	320900000000000000	1		
(8)	Non-controlling interest in subsidiary banks which are less than wholly-owned (for consolidated basis)	325150000000000000			
A.2	**Deductions from CET1 Capital [Sum of A.2(1) to A.2(17)]**	365050000000711000			0.00
(1)	Common stock treasury shares	365050500000711000			
(2)	Unbooked allowance for credit losses and other capital adjustments based on the latest ROE as approved by the Monetary Board	365052000000711000			
(3)	Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance for credit losses [1]	365052500000711000			
(4)	Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates, net of allowance for credit losses	365053000000711000			
(5)	Total outstanding loans, other credit accommodations and guarantees granted to related parties that are not at arm's length terms as determined by the appropriate supervising department of the Bangko Sentral – net of allowance for credit losses; Provided, that in the case of government-owned or –controlled banks, the adjustment shall be exclusive of unsecured peso-denominated credit accommodations to the Republic of the Philippines and/or its agencies/ departments/bureaus	365053300000711000			
(6)	Deferred tax asset, net [2]	365053500000711000			
(7)	Goodwill, net [3]	365054000000711000			
(8)	Other intangible assets, net [4]	195502500000711000			
(9)	Defined benefit pension fund assets (liabilities) [5]	135100003500711000			
(10)	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) [6]	365200500000700000			
(11)	Investments in equity of unconsolidated subsidiary non-financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases) [6]	365201500000700000			
(12)	Significant non-controlling investments (10%-50% of voting stock) in RBs and VCCs for TBs, and RBs for Coop Banks after deducting related goodwill, if any (for both solo and consolidated bases) [6]	365203001005711000			
(13)	Significant non-controlling investments (10%-50% of voting stock) in unconsolidated subsidiary non-financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases) [6]	365203501005711000			
(14)	Non-controlling investments (below 10% of voting stock) in RBs and VCCs for TBs, and RBs for Coop Banks after deducting related goodwill, if any (for both solo and consolidated bases) [6]	365203001500711000			
(15)	Non-controlling investments (below 10% of voting stock) in unconsolidated subsidiary non-financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases) [6]	365203501500711000			
(16)	Other equity investments in non-financial allied undertakings	145251500000000000			
(17)	Reciprocal investments in common stock of other banks/enterprises, after deducting related goodwill, if any (for both solo and consolidated bases)	365205000500711000			
A.3	**Total CET1 Capital [A.1 less A.2]**	395000000000711000			280,439,610.05
A.4	**Additional Tier 1 (AT1) Capital [Sum of A.4(1) to A.4(5)]**	305050000000712000			56,100.00
(1)	Instruments issued by the bank that are eligible as AT1 capital [Sum of A.4(1)(i) and A.4(1)(ii)]	305000000000000000		56,100.00	
	i) Paid up perpetual and non-cumulative preferred stock	305100000000000000		56,100.00	
	ii) Other AT1 capital instruments	305130000000000000		0.00	
	(a)	305130000000000000	1		
(2)	Deposit for perpetual and non-cumulative preferred stock subscription	305251000000000000			
(3)	Deposit for other AT1 capital instruments subscription	305253000000000000			
(4)	Additional paid-in capital	305201000000000000			
(5)	Non-controlling interest in subsidiary financial allied undertakings which are less than wholly-owned	325151000000000000			
A.5	**Deductions from AT1 Capital [Sum of A.5(1) to A.5(8)]**	365050000000712000			0.00
(1)	Perpetual and non-cumulative preferred stock and other AT1 instruments treasury shares including shares that the bank could be contractually obliged to purchase	365051000000712000			
(2)	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) [7]	145250501000000000			
(3)	Investments in equity of unconsolidated subsidiary non-financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases) [7]	145251000505000000			
(4)	Significant non-controlling investments (10%-50% of voting stock) in RBs and VCCs for TBs, and RBs for Coop Banks after deducting related goodwill, if any (for both solo and consolidated bases) [7]	365203001010712000			
(5)	Significant non-controlling investments (10%-50% of voting stock) in unconsolidated subsidiary non-financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases) [7]	365203501010712000			
(6)	Non-controlling investments (below 10% of voting stock) in RBs and VCCs for TBs, and RBs for Coop Banks after deducting related goodwill, if any (for both solo and consolidated bases) [7]	365203001505712000			
(7)	Non-controlling investments (below 10% of voting stock) in unconsolidated subsidiary non-financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases) [7]	365203501500712000			
(8)	Reciprocal investments in AT1 capital instruments of other banks / enterprises, after deducting related goodwill, if any (for both solo and consolidated bases)	365205000500712000			
A.6	**Total AT1 Capital [A.4 less A.5]**	395000000000712000			56,100.00
A.7	**Total Tier 1 Capital [Sum of A.3 and A.6]**	300000000000710000			280,495,710.05

b.1.2 TIER 2 CAPITAL – 2,550,495.18

b.1.3 TOTAL QUALIFYING CAPITAL – 283,046,205.23

B.	**Tier 2 Capital**				
B.1	**Tier 2 Capital [Sum of B.1(1) to B.1(8)]**	30000000000720000			2,550,495.18
(1)	Instruments issued by the bank that are eligible as Tier 2 capital [8] [Sum of B.1(1)(i) and B.1(1)(iv)]	30500000000720000		0.00	
	(i) Paid-up perpetual and cumulative preferred stock	30515000000000000			
	(ii) Paid-up limited life redeemable preferred stock with the replacement requirement upon redemption	22025050000000000			
	(iii) 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.)	22025100000000000			
	(iv) Other Tier 2 capital instruments	30515000000720000		0.00	
	(a) Hybrid capital instruments [8]	30515050000720000			
	(b) Unsecured subordinated debt [8]	30515100000720000			
	(c) Others	30515150000720000		0.00	
	(a)	30515150000720000	1		
(2)	Deposit for perpetual and cumulative preferred stock subscription	30525150000000000			
(3)	Deposit for limited life redeemable preferred stock subscription with the replacement requirement upon redemption	30525200000000000			
(4)	Deposit for limited life redeemable preferred stock subscription without the replacement requirement upon redemption	30525250000000000			
(5)	Deposit for other Tier 2 capital subscription	30525350000000000			
(6)	Appraisal increment reserve – bank premises, as authorized by the Monetary Board	32505000000000000			
(7)	General loan loss provision [limited to 1.00% of total credit risk-weighted assets computed per Part I, Item B.1(d)] [9]	17515100000000000		2,550,495.18	
(8)	Non-controlling interest in subsidiary financial allied undertakings which are less than wholly-owned	32515150000000000			
B.2	**Deductions from Tier 2 Capital [Sum of B.2(1) to B.2(10)]**	36505000000720000			0.00
(1)	Tier 2 capital instruments treasury shares	32510150000000000			
(2)	Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon redemption	36510150000721000			
(3)	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)	36515100000722000			
(4)	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) [10]	14525050150000000			
(5)	Investments in equity of unconsolidated subsidiary non-financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases) [10]	14525100051500000			
(6)	Significant non-controlling investments (10%-50% of voting stock) in RBs and VCCs for TBs, and RBs for Coop Banks after deducting related goodwill, if any (for both solo and consolidated bases) [10]	36520300101572000			
(7)	Significant non-controlling investments (10%-50% of voting stock) in unconsolidated subsidiary non-financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases) [10]	36520350100720000			
(8)	Non-controlling investments (below 10% of voting stock) in RBs and VCCs for TBs, and RBs for Coop Banks after deducting related goodwill, if any (for both solo and consolidated bases) [10]	36520300151072000			
(9)	Non-controlling investments (below 10% of voting stock) in unconsolidated subsidiary non-financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases) [10]	36520350150072000			
(10)	Reciprocal investments in Tier 2 capital of other banks/enterprises, after deducting related goodwill, if any (for both solo and consolidated bases)	36520500050072000			
B.3	**Total Tier 2 Capital *(B.1 less B.2)***	39600000000720001		2,550,495.18	
C.	**Total Qualifying Capital [Sum of A.7 and B.3]**	39500000000700000			283,046,205.23

[1] This shall exclude the portion appropriated for general provision.

[2] Net of any allowance for impairment and associated deferred tax liability: 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 CET1 capital.

[3] Net of allowance for impairment and any associated deferred tax liability which would be extinguished upon impairment or derecognition including 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] Net of any allowance for impairment and any associated deferred tax liability which would be extinguished upon impairment or derecognition.

[5] The adjustment pertains to the defined benefit asset or liability that is recognized in the balance sheet. Such that CET1 cannot be increased by derecognizing the liabilities, in the same manner, any asset recognized in the balance sheet should be deducted from CET1 capital.

[6] For equity investments in financial entities, total investments include common equity exposures in both the banking and trading book. In case the instrument of the entity in which the bank has invested does not meet the criteria for CET1 capital of the bank, the capital is to be considered common shares and thus deducted from CET1.

[7] For equity investments in financial entities, total investments include other capital instruments in both the banking and trading book. In case the instrument of the entity in which the bank has invested does not meet the criteria for AT1 capital of the bank, the capital is to be considered common shares and thus deducted from CET1.

[8] This shall include existing issuances of Hybrid Tier 1 capital and Unsecured Subordinated Debt by covered banks. Such instruments shall be recognized as part of Tier 2 capital until maturity/pre-termination/redemption. In the case of Hybrid Tier 1 capital, no new issuances shall be allowed upon maturity of such capital instruments.

Must meet the following:
i. criteria for inclusion in Tier 2 capital as set out in Annex C of Appendix 63b; and
ii. Required loss absorbency feature at point of non-viability to ensure that the capital instrument absorbs losses and minimize public sector support as set out in Annex F of appendix 63b. Provided, that the applicable trigger point for stand-alone thrift, rural and cooperative banks is set at CET1 ratio of seven percent (7%) or below as determined by Bangko Sentral.

[9] This shall include the General Provision appropriated in the Retained Earnings.

[10] For equity investments in financial entities, total investments include other capital instruments in both the banking and trading book. In case the instrument of the entity in which the bank has invested does not meet the criteria for Tier 2 capital of the bank, the capital is to be considered common shares and thus deducted from CET1.

[11] In the case of government-owned or -controlled banks, the adjustment shall not include the unsecured peso-denominated credit accommodations to the Philippine National Government.

3. Financial Condition and Results of Operation

a. Overview & Developments

Rural Banking Industry

In 2024, Rural Banks in the Philippines continue to serve as key drivers of financial inclusion, especially in remote and agricultural areas. These banks remain instrumental in providing credit, deposit, and microfinance services to farmers, fisherfolk, small entrepreneurs, and Rural households who are often underserved by larger financial institutions.

Throughout the year, the sector has seen notable developments aligned with the Bangko Sentral ng Pilipinas' (BSP) push for a more inclusive, stable, and digital financial system. One major trend is the continued digital transformation of Rural banks, supported by BSP's Digital Payments Transformation Roadmap. Many Rural banks have adopted cloud-based core banking systems and partnered with fintech companies to expand access to mobile banking, e-wallets, and agent banking services.

In 2024, the BSP also intensified efforts to strengthen the sector's financial health through mergers, acquisitions, and cooperative arrangements under the Rural Bank Strengthening Program (RBSP). This aims to consolidate smaller, struggling banks and improve their governance, capital adequacy, and operational efficiency.

Moreover, government-backed credit guarantee schemes and targeted financing for agriculture and MSMEs have empowered Rural banks to expand their lending portfolios despite economic headwinds.

Overall, Rural banks in 2024 are steadily evolving into more resilient, tech-enabled institutions while staying true to their mission of serving Rural communities and contributing to inclusive national development.

New Deposit Product

The Bank launched a new savings deposit product to support our strategic objective of increasing our Deposit level. This savings product features higher interest rates that are competitive with those offered by other banks, giving account holders the opportunity to maximize their earnings without locking in their funds. The success of this product will definitely enable the Bank to strengthen its funding base and expand lending capacity.

Recruitment

2024 marks a proactive approach in manpower recruitment for LPBRB - balancing present workforce needs with future readiness by fostering a culture of continuous learning, leadership development, and strategic succession planning.

LPBRB has aligned its recruitment processes not only to fill immediate vacancies but also to identify high-potential talent capable of evolving into future leaders. Succession planning is being integrated into talent acquisition by actively sourcing candidates with leadership potential, adaptability, and a strong alignment with the company's vision and culture.

In parallel, improving employee competency remains a top priority. The Bank has continued to invest in upskilling and reskilling programs, leveraging digital learning platforms, mentorship, and performance-based development plans. These initiatives aim to close skills gaps, enhance productivity, and prepare employees for future roles within the organization.

Bank Seminars and Trainings in 2024

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
June 4-5, 2024	RBAP 67th Charter Anniversary Symposium	RBAP
August 10, 2024	Employment Termination: Do's and Dont's	RBAP
August 17, 2024	Seminar on Cashiering/Tellering	Dreams Bank Governance Institute Training Center
August 17, 2024	AML Rules and Regulation and Risk Management	Compliance Officer
August 17, 2024	Bank Security Requirement	Security Officer
August 29, 2024	Code of Ethics & Discipline Orientation	Human Resource Officer

b. Financial Highlights 2024

Laguna Prestige Bank's asset size stands at 678.3 Million as of December 2024. The Bank's increasing asset size, driven by strong revenue retention and a growing deposit base, is a clear indicator of its sound financial health and effective management strategies. This positive development reflects the Bank's ability to generate consistent income while building the trust of its clients, who continue to entrust their savings to the institution.

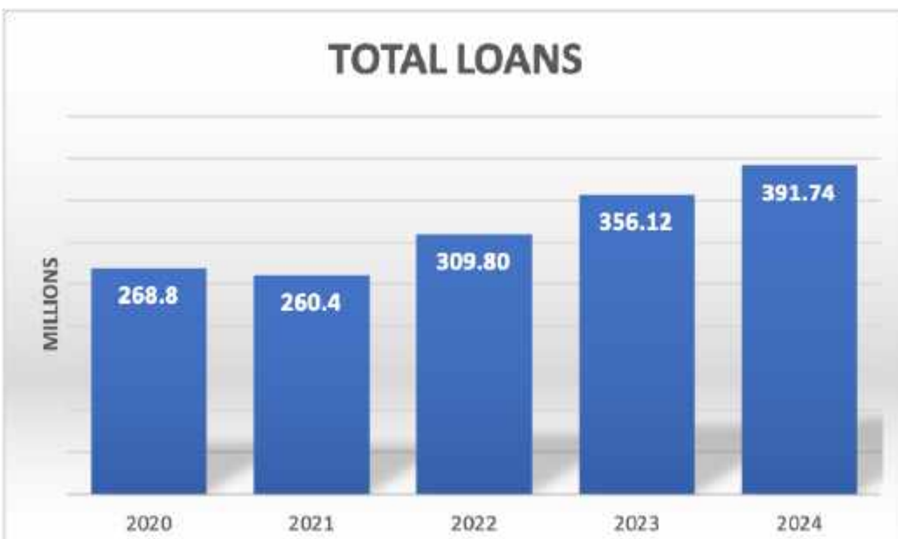
By successfully reinvesting earnings and expanding its deposit portfolio, the Bank is strengthening its capital base, enhancing its capacity to support more lending activities, and positioning itself for sustainable growth. Ultimately, this growth in assets reinforces the Bank's vital role in driving Rural economic development and delivering long-term value to the communities it serves. The Bank is ranked top 84 among all Rural banks in terms of total assets.

The Bank's continued ability to maintain stable deposit levels, even amidst changing market conditions, is a strong indicator of customer trust and institutional stability. This consistency not only underscores LPBRB's sound risk management practices and competitive product offerings but also reinforces its role as a reliable financial partner for individuals and businesses alike. By preserving its solid deposit base, the Bank ensures robust liquidity, supports sustained lending activity, and positions itself for long-term growth and resilience in the Rural Banking sector.

As PDIC has increased its insurable deposits to 1 million per account, the Bank sees this as an opportunity to aggressively market its deposit products in 2025 and the years to come. As of December 2024, The Bank is top 100 in terms of total deposits among all Rural Banks.

DEPOSIT SIZE	# OF ACCOUNTS	AMOUNT
≤ 5,000	1885	3.2 MM
5,000 -100,000	1330	35.9 MM
100,000.01 - 500,000	435	104.9 MM
500,000.01 – 1MM	88	56.7 MM
1MM – 2MM	43	55.6 MM
2MM ≤	36	136.0 MM
TOTAL	3,817	385.2 MM

The Bank has 3,817 existing deposit accounts as of December 31, 2024. Concentration of deposit accounts comes from the 100,000 pesos and below balances.

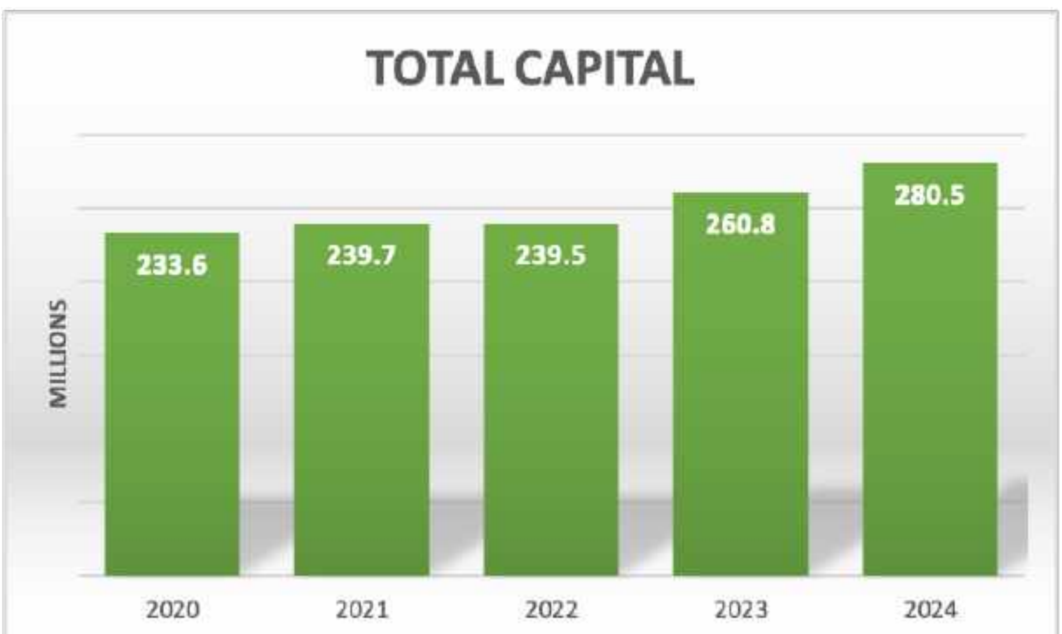


The significant and sustained growth of LPBRB's loan portfolio in 2024 marks a pivotal achievement in its ongoing mission to drive inclusive financial development in Laguna and beyond. This upward trend is not only a testament to the Bank's sound financial management and robust risk assessment strategies, but also to its unwavering dedication to empowering micro, small and medium sized business owners, and individuals who have traditionally faced barriers to accessing credit.

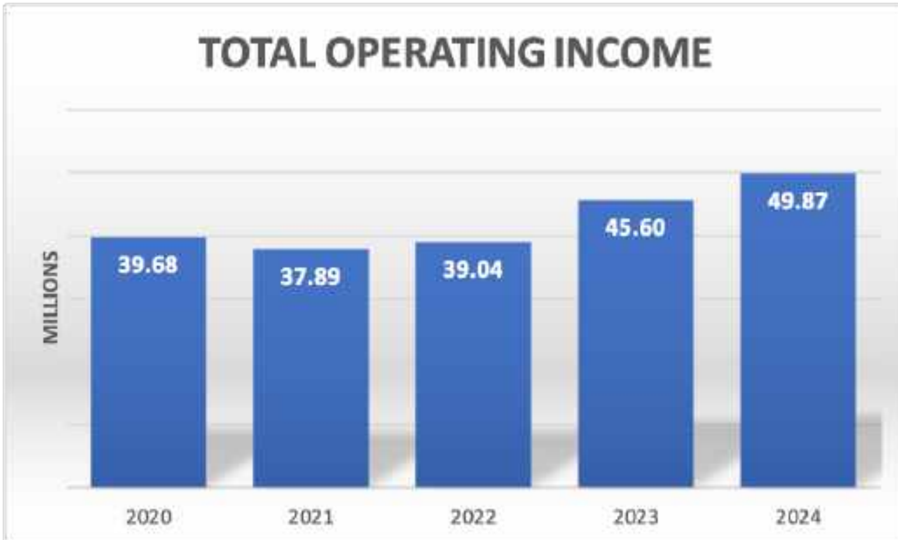
The Bank has proactively expanded its reach and diversified its lending programs to cater to the evolving needs of its clients. By offering flexible, affordable, and responsive financial solutions, it has enabled many to invest in real estate, expand SMEs, improve livelihoods, and uplift the local economy as a whole.

LOAN TYPE BY INDUSTRY	%	AMOUNT
REAL ESTATE	26 %	103 MM
CONSTRUCTION	26 %	102 MM
WHOLESALE/TRADING	22 %	86 MM
HEALTH / SOCIAL ACTIVITIES	6 %	26 MM
FINANCIAL	6 %	24 MM
EDUCATION	4 %	16 MM
OTHERS	9 %	35 MM
TOTAL	485	391.7 MM

74% of the Bank's current loan portfolio are being utilized to fund 3 major sectors namely Real estate, Construction and Trading. The Bank is currently managing 485 Loan promissory notes.

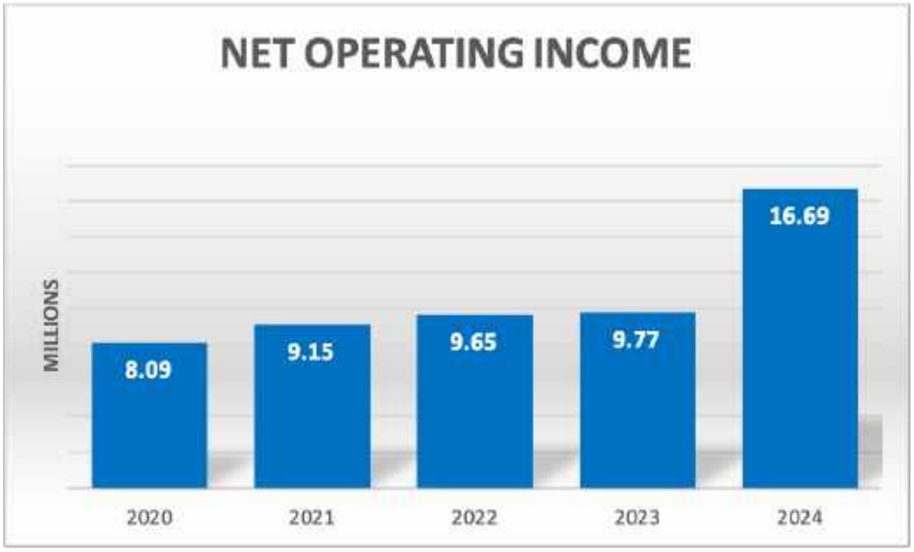


The Bank's steadily increasing capital is a strong substantiation to its financial resilience, prudent management, and long-term growth strategy. This upward trend not only enhances the Bank's ability to absorb risks and meet regulatory requirements but also empowers it to expand its services, invest in innovation, and support a broader range of clients and community-based initiatives. As capital continues to grow, the Bank is better positioned to drive inclusive economic progress, strengthen stakeholder confidence, and reinforce its role as a trusted financial partner in Rural development. The Bank is ranked top 49 among all Rural banks in terms of total capital.

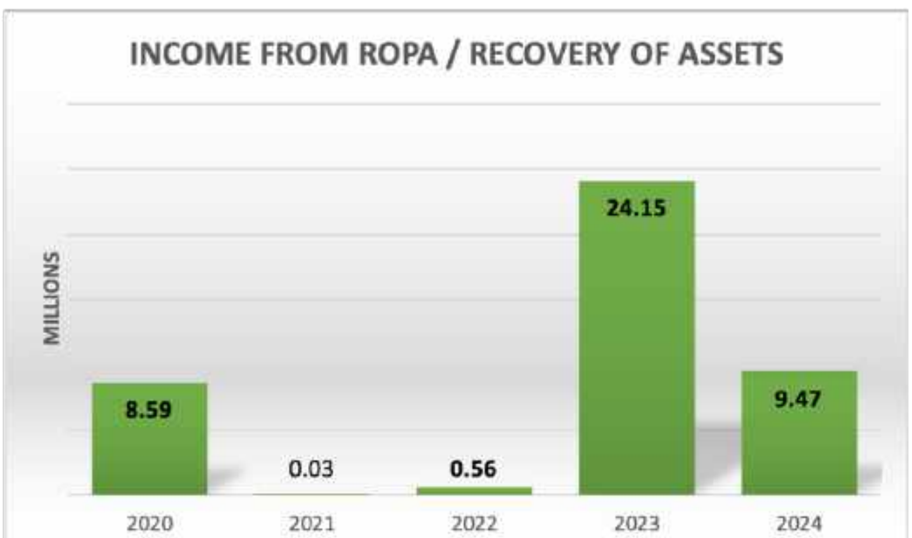


The steady increase in LPBRB's total operating income, fueled by the expansion of its loan portfolio, underscores the effectiveness of its lending strategy and its deep understanding of client needs. This growth not only reflects rising demand for credit particularly among small business owners, and Rural entrepreneurs but also demonstrates the Bank's ability to generate sustainable revenue while managing risk responsibly. As operating income continues to rise, the Bank is better positioned to invest in service improvements, broaden its reach, and reinforce its role as a key driver of inclusive growth and economic resilience in the communities it serves.

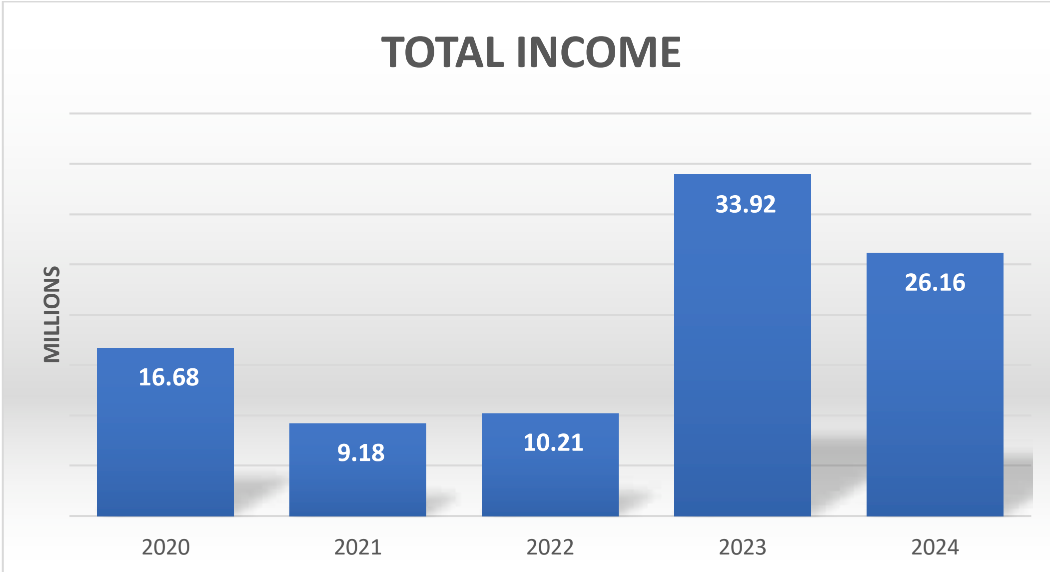
The LPBRB's successful reduction in total operating expenses, driven by strategic cost-cutting and streamlined functions, demonstrates its dedication to operational efficiency and fiscal responsibility. This positive development allows the Bank to allocate more resources toward growth initiatives, infrastructure upgrades, digitalization and improved customer service, ultimately reinforcing its role as a dependable financial partner in Rural development.



The Bank's notable net income in 2024 is a clear reflection of its strong financial performance, driven by a combination of robust operating income and well-managed operating expenses. This achievement highlights the Bank's effective revenue generation through its core lending activities, alongside disciplined cost control measures that have optimized efficiency.



The Bank is pleased to report the successful recovery of its deposit placement from a financial institution 13 years ago from the Philippine Deposit Insurance Corporation (PDIC). This recovery marks an important step in safeguarding the interests of our depositors and underscores the effectiveness of the PDIC's commitment to protecting the banking public. The returned funds will help reinforce our financial position.



The Bank ended 2024 with a 26.16 million income. Aside from the Bank's profit mainly derived from its core lending business, the Bank was able to recover 9.47M from the liquidation of a shuttered Bank. In addition, earnings derived from the Bank's HTM instruments, and other non-interest sources have consistently contributed to the Bank's income.

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Other Key Financial Ratios

- Past Due Ratio – 0.34%
- Liquidity Position – 30.07% (Ind standard 20%)
- Loans to Deposit Ratio – 101.62% (75% up)
- Operating Efficiency – 55.91% (60 - 80%)

c. Targets vs. Performance

	2024 Target	PERFORMANCE
ASSETS	700 MM	678 MM
LOANS	400 MM	392 MM
DEPOSITS	430 MM	385 MM
NET OPERATING INCOME	15 MM	16.7 MM

*** 9.47 MM Recovery of assets not included

We are proud to have achieved our operating income target for 2024, a reflection of the Bank's strong operational execution, disciplined financial management, and the continued trust of our clients. This milestone underscores the resilience of our business model and our commitment to delivering consistent value to stakeholders.

While we did not reach our targets for loans, deposits, or overall asset size this year, our focus remained on quality over quantity. We prioritized sound credit practices, stable funding, and strategic growth initiatives that lay a strong foundation for sustainable expansion. These results reflect a disciplined approach in a dynamic environment, positioning us well for future opportunities.

d. 2025 Plans, Programs & Targets

- **Deposit Generation Campaign**
  - Aggressively market new savings product
  - Continuously monitor deposit rates to evaluate competitiveness of offerings.
- **Digital Transformation**
  - Implement core banking system upgrades (cloud-based or modular).
  - Improve digital literacy among clients and staff.
  - Possible partnership with Fintech
- **Expansion of Market Reach**
  - Develop targeted products for MSMEs.
  - Explore other areas outside Laguna
- **Enhance Human Capital**
  - Implement a structured succession planning program.
  - Upskill employees through continuous training and development.
  - Improve employee retention with performance-based incentives.
- **Continue Bank/branch facility upgrades**
  - Airconditioning, Branch aesthetics, cleanliness

- Replace old equipment to cut down on electricity charges
- **Risk Management and Compliance**
    - Strengthen internal controls and audit functions.
    - Adopt more robust credit risk assessment tools.
    - Ensure full compliance with BSP regulations and AML policies.
- **Customer Experience and Financial Inclusion**
    - Simplify account opening and loan application processes.
    - Improve turnaround time for client services.
- **Sustainability and ESG Initiatives**
    - Develop green lending programs
    - Adopt environmentally sustainable banking practices.
    - Integration of the approved SFF framework to the Bank's business operations
- **Strategic Marketing and Branding**
    - Leverage digital channels (social media, SMS alerts) for outreach.
    - Promote trust and reliability through strong branding efforts.
- **Data-Driven Decision Making**
    - Use data analytics for customer insights, loan portfolio management, and risk evaluation.
    - Monitor KPIs for branch performance and customer growth.
- **Continue Bank/branch facility upgrades**
    - Airconditioning, Branch aesthetics, cleanliness
    - Replace old equipment to improve efficiency

2025 Bank Target setting

As part of its strategic planning, LPBRB has set clear and measurable targets focusing on three key performance areas: asset size, deposit and loan portfolio volume, and bottom-line income. These targets are designed to ensure sustainable growth, financial stability, and increased profitability while continuing to fulfill the Bank's mission of supporting Rural communities.

For asset size and deposit targets, the Bank aims to achieve consistent annual growth by expanding its deposit base through competitive savings products and improved customer acquisition strategies. This approach not only strengthens the Bank's financial position but also enhances its capacity to fund lending operations.

In terms of loan targets, the Bank is focused on growing its portfolio through targeted lending to key small, and medium enterprises (MSMEs). By refining credit evaluation processes and offering innovative, customer-friendly loan products, the Bank seeks to improve both reach and portfolio quality.

To drive bottom-line income, the Bank is optimizing operational efficiency, managing credit risks proactively, and expanding its non-interest income sources. Careful cost management and technology adoption are also central to enhancing productivity and profitability.

The Bank shall attempt to dispose at least one of its ROPA's to compliment in the Bank's profitability for 2025.

FINANCIAL GOALS	2024	2025 Target
ASSETS	678 MM	700 MM
LOANS	392 MM	420 MM
DEPOSITS	385 MM	430 MM
NET OPERATING INCOME	16.7 MM	18 MM

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 intrinsic to the Bank's 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 EVP 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 EVP 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 2025 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 Laguna 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 11:00 a.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 2023, 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.

<u>Board Qualification</u>

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 BSFI 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
INOCENCIO B. DEZA JR.	Member – Non-Executive
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%
Maria Theresa C. Abaygar	149	0.147%
Loureen M. Evangelista	135	0.133%
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. 2024 Board of Directors

1)	**GUILLERMO D. BELLA**	Chairman of the Board **–** Non-Executive 74 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)

2)	**GILBERT FRANCIS B. BELLA**	Executive / Director 43 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	Propreitor (2003-2008)

3)	**MARIA ISABEL A. DELFINO**	Non-executive Director 76 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)
4)	**INOCENCIO B. DEZA, JR.**	Non-executive Director 81 Years old, Filipino
	Degree/Course :	BS Business University of the Philippines (1965)
		Certified Public Accountant (1967)
	Prestige Bank :	Director (2024 to present)
5)	**KATRINA MARIE B. BELLA**	Non-executive Director 48 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 66 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

CRISTOBAL C. UMALE		Independent Director 48 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 2024

NAME OF DIRECTORS	Board Meetings		Audit Committee	
	Attended	%	Attended	%
GUILLERMO D. BELLA	12	100%		
GILBERT FRANCIS B. BELLA	12	100%		
KATRINA MARIE B. BELLA	12	100%	12	100%
MARIA ISABEL A. DELFINO	12	100%		
INOCENCIO B. DEZA JR.	12	100%		
JOSE MARIA C. MERCADO	12	100%	12	100%
CRISTOBAL C. UMALE (New ID)	12	100%	12	100%

i. Senior Management/List of Officers

NAME	POSITION	QUALIFICATION	AGE	NATIONALITY
Gilbert Francis B. Bella	President/CEO	BA – Political Science / MBA	43	Filipino
Estela A. Liamson	Executive Vice President	BSC- Accounting (CPA)	61	Filipino
Crisostomo L. Celaje	Chief Operating Officer	BS - Criminology	59	Filipino
Dorisa B. Caro	Chief Loans Officer	BSC—Management	64	Filipino
Maria Theresa C. Abaygar	Compliance Officer/Corp. Sec.	BS Mathematics/MBA	52	Filipino
Marian J. Astilla	Administrative Officer	BS Commerce	46	Filipino
Alex L. De Dios	IT Officer	BS Computer Science	50	Filipino
Erwin O. Escuzar	Treasury Manager	BS Accountancy	45	Filipino
John Lester M. Garcia	Human Resource Officer	BS Psychology/MS Psychology	28	Filipino
Carmelo M. Palad	CI/Appraiser	BS Business Administration	59	Filipino
Ma. Teresa H. Palad	Business Development Officer	BS Commerce	58	Filipino
Jennifer R. Salonga	Branches' Operations Head	BS Commerce	56	Filipino
Nancy N. Garcia	Branch Operations Officer	BS Business Administration	58	Filipino
Jeanette C. Velasquez	Branch Operations Officer	BS Commerce	54	Filipino
Melissa M. Canicon	Branch Head	BS Management Accounting	43	Filipino
Arwin B. Ramos	Internal Auditor (Outsourced)	BS – Accountancy	31	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 an annual basis through the adopted Performance Evaluation Form which is comprised of four (4) performance evaluation factors, namely: (1) Specific Job Performance (2) Competency and Ability (3) Interpersonal Skills (4) 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

Directors shall attend the 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 could provide in-house/outsourced 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 annual performance bonus (non-guaranteed) based on the Bank's overall, group and individual performance.

n. Policies and Management of Related Party Transactions

Introduction

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	September, 2024	Lease Contract	100,000	Monthly basis (1-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	January, 2024	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.

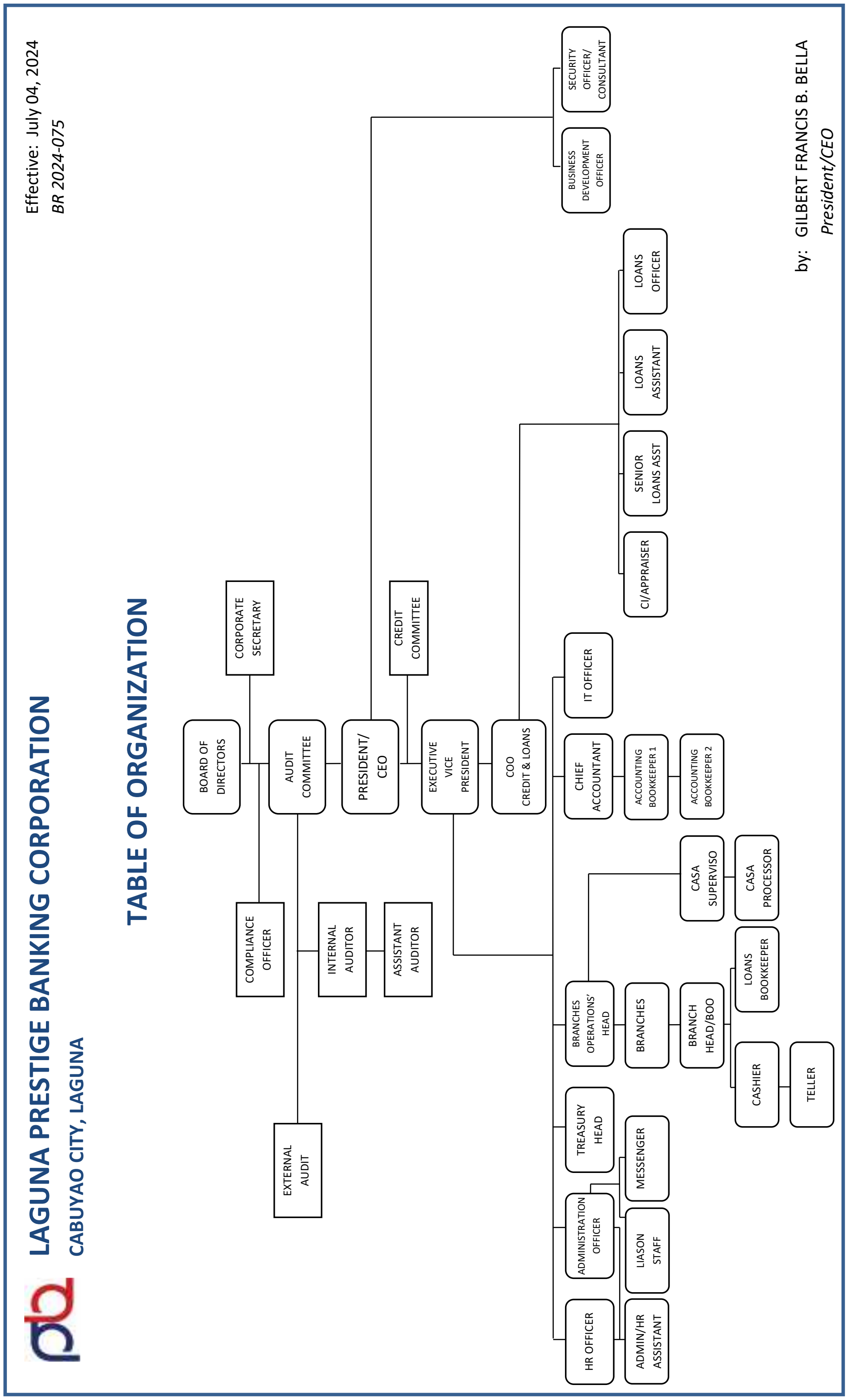
Customer Assistance Process

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) 524-1421
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) 511-3154, (049) 530-0835
Balibago Branch	:	National Highway, Balibago, Sta. Rosa City, Laguna Tel. No. (049) 302-0672
Calamba Branch	:	National Highway, Parian, Calamba City (049) 524-1881

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:

- Byte per Byte Software Center – Coreware provider
- BAP – Credit Bureau

LAGUNA PRESTIGE BANKING CORPORATION
(A RURAL BANK)
LAGUNA – PHILIPPINES

FINANCIAL STATEMENTS
DECEMBER 31, 2024
(*With Comparative Figures for 2023)*

AND

INDEPENDENT AUDITOR'S REPORT ISSUED BY:

PDAC PAGUIO, DUMAYAS & ASSOCIATES, CPAS Independent Member of PrimeGlobal

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	1	9	2	7	0

COMPANY NAME

LAGUNA PRESTIGE BANKING
CORPORATION (A RURAL BANK)

PRINCIPAL OFFICE *(No. / Street/ Barangay / City/ Town / Province)*

233 J. P. RIZAL STREET CORNER
F. LIMCAOCO STREET, BARANGAY
POBLACION UNO, CABUYAO CITY
LAGUNA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	BSP

COMPANY INFORMATION

Company's email Address	Company's Telephone Number	Mobile Number
prestigebank@yahoo.com	(049) 5312006	09178348800

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
42	January 23	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number	Mobile Number
Maribel C. Narvasa	prestigebank@yahoo.com	(049) 5312006	09178348800

CONTACT PERSON's ADDRESS

Block 5 Lot 17 Villa Laserna Subdivision, Labas, Sta. Rosa City

NOTE 1: *In case of death, resignation or cessation of office of the officer designated as the contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-recipient of Notice of Deficiencies. Further, non-recipient of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **LAGUNA PRESTIGE BANKING CORPORATION (A RURAL BANK)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **December 31, 2024** and **2023**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of 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 Bank's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC) and Edgardo M. Molina, the independent auditor appointed by the stockholders for the years ended **December 31, 2024** and **2023**, respectively, have audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

GUILLERMO D. BELLA
Chairman of the Board

GILBERT FRANCIS B. BELLA
President

ROSE ANN P. IBO
Treasurer

Signed this ____ day of ________ 20__.

PDAC
PAGUIO, DUMAYAS & ASSOCIATES, CPAs

PrimeGlobal

3rd Floor Elizabeth Center Building, National Road
Brgy. Putatan, Muntinlupa City, Philippines

(02) 700 156 47

www.pdacgroup.com/pdac

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
LAGUNA PRESTIGE BANKING CORPORATION (A RURAL BANK)
233 J.P. Rizal Street Corner F. Limcaoco Street
Barangay Poblacion Uno, Cabuyao City, Laguna

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LAGUNA PRESTIGE BANKING CORPORATION (A RURAL BANK)** (the Bank), which comprise the statement of financial position as at **December 31, 2024**, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at **December 31, 2024**, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Other Matter

The financial statements of the Bank for the year ended **December 31, 2023**, were audited by other auditor, Edgardo M. Molina, who expressed an unmodified opinion on those statements on March 31, 2024.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRSs, 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 Bank'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 Bank or to cease operations, or have no realistic alternative to do so.

Those Charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high-level of assurance but is not a guarantee that an audit conducted in accordance with PSA 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 the users taken on the basis of these financial statements.

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

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

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

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

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

Report on the Supplementary Information Required Under Revenue Regulation 15-2010 and BSP Circular No. 1074

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the BSP under Circular No. 1074 and by the Bureau of Internal Revenue (BIR) under Revenue Regulation No. 15-2010 as disclosed in Notes 29 and 30, respectively, to the financial statements is presented for purposes of filing with the BSP and BIR and is not a required part of the basic financial statements. Such information is the responsibility of the Management of the Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC)
Tax Identification Number 008-662-265-000
BIR Accreditation No. 08-800011-000-2025, February 3, 2025, valid until February 2, 2028
SEC Accreditation No. 5614-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025
BOA Accreditation No. 5614, July 5, 2023 valid until February 28, 2026
BSP Accreditation No. 5614-BSP (Group B), valid for 2021 to 2025 financial statements audit
IC Accreditation No. 5614-IC (Group A), valid for 2020 to 2024 financial statements audit
CDA Accreditation No. 124-AF, January 15, 2025 valid until January 14, 2030

For the Firm:

Floyd C. Paguio

FLOYD C. PAGUIO
Senior Partner
CPA Certificate No. 115664
Tax Identification Number 243-676-418-000
BIR Accreditation No. 08-800011-001-2025, February 3, 2025, valid until February 2, 2028
SEC Accreditation No. 115664-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025
BSP Accreditation No. 115664-BSP (Group B), valid for 2021 to 2025 financial statements audit
IC Accreditation No. 115664-IC (Group A), valid for 2020 to 2024 financial statements audit
PTR No. 4778905, issued on January 15, 2025, Muntinlupa City

April 3, 2025
Muntinlupa City, Metro Manila

NOT VALID WITHOUT SEAL

LAGUNA PRESTIGE BANKING CORPORATION (A RURAL BANK)

STATEMENT OF FINANCIAL POSITION

As at December 31, 2024

(With Comparative Figures for 2023)

(In Philippine Peso)

	Notes	2024	2023
A S S E T S			
Cash and Other Cash Items	*6*	**2,516,493**	3,181,841
Due from Bangko Sentral ng Pilipinas (BSP)	*7*	**1,686,870**	4,720,611
Due from Other Banks	*7*	**111,727,878**	86,335,498
Investment in Securities Measured at Amortized Cost	*7*	**137,101,953**	173,178,275
Loans and Other Receivables - net	*8*	**378,352,677**	342,765,704
Bank Premises, Furniture, Fixtures and Equipment - net	*9*	**14,471,627**	14,358,132
Real and Other properties acquired - net	*10*	**21,913,110**	22,832,941
Other Assets - net	*11*	**13,112,541**	13,108,868
TOTAL ASSETS		**680,883,149**	660,481,869
LIABILITIES AND STOCKHOLDERS' EQUITY			
L I A B I L I T I E S			
Deposit Liabilities	*12*	**385,508,062**	386,590,707
Accrued Expenses and Other Liabilities	*13*	**12,821,599**	10,909,397
TOTAL LIABILITIES		**398,329,661**	397,500,104
S T O C K H O L D E R S' E Q U I T Y			
Capital Stock- Common	*15*	**10,155,000**	10,155,000
Capital Stock- Preferred	*15*	**56,100**	56,100
Retained Earnings Reserve	*15*	**658,501**	658,501
Retained Earnings Free	*15*	**271,683,887**	252,112,163
TOTAL STOCKHOLDERS' EQUITY		**282,553,488**	262,981,765
TOTAL LIABILITIES AND STOCKHOLDERS ' EQUITY		**680,883,149**	660,481,869

(See Notes to the Financial Statements)

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LAGUNA PRESTIGE BANKING CORPORATION (A RURAL BANK)
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2024
(With Comparative Figures for 2023)
(In Philippine Peso)

	Notes	2024	2023
INTEREST INCOME			
Interest - Loans and Other Receivables	*8*	**38,342,185**	33,436,362
Interest - Investments	*7*	**5,973,325**	6,632,687
Interest - Deposit with banks	*6*	**936,969**	772,013
TOTAL INTEREST INCOME		**45,252,479**	40,841,062
INTEREST EXPENSE			
Interest - Deposits	*12*	**2,497,963**	2,162,749
Interest - Lease Liability		**-**	18,025
TOTAL INTEREST EXPENSE		**2,497,963**	2,180,774
NET INTEREST INCOME		**42,754,516**	38,660,288
OTHER INCOME			
Fees, Commission and Other Income	*16*	**1,014,622**	1,258,725
Profit From Assets Sold	*17*	**88,981**	25,544,487
Other Income	*18*	**12,981,890**	3,546,184
TOTAL OTHER INCOME		**14,085,493**	30,349,396
INCOME BEFORE OTHER EXPENSES		**56,840,009**	69,009,684
OPERATING EXPENSES			
Compensation and Fringe Benefits	*19*	**17,282,697**	17,972,100
Administrative Expense	*21*	**8,283,159**	8,611,378
Taxes and Licenses	*28*	**3,269,368**	4,123,898
Depreciation and Amortization	*20*	**1,845,163**	2,909,816
TOTAL OPERATING EXPENSES		**30,680,387**	33,617,192
INCOME BEFORE TAXES		**26,159,622**	35,392,492
Provision for (benefit from) Income Tax	*24,28*	**(6,587,898)**	9,177,174
NET INCOME BEFORE COMPREHENSIVE INCOME		**19,571,724**	26,215,318
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME		**19,571,724**	26,215,318

(See Notes to the Financial Statements)

LAGUNA PRESTIGE BANKING CORPORATION (A RURAL BANK)
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2024
(With Comparative Figures for 2023)
(In Philippine Peso)

		(No. of Shares)		(In Pesos)	
	Notes	**2024**	**2023**	**2024**	**2023**
Ordinary Shares					
Beginning Balance		101,550	101,550	10,155,000	10,155,000
Ending Balance		**101,550**	101,550	**10,155,000**	10,155,000
Preference Shares					
Beginning Balance		-	-	56,100	56,100
Ending Balance		**-**	**-**	**56,100**	56,100
Retained Earnings Reserve					
Retained Earnings Reserve Beginning Balance		-	-	658,501	658,501
Retained Earnings Reserve Ending Balance		**-**	**-**	**658,501**	658,501
Retained Earnings Free					
Retained Earnings Free Beginning Balance		-	-	252,112,163	230,975,468
Net Earnings Closed to Retained Earnings		-	-	19,571,724	26,215,318
Dividends Declared		-	-	-	(5,078,622)
Retained Earnings Free Ending Balance	*21*	**-**	**-**	**271,683,887**	252,112,163
TOTAL STOCKHOLDERS' EQUITY				**282,553,488**	262,981,765

(See Notes to the Financial Statements)

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LAGUNA PRESTIGE BANKING CORPORATION (A RURAL BANK)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2024
(With Comparative Figures for 2023)
(In Philippine Peso)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income before Non-cash Expenses and Income Tax	*22*	**26,159,622**	35,392,492
Adjustments for:			
Loss on disposal	*9*	**412,552**	-
Depreciation and amortization	*20*	**1,845,163**	2,909,816
Interest - Lease Liability	*12*	**-**	18,025
Operating cash flow before changes in working capital		**28,417,337**	38,320,333
Decrease (Increase) in operating assets:			
Loans and receivables- net		**(35,586,973)**	(46,271,042)
Other assets- net		**(3,673)**	196,606
Investment properties - net		**-**	(3,795,310)
Increase (Decrease) in operating liabilities:			
Deposit liabilities		**(1,082,645)**	(15,325,776)
Accrued Interest and other liabilities		**1,912,201**	(1,236,205)
Cash from (used in) operations		**(6,343,753)**	(28,111,394)
Income taxes paid	*22*	**(6,587,899)**	(9,363,629)
Net cash used in Operating Activities		**(12,931,652)**	(37,475,023)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional Placement of Investments	*7*	**36,076,322**	17,176,849
Acquisition of fixed assets	*9*	**(1,451,379)**	1,840,875
Payment for Lease Liability	*12*	**-**	(671,475)
Interest paid on lease liability	*12*	**-**	(18,025)
Net cash provided by Investing activities		**34,624,943**	18,328,224
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends	*15*	**-**	(5,078,622)
NET INCREASE (DECREASE) IN CASH AND OTHER CASH ITEMS		**21,693,291**	(24,225,421)
CASH AND OTHER CASH ITEMS AT JANUARY 1		**94,237,950**	118,463,371
CASH AND OTHER CASH ITEMS AT DECEMBER 31		**115,931,241**	94,237,950

(See Notes to the Financial Statements)

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. Formally started its operation on August, 1961 with a paid up capital share of ₱100,000, 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 June 1, 2011.

The Bank's office is located at address at 233 J.P. Rizal St. Corner Limcaoco St. Barangay Poblacion Uno, Cabuyao City, Laguna and is domiciled in the Philippines.

Approval of Financial Statements

These financial statements were approved and authorized for issue by the Board of Directors on April 3, 2025.

2. ADOPTION OF NEW AND REVISED PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs)

The Philippine Financial and Sustainability Reporting Standards Council (PFSRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and Philippine Financial Reporting Interpretations Committee (PFRIC) which have been approved by the PFSRSC and adopted by the SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Bank. When applicable, the adoption of the new standards was made in accordance with their transitional recognizes, otherwise the adoption is accounted for as change in accounting policy under PAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors".

2.01 New and Revised PFRSs that are Effective for the Current Year

The following new standards impacting the Bank has been adopted in the annual financial statements for the year ended December 31, 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7 Financial Instruments: *Disclosures* titled *Supplier Finance Arrangements*

  The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

  The amendments are not applicable to the Bank.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-Current*

  The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses or the information disclosed about those items.

  The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The Bank as adopted the amendments for the first time in the current year.

- Amendments to PAS 1, *Presentation of Financial Statements* – Non-current Liabilities with Covenants

  The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date.

  The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

  The Bank as adopted the amendments for the first time in the current year.

- Amendments to PFRS 16, *Leases* – Lease Liability in a Sale and Leaseback

  The amendments to PFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in PFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

  The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

  As part of the amendments, the IASB amended an Illustrative Example in PFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying PFRS 15 is a lease liability.

  A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied PFRS 16.

The amendments are not applicable to the Bank.

2.02 New Standards, Interpretations and Amendments in Issue But Not Yet Effective

At the date of authorization of these financial statements, the Bank has not applied the following new and revised PFRS Standards that have been issued but are not yet effective.

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

  The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

  The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

  An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

  The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

  When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

  The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include:
  • a spot exchange rate for a purpose other than that for which an entity assesses exchangeability
  • the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

  An entity using another estimation technique may use any observable exchange rate—including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations—and adjust that rate, as necessary, to meet the objective as set out above.

  When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

  The amendments add a new appendix as an integral part of PAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying PAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented.

  In addition, the IASB made consequential amendments to PFRS 1 to align with and refer to the revised IAS 21 for assessing exchangeability.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

The directors of the Bank anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods.

- Annual Improvements to IFRS Accounting Standards – Volume 11

  This set includes minor amendments to 5 standards, aiming to enhance clarity and consistency:

  PFRS 1: First-time Adoption of International Financial Reporting Standards, which simplifies transition by permitting the use of cumulative translation differences from the previous GAAP as the deemed cost for translation adjustments.

  PFRS 7: Financial Instruments: Disclosures aligns the disclosure requirements with PFRS 9 for financial instruments with ESG-linked features.

  PFRS 9: Financial Instruments resolves classification inconsistencies and clarifies the treatment of fees for financial liability modifications, promoting greater consistency and accuracy in its application.

  PFRS 10: Consolidated Financial Statements clarifies accounting for asset sales or contributions between an investor and its associate or joint venture after a loss of control, ensuring consistency in consolidation and equity method adjustments.

  PAS 7: Statement of Cash Flows clarifies the classification of cash flows for interest paid and received under PFRS 9's hedge accounting, improving transparency for entities using hedging activities.

  The amendments are effective for annual periods beginning on or after January 1, 2026.

- PFRS 18 P*resentation and Disclosures in Financial Statements*

  PFRS 18 replaces PAS 1, carrying forward many of the requirements in PAS 1 unchanged and complementing them with new requirements. In addition, some PAS 1 paragraphs have been moved to PAS 8 and PFRS 7. Furthermore, the IASB has made minor amendments to PAS 7 and PAS 33 Earnings per Share.

  PFRS 18 introduces new requirements to:
  • present specified categories and defined subtotals in the statement of profit or loss
  • provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
  • improve aggregation and disaggregation.

  An entity is required to apply PFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to PAS 7 and PAS 33, as well as the revised PAS 8 and PFRS 7, become effective when an entity applies PFRS 18. PFRS 18 requires retrospective application with specific transition provisions.

  The directors of the Bank anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods.

- PFRS 19 *Subsidiaries without Public Accountability: Disclosures*

  PFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying PFRS Accounting Standards in its financial statements.

  A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

  PFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.
  An entity is only permitted to apply PFRS 19 if, at the end of the reporting period:
  • it is a subsidiary (this includes an intermediate parent)
  • it does not have public accountability, and

• its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

A subsidiary has public accountability if:
• its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets),
or
• it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply PFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply PFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted.

If an entity elects to apply PFRS 19 for a reporting period earlier than the reporting period in which it first applies PFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to PFRS 19. If an entity elects to apply PFRS 19 for an annual reporting period before it applied the amendments to PAS 21, it is not required to apply the disclosure requirements in PFRS 19 with regard to Lack of Exchangeability.

The directors of the Bank are currently assessing the impact of these amendments.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). 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.

3.02 Basis of Accounting

The financial statements are prepared on a going concern basis under the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2 *Share-based Payment*, leasing transactions that are within the scope of PFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 *Inventories* or value in use in PAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.03 Presentation and Functional Currency

Items included in the financial statements of the Bank are measured using Philippine Peso, the currency of the primary economic environment in which the Bank operates (the "functional currency"). All information presented in Philippine Peso has been rounded to the nearest Peso, except when otherwise specified.

The Bank chose to present its financial statements using its functional currency.

3.04 Use of Judgments and Estimates

The preparation of the Bank's financial statements requires Management to make judgments, estimates and assumptions that affect the amounts reported in the Bank's financial statements and accompanying notes.

Judgments are made by Management in the development, selection and disclosure of the Bank's significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an ongoing basis. These are based on Management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.05 Going Concern Assumption

The Bank is not aware of any significant uncertainty that may cast doubts upon the Bank's ability to continue as a going concern.

4. MATERIAL ACCOUNTING POLICIES

Material accounting and financial reporting policies applied by the Bank in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity.

4.02 Financial Assets

4.02.01 Financial Asset - Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. With the exception of trade receivables that do not contain a significant component or for which the Bank has applied the practical expedient, the Bank initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Bank has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect a contractual cash flow while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within the time established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the asset.

4.02.02 Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and from other banks, and others that are convertible to known amounts of cash with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents as withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP. The components of cash and cash equivalents are shown in the statements of cash flows. Cash and cash equivalents are carried at amortized cost in the statements of financial position.

4.02.03 Financial Assets at Amortized Cost (debt instruments)

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 cash flows; and,

(2) the contractual terms of the instrument give rise on specified dates to cash principal and interest 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.

Cash and other cash items includes cash on hand and in vaults and check received from borrower or from depositor after cut-off that will be deposited to other banks in the next banking day.

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.

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks. Loans and other receivables also include receivables from customers and other receivables.

4.02.04 Loans and Discounts
Receivables from customers are stated at the outstanding balance reduced by an allowance for probable credit losses.

Interest income on non-discounted term loan is accrued monthly as earned, except in the case of non-accruing loans.

Unearned discounts are recognized as income over the period for which such discount has been collected using the effective interest method. In accordance with the existing BSP regulations no interest income is accrued on accounts classified as past due.

Under existing BSP regulations, non-accruing loans are those that have been defined as being past due and items under litigations, or those for which, in the opinion of management, collection of interest or principal is doubtful. Interest income on these is recognized only to the extent of amount collected. Loans are not classified as accruing until interest and/or principal due are collected and the loans are brought to current or are restructured in accordance with existing BSP regulations and future payments appear assured. Collaterals of restructured loans exceeding ₱1 million shall be revalued by an independent appraiser acceptable to BSP.

Sec. 304 of the Manual of Regulation for Banks (MORB), states that the following regulation shall guide BSFIs in determining their past due accounts and non-performing loans.

Accounts considered past due. As a general rule, loans, investments, receivables, or any financial asset, including restructured loans, shall be considered past due when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual due date, in which case, the total outstanding balance thereof shall be considered as past due. However, BSFIs may provide a cure period on a credit product-specific basis, not to exceed thirty (30) days within which to allow the obligors or borrowers to catch up on their late payment without being considered as past due: Provided, That any cure period policy shall be based on verifiable collection experience and reasonable judgment that support tolerance of occasional payment delays: Provided further, That the observance of a cure period policy shall not preclude the timely adverse classification of an account that has developed material credit weakness/es, and that BSFIs shall regularly review the reasonableness of its cure period policy. For microfinance and other small loans that feature high frequency payments, the cure period allowable by policy shall not exceed ten (10) days.

Accounts considered non-performing. Loans, investment, receivables, or any financial assets shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interest for more than ninety (90) days have been capitalized, refinanced or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Non-performing loans, investments, receivables, or any financial asset (and/or any replacement loan) shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.

Any amount sets aside with respect to losses on loans and advances in addition to those losses that have been specifically identified or potential losses are indicatively present in the portfolio of loans and advances, are accounted for as appropriations from retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of net profit or loss for the period.

The allowance is increased by provisions charged to expense and reduced by reasonable write-offs and reversals as determined by the Bank.

4.02.05 Accounts receivables
Accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

4.02.06 Sales Contract Receivable
Sales Contract Receivable (SCR) shall be recorded based on the present value of the installments receivables discounted at the imputed rate of interest. Discount shall be amortized over the life of the SCR by crediting interest income using the effective interest method. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss at the date of sale in accordance with the provisions of PFRS 15 Revenue from Contract. Provided, that SCR shall be subject to impairment provisions of PFRS 9.

SCRs that meet all the requirements or conditions enumerated below are considered performing assets and therefore, not subject to classification:

- That there has been a down payment of at least twenty percent (20%) of the agreed selling price or in the absence thereof, the installment payments on the principal had already amounted to at least twenty percent (20%) of the agreed selling price;
- That payment of the principal must be in equal installments or in diminishing amounts and with maximum intervals of one (1) year;
- That any grace period in the payment of principal shall not be more than two (2) years; and
- That there is no installment payment in arrears either on principal or interest.

4.02.07 Impairment of Financial Assets
The Bank recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Bank being categorized as having simple and non-complex operations adopted a simple loan loss methodology and uses the basic guidelines in setting up of allowance for credit losses provided for in Appendix 15 of the Manual of Regulations for Banks in recognizing ECLs for its loans and other receivables, as required or allowed under PFRS 9. The Bank looks beyond the past due/missed amortizations in classifying exposures and in providing allowance for credit losses.

The Bank considers a financial asset in default when contractual payments, i.e. last amortization paid are more than thirty (30) days past due. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4.02.08 Measurement and Recognition of ECLs
The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Bank's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECLs is consistent with the cash flows used in measuring the lease receivable in accordance with PFRS 16.

If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Bank measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

4.02.09 Derecognition of Financial Assets
The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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 also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, (i.e. the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

4.02.10 Write-off of Financial Assets
The Bank writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

4.03 Financial Liabilities and Equity

4.03.01 Financial Liabilities - Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Bank's financial liabilities include deposit liabilities, lease liability, and accrued interest and other liabilities.

4.03.02 Financial Liabilities Subsequent Measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

4.03.03 Financial Liabilities at Amortized Cost
Financial liabilities at amortized cost (loans and borrowings) is the category most relevant to the Bank. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortization process.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statements of comprehensive income.

4.03.04 Derecognition of Financial Liabilities
The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

It is assumed that 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 rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

4.03.05 Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.03.06 Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

4.04 Real and Other Properties Acquired (ROPA)

Real and Other Properties Acquired (ROPA) are properties held to earn rentals and/or for capital appreciation including property under construction for such purposes, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost.

Depreciation is calculated in straight-line basis using the following useful lives from the time of acquisition for the investment properties.

Transfers are made to (or from) investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied properties, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied properties become an investment property, the Bank accounts for such properties in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Real and Other Properties Acquired are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment properties are determined in accordance with the requirements for determining the transaction price in PFRS 15.

4.05 Bank Premises, Furniture, Fixtures and Equipment

The initial cost of Bank premises, furniture, fixtures, and equipment except land, comprises its purchase price including import duties, borrowing costs (during the construction period), and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing the part of such asset when the recognition criteria are met and the present value of dismantling and removing the asset and restoring the site.

Subsequent expenditures relating to an item of Bank premises, furniture, fixtures and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Expenditures incurred after the Bank premises, furniture, fixtures, and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly determined that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs.

When major improvement is performed, its cost is recognized in the carrying amount of the Bank premises, furniture, fixtures, and equipment as a replacement if the recognition criteria are satisfied.

For financial reporting purposes, depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

The useful lives and depreciation/amortization method are being reviewed by the Bank periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of Bank premises, furniture, fixtures, and equipment.

The residual value, if any, is also reviewed and adjusted if appropriate, at each balance sheet date. Depreciation is computed on the straight-line method-based on the estimated useful lives of the assets as follows:

Building	50 years
Furniture Fixture	1-5 years
Transportation Equipment	5-7 years
Office Equipment	1-5 years
I.T Equipment	1-5 years
Software	5 years

Fully depreciated assets are retained in the accounts at ₱1 net value until they are no longer in use and no further charge for depreciation is made with respect to those assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the account and any resulting gain or loss are reflected in the income for the period. Any disposal or deletion of premises, furniture, fixtures, and equipment from the Bank's book of accounts should be approved by the Management.

4.06 Other Assets

Other assets account represents residual accounts which were not classified as a separate line item in the Manual of Accounts as provided in Circular 512 as amended by Circular 520 issued by the Bangko Sentral ng Pilipinas.

4.07 Equity and Reserves

Share capital represents the par value of shares that have been issued.

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

Retained earnings free represents all current and prior period results of operations as reported in the profit or loss section of the statements of comprehensive income, reduced by the amounts of dividends declared.

4.08 Revenue Recognition

Revenue is measured based on the consideration to which the Bank expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Bank recognizes revenue when it transfers control of a product or service to a customer.

4.08.01 Interest Income
Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of revenue can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.08.02 Other Income
Income from other sources is recognized when earned during the period.

4.09 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the entity.

The Bank recognizes expenses in the statement of comprehensive loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.10 Leases

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

4.10.01 Right-of-use-assets
The Bank recognizes right-of-use-assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use-assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use-assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use-assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the building of ten to thirty (10-30) years.

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

4.10.02 Lease liability
At the commencement date of the lease, the Bank recognizes lease liability measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

4.11 Employee Benefits

4.11.01 Short-term Benefits
The Bank recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Said benefits are measured at the undiscounted amount expected to be paid in exchange for services rendered. Short-term benefits given by the Bank to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses.

4.11.02 Post-employment Benefits
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

4.11.03 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.

4.11.04 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 complies with the Department of Labor and Employment requirements and all pertinent statutes.

4.12 Related Parties and Related Party Transactions

As set forth in BSP Cir. 895, related parties shall cover the Bank's subsidiaries, affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Bank exerts direct/ indirect control over or that exerts direct/indirect control over the Bank; the Bank's directors, officers, stockholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. Such other person/ juridical entity whose interests may pose potential conflict with the interest of the Bank are likewise identified as a related party.

Related party transactions (RPTs) are transactions or dealings with related parties of the Bank, including its trust department, regardless of whether or not a price is charged. These shall include, but not limited to the following:

- On- and off-balance sheet credit exposures and claims and write-offs;
- Investments and/or subscriptions for debt/equity issuances;
- Consulting, professional, agency and other service arrangements/ contracts;
- Purchases and sale of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements)
- Construction arrangements/ contracts;
- Lease arrangements/contracts;
- Trading and derivative transactions;
- Borrowings, commitments, fund transfers and guarantees;
- Sale, purchase or supply of any goods or materials;
- Establishment of joint venture entities;

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

4.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

4.13.01 Current Tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgment of tax professionals within the Bank supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

4.13.02 Deferred Tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition (other than in a business combination) assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and does not give rise to equal taxable and deductible temporary differences, at the time of the transaction. In addition, deferred tax liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The senior management reviewed the Bank's investment property portfolios and concluded that none of the Bank's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the Board of Directors have determined that the 'sale' presumption set out in the amendments to PAS 12 is not rebutted. As a result, the Bank has not recognized any deferred taxes on changes in fair value of the investment properties as the Bank is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

4.13.03 Current and Deferred Tax for the Period
Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax-effect is included in the accounting for business combination.

Pursuant to Section 4 (bbbb) of Republic Act No.11494 or the "Bayanihan to Recover as One Act" (Bayanihan 2) and as implemented under Revenue Regulation No.25-2020, the net operating loss of a business or enterprise for the taxable years 2020 and 2021 shall be carried over as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of Bayanihan 2, provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

In accordance with Republic Act (RA) No. 11534, known as "The Corporate Recovery or Tax Incentives for Enterprises Act" (CREATE Act), the salient provisions applicable to the Bank are as follows:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum Corporate Income Tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023; and
3. The imposition of improperly accumulated earnings is repealed.

Further, pursuant to Sections 6, 7 and 13 of RA No. 11534, as implemented under Revenue Regulation Nos. 4-2021, 5-2021 and 8-2021, and as clarified by Revenue Memorandum Circular Nos. 65-2021 and 67-2021, RMC No. 69-2023 informs the public and all concerned that effective July 1, 2023, the MCIT rate for domestic and resident foreign corporations, including offshore banking units and regional operating headquarters, shall now revert to two percent (2%) based on gross income.

4.14 Events After the Reporting Period

The Bank identifies subsequent events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Bank's position at the reporting date, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

5.01 Critical Judgments in Applying Accounting Policies

The preparation of the Bank's financial statements in accordance with PFRS requires the Management to make judgments and estimates that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities, if any. Future events may occur which will cause the judgments used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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.

5.02 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 assets and liabilities within the next financial year.

5.02.01 Allowance for Probable Credit Losses
The allowance for probable credit losses, which includes both specific and general loan loss reserve represents Management's estimate of probable losses inherent in the portfolio, after considering the prevailing and anticipated economic conditions, prior loss experience, estimated recoverable value based on fair market values of underlying collaterals and prospect of support from guarantors, subsequent collections and evaluations made by the BSP. Banks with credit operations that may not economically justify a more sophisticated loan loss estimation methodology or where policies fall short of expected standards shall, at a minimum, be subject to the following guidelines:

As a general rule, Especially Mentioned and Substandard-Underperforming [e.g. substandard accounts that are unpaid or with missed payment of less than ninety (90) days] shall be considered as Stage 2 accounts, while Substandard Non-performing, Doubtful, and Loss shall be considered as Stage 3 accounts.

5.02.02 Residual Value, Depreciation and Amortization Method, and Useful Lives Assets
The estimated useful lives of the Bank's premises, furniture, fixtures, and equipment are based on the period over which the assets are expected to be available for use, and on the collective assessment of the industry practice, internal technical evaluation and experience with similar assets. The estimates are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of the premises, furniture, fixtures, and equipment.

The residual values, useful lives and depreciation method of Bank's premises, furniture, fixtures, and equipment did not change in 2024 and 2023. For the years ended December 31, 2024 and 2023, depreciation expense of premises, furniture, fixtures and equipment amounted to ₱925, 332 and ₱1,770,670

The carrying amount of Bank's premises, furniture, fixtures, and equipment amounted to ₱14,471,627 and ₱14,358,132 as at December 31, 2024 and 2023, respectively, as disclosed in Note 9.

5.02.03 Estimating Asset Impairment
The Bank performs an impairment review when certain impairment indicators are present.

Determining the fair value of Bank premises, furniture, fixtures, and equipment, investment properties, and creditable withholding taxes, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Bank to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Bank to conclude that Bank premises, furniture, fixtures, and equipment, investment properties, and creditable withholding taxes are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Bank believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under generally accepted accounting principles in the Philippines.

Based on the regular evaluation made by Management, the Bank's premises, furniture, fixtures, and equipment and investment properties have no indications of being impaired as at December 31, 2024 and 2023.

5.03 Contingencies

The adoption of accounting for contingencies in PAS 37 requires Management's prudent judgment and expectation on the outcome of particular contingencies. The relevance of this item becomes paramount significant when it will materially affect the financial standing of the Bank.

6. CASH AND OTHER CASH ITEMS

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

		2024		2023
Cash and Other Cash Items	₱	**2,516,493**	₱	3,181,841
Due from BSP		**1,686,870**		4,720,611
Due from Other Banks		**111,727,878**		86,335,498
	₱	**115,931,241**	₱	94,237,950

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. Section 252 of MORB further provides that such deposit account with the BSP is not considered as a regular current account. Drawings against such deposits shall be limited to (a) settlement of obligations with the BSP, and (b) withdrawals to meet cash requirements.

Due from Other Banks generally earn interest based on average daily balance at a dep rates. This account consists of the following items:

		2024		2023
Demand Deposit	₱	**107,267,389**	₱	71,665,950
Savings Deposit		**1,459,489**		12,669,548
Time Deposit		**3,001,000**		2,000,000
	₱	**111,727,878**	₱	86,335,498

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

		2024		2023
Within one year	₱	**111,727,878**	₱	86,335,498
Beyond one year but within five years		**-**		-
	₱	**111,727,878**	₱	86,335,498

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

		2024		2023
Demand Deposit	₱	**176,541**	₱	81,310
Savings Deposit		**32,455**		30,513
Time Deposit		**727,973**		660,190
	₱	**936,969**	₱	772,013

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:

	2024	2023
Demand Deposit	**0.16%**	0.11%
Savings Deposit	**2.22%**	0.24%
Time Deposit	**24.26%**	33.01%

7. INVESTMENT IN SECURITIES MEASURED AT AMORTIZED COST

The Bank's investments as of the reporting period data are as follows:

		2024		2023
Government Treasury Bonds	₱	**57,500,000**	₱	66,956,575
Government Treasury Notes		**66,494,850**		92,878,275
Other Banks – (Bonds)		**10,000,000**		10,000,000
Bangko Sentral ng Pilipinas		**800,000**		800,000
Total	₱	**134,794,850**	₱	170,634,850
Unamortized Premium (Discount)		**2,307,103**		2,543,425
Investment in Securities Measured at Amortized Cost	₱	**137,101,953**	₱	173,178,275

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

		2024		2023
Within one year		**-**		-
Beyond one year but within five years	₱	**47,500,000**	₱	58,340,000
Beyond five years		**89,601,953**		114,838,275
	₱	**137,101,953**	₱	173,178,275

Movements of these investments are summarized below:

		2024		2023
Balance at beginning of the year	₱	**173,178,275**	₱	190,355,124
Maturities		**(36,076,322)**		(17,176,849)
Balance at end of year	₱	**137,101,953**	₱	173,178,275

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 2.63% to 6.25% in both 2024 and 2023. The Laguna Prestige Banking Corporation (A Rural Bank) earned a interest income on its investment, total recognized income from interest amounted to ₱5,973,325 and ₱6,632,687 in years 2024 and 2023, respectively and are presented as interest – investments in the statements of income and other comprehensive income.

The bank does not provide any allowances 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.

8. LOANS AND RECEIVABLES

Details of this account are disclosed below at Amortized Cost:

		2024		2023
Current	₱	**390,424,307**	₱	345,230,806
Past Due-Performing		**-**		8,073,030
Past Due-Non-Performing		**1,314,066**		2,811,988
Items in Litigation		**20**		20
Total Loans	₱	**391,738,393**	₱	356,115,844
Unamortized Discount		**-**		-
Amortized Cost	₱	**391,738,393**	₱	356,115,844
Allowance for Credit Losses		**11,006,214**		11,006,214
General Loan Loss Provision		**2,550,495**		2,550,495
Net Loan Portfolio	₱	**378,181,684**	₱	342,559,135
Sales Contract Receivables *(Note 9a)*		**170,993**		206,569
	₱	**378,352,677**	₱	342,765,704

Details of this account are disclosed below at Amortized Cost:

		2024		2023
Agrarian reform	₱	**9,401,748**	₱	14,337,916
Other agricultural credit loans		**1,356,034**		5,215,931
Small scale enterprises		**78,946,146**		23,074,393
Medium scale enterprises		**204,602,143**		215,688,116
Loans to individuals for personal use purposes		**1,246,405**		1,541,052
Loans to individual for housing purposes		**18,956,056**		20,363,910
Loans to individuals for other purposes		**77,229,861**		75,894,526
Total Loans	₱	**391,738,393**	₱	356,115,844

Staging of receivables as of December 31, 2024 – net of discount:

		Stage 1		Stage 2		Stage 3
Agrarian Reform Loans	₱	-	₱	**9,401,748**	₱	**-**
Other Agricultural Credit Loans		-		**1,356,034**		-
Small Scale Enterprises		-		**78,946,146**		-
Medium Scale Enterprises		-		**204,602,143**		-
Loans to Individuals for Personal Use		-		**1,246,405**		-
Loans to Individuals for Housing Purposes		-		**18,956,056**		-
Loans to Individuals for Other Purposes		-		**77,229,861**		-
	₱	-	₱	**391,738,393**	₱	**-**

Breakdown as to Stages:
December 31, 2023

	Stage 1	Stage 2	Stage 3
Agrarian Reform Loans	₱ 14,184,699	₱ -	₱ 153,217
Other Agricultural Credit Loans	5,215,930	-	1
Small Scale Enterprises	23,074,387	-	6
Medium Scale Enterprises	210.997,731	4,690,384	-
Loans to Individuals for Personal Use	1,541,050	-	2
Loans to Individuals for Housing Purposes	17,196,383	1,482,272	1,685,255
Loans to Individuals for Other Purposes	73,020,626	1,900,374	973,527
	₱ 345,230,806	₱ 8,073,030	₱ 2,812,008

Interest Income on loans and receivables amounted to ₱38,342,185 and ₱33,436,362 in 2024 and 2023, respectively and are presented as Interest Income - loans and other receivables in the statements of income and other comprehensive income.

Loans classified as to type of security

	2024	2023
Secured by Real Estate Mortgage	**₱ 351,250,821**	₱ 327,973,683
Secured by other types of securities	**14,961,689**	9,658,677
Unsecured loans	**25,525,883**	18,483,484
Amortized cost	**₱ 391,738,393**	₱ 356,115,844

Concentration of credits presented at amortized costs:

	2024	
	In millions of Pesos	Concentration Ratio
Agriculture, forestry and fishing	₱ 0.15	0.04%
Water supply, sewerage, waste management and remediation activities	0.10	0.03%
Constructions	100.90	25.76%
Wholesale and retail trade, repair of motor vehicles, motorcycles	74.64	19.05%
Transportation and storage	5.30	1.35%
Financial and insurance activities	19.64	5.01%
Real estate activities	118.47	30.24%
Education	12.77	3.26%
Human health and social work activities	23.21	5.93%
Other service activities	31.54	8.05%
Salary based and other consumption loans	5.02	1.28%
	₱ 391.74	100.00%

		2023	
		In millions of Pesos	Concentration Ratio
Agriculture, forestry and fishing	₱	0.15	0.04%
Water supply, sewerage, waste management and remediation activities		0.22	0.06%
Constructions		20.84	5.85%
Wholesale and retail trade, repair of motor vehicles, motorcycles		108.43	30.45%
Transportation and storage		6.85	1.92%
Financial and insurance activities		19.35	5.43%
Real estate activities		146.34	41.09%
Education		14.01	3.93%
Human health and social work activities		26.35	7.40%
Other service activities		12.05	3.38%
Salary based and other consumption loans		1.53	0.43%
	₱	356.12	100.00%

Maturity profile of Loans and other receivables-net:

		2024		2023
Short-term (one year or less)	₱	**98,155,992**	₱	63,120,267
Medium-term (> 1 year – 5 years)		**134,029,376**		143,414,652
Long-term (>5 years)		**159,553,025**		149,580,925
Balance at December 31	₱	**391,738,393**	₱	356,115,844

The recorded allowance for losses is sufficient enough based on existing BSP rules and regulations. 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, the Circular 1011, required the Bank to comply with the regulatory guidelines in setting up an allowance for credit losses prescribed under the Appendix 18 of the Manual of Regulations for Bank.

There is no movements in the recorded allowances for losses for the years presented

8.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 instalment basis whereby the title of the said property is transferred to the buyers only upon full payment of selling price.

		2024		2023
Sales Contract Receivable – Current and Performing	₱	**-**	₱	35,576
Sales Contract Receivable – Non-Performing		**1,005,183**		1,005,183
Gross Sales contract Receivable		**1,005,183**		1,040,759
Less: impairment Loss/Allowance		**834,190**		834,190
Sales Contract Receivable - Net	₱	**170,993**	₱	206,569

Sales Contract receivable with net amount of ₱170,993 and ₱206,569 in years 2024 and 2023 respectively, represent assets acquired in settlement of loans through foreclosure or dacion en pago subsequently sold on instalment basis whereby the title to the said property is transferred to the buyer only upon full payment of the account.

Maturity profile of Sales Contract Receivables:

		2024		2023
Medium-term (> 1 year – 5 years)	₱	**1,005,183**	₱	1,040,758
Balance at December 31	₱	**1,005,183**	₱	**1,040,758**

9. 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.

The carrying amounts of the Bank’s bank premises, furniture, fixtures and equipment are as follows:

	Land	Building	Furniture and Fixtures	IT Equipment	Other office equipment	Transport Equipment	Leasehold Improvement	Total
Cost								
Balance, January 1, 2024	₱ 11,773,960	₱ 12,508,646	₱ 1,828,575	₱ 4,776,508	₱ 4,700,604	₱ 4,978,910	₱ 3,324,271	₱ 43,891,474
Additions	-	60,731	205,769	406,260	528,937	-	249,682	1,451,379
Disposals	-	-	(95,492)	(385,642)	(653,116)	(450,000)	-	(1,584,250)
Adjustments	-	-	-	-	-	(90,000)	-	(90,000)
Balance, December 31, 2024	**₱ 11,773,960**	**₱ 12,569,377**	**₱ 1,938,852**	**₱ 4,797,126**	**₱ 4,576,425**	**₱ 4,438,910**	**₱ 3,573,953**	**₱ 43,668,603**
Accumulated depreciation								
Balance, January 1, 2024	₱ -	₱ 12,005,155	P 1,815,543	₱ 4,086,334	₱ 4,523,919	₱ 3,778,120	₱ 3,324,271	₱ 29,533,342
Disposals	-	-	51,005	(199,563)	(573,141)	(449,999)	-	(1,171,698)
Adjustments	-	-	-	-	-	(90,000)	-	(90,000)
Depreciation	-	257,988	24,474	247,275	158,099	209,754	27,742	925,332
Balance, December 31, 2024	**₱ -**	**₱ 12,263,143**	**₱ 1,891,022**	**₱ 4,134,046**	**₱ 4,108,877**	**₱ 3,447,875**	**₱ 3,352,013**	**₱ 29,196,976**
Carrying amount	**₱ 11,773,960**	**₱ 306,234**	**₱ 47,829**	**₱ 663,080**	**₱ 467,548**	**₱ 991,035**	**₱ 221,940**	**₱ 14,471,627**

	Land	Building	Furniture and Fixtures	IT Equipment	Other office equipment	Transport Equipment	Leasehold and right of use asset	Total
Cost								
Balance, January 1, 2023	₱ 15,791,520	₱ 12,310,406	₱ 1,828,575	₱ 4,694,389	₱ 4,644,655	₱ 3,632,910	₱ 5,502,160	₱ 48,404,615
Additions	-	198,240	-	82,119	55,949	1,346,000	-	1,682,308
Disposals	(4,017,560)	-	-	-	(124,179)	(540,000)	-	(4,017,560)
Balance, December 31, 2023	₱ 11,773,960	₱ 12,569,377	₱ 1,938,851	₱ 4,700,604	₱ 4,576,425	₱ 4,265,700	₱ 5,502,160	₱ 46,069,363
Accumulated depreciation								
Balance, January 1, 2023	₱ -	₱ 11,851,149	1,780,103	₱ 3,908,128	₱ 4,398,430	₱ 3,630,155	₱ 4,866,942	₱ 31,711,231
Depreciation	-	154,006	35,440	178,206	125,489	147,965	635,218	1,276,324
Balance, December 31, 2023	₱ -	₱ 12,005,155	₱ 1,815,543	₱ 4,086,334	₱ 4,523,919	₱ 3,778,120	₱ 5,502,160	₱ 31,711,231
Carrying amount	₱ 11,773,960	₱ 503,491	₱ 13,032	₱ 690,174	₱ 176,685	₱ 1,200,790	₱ -	₱ 14,358,132

Under BSP rules, investments in banks premises, furniture, fixtures and other equipment should not exceed 50% of a bank's unimpaired capital. For the years ended December 31, 2024 and 2023, the Bank's level of investments in the fixed assets stand at 5.13% and 5.46%, respectively.

Total depreciation expense amounted to ₱925.332 and ₱1,276,324 for the years ended December 31, 2024 and 2023, respectively.

No borrowings cost was capitalized as the additions to the banks premises, furniture and fixtures and equipment are financed by the Bank's own fund.

10.01 Right-of-Use Assets and Lease Liability

Bank Premises Furniture and Fixtures line item includes the building which the bank rents and is a lessee. 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).

During the years ended December 31, 2024 and 2023 the Bank recognized interest expense on lease liability amounting to nil and, ₱18,025, respectively.

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 a borrower.

The table below describes the nature of the Bank's leasing activities by type of right-of-use asset recognized on balance sheet:

Right of Used Assets (ROU)	No of ROU assets leased	Original Term	Renewable	Years effective
Office building	1	2 years	Yes	2021 - 2023

Maturity analysis of the lease liability is as follows:

	2023			
	Within 1 year	Within 1 – 2 years	Within 2 – 3 years	Total
Lease payments	₱ 689,500	₱ -	₱ -	₱ 689,500
Finance charges	(18,025)	-	-	(18,025)
	₱ 671,475	₱ -	₱ -	₱ 671,475

Roll forward analysis of the carrying amounts of right-of-use asset are disclosed below:

	2024	2023
Beginning balance	₱ -	₱ 635,217
Depreciation	-	(635,217)
Ending balance	₱ -	₱ -

Roll forward analysis of capitalized lease liability disclosed below:

	2024	2023
Beginning balance	₱ -	₱ 671,475
Payment	-	(671,475)
Ending balance	₱ -	₱ -

Risk Discussion:
The bank is exposed to potential future increases in lease payments, since the lessor may impose 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.

10. 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.

The Bank's investment properties consist of:

		2024		2023
Land	₱	**21,372,042**	₱	21,372,042
Building		**11,486,769**		11,486,769
Less: Accumulated depreciation		**(10,945,701)**		(10,025,870)
	₱	**21,913,110**	₱	22,832,941

This investment properties are acquired by the Bank as settlement of defaulted loan.

A reconciliation of the carrying amounts of the Bank's investment properties at the beginning and end of 2024 and 2023 is shown below:

		2024		2023
Balance at the beginning of the year, net	₱	**22,832,942**	₱	20,176,748
Additions		**-**		4,056,457
Disposals		**-**		(222,253)
Depreciation charges of the year		**(919,832)**		(1,139,116)
Other adjustments		**-**		(38,894)
Balance at the end of the year	₱	**21,913,110**	₱	22,832,942

The appraised and market values of ROPA stands at ₱85,308,534 and ₱86,974,701 for the years ended December 31, 2024 and 2023.

The Laguna Prestige Banking Corporation (A Rural bank) sold a certain investment properties, which resulted in a gain of P88,981 and P25,544,487 as at December 31, 2024 and 2023, respectively.

11. OTHER ASSETS - net

This account consists of:

		2024		2023
Retirement Fund	₱	**10,059,472**	₱	9,661,189
Deferred Tax Asset		**2,525,881**		2,457,379
Unused Office Supplies		**291,949**		299,296
Advance Rental		**100,000**		100,000
MERALCO meter base deposit		**48,970**		48,970
Accounts Receivable		**29,629**		483,882
Petty Cash Fund		**12,500**		12,500
Miscellaneous Assets		**44,140**		24,139
SSS Surety Bond		**-**		43,595
Bond Deposit- EJS Fuel Station		**-**		20,000
Less: Allowance for Probable Losses (others)		**-**		-
	₱	**13,112,541**	₱	13,150,950

Movements of Retirement fund:

		2024		2023
Balance of Fund, January 1	₱	**9,661,189**	₱	10,161,634
Added/Deposited		**868,718**		884,670
Interest earned by the Fund		**-**		(225,515)
Payment for Retiree		**(470,435)**		(1,159,600)
Balance of fund, December 31	₱	**10,059,472**	₱	9,661,189

As of December 31, 2024, the retirement fund is deposited in Land Bank of the Philippines under Trustee Account Number 95-3634.

12. DEPOSIT LIABILITIES

Details of this account as of December 31, 2024 and 2023 are disclosed below:

		2024		2023
Demand Deposit	₱	**286,209**	₱	284,194
Savings Deposit		**385,221,853**		386,306,513
Termed/Time Deposit		**-**		-
	₱	**385,508,062**	₱	386,590,707

Maturity analysis of total deposit liabilities are as follow:

		2024		2023
Short-term (one year or less)	₱	**385,508,062**	₱	386,590,707

During the year ended December 31, 2024 and 2023 interest expenses for deposit liabilities amounts to ₱2,497,963 and ₱2,162,749, respectively.

Interest rates on deposit liabilities ranges between 0.25 to 1.49 percent per annum in years 2024 and 2023. The related accrued interest payable amounted to ₱619,816 and ₱381,601 as of December 31, 2024 and 2023, respectively, as presented in Note 13.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of:

		2024		2023
Pension/Retirement Payable	₱	**10,059,472**	₱	9,661,189
Accounts Payable		**1,480,813**		557,942
Accrued Interest expense on Financial Liabilities		**619,816**		381,601
Withholding Tax Payable		**115,664**		80,996
SSS, Medicare, Employer's Compensation Premiums and Pag-Ibig		**58,264**		41,214
Income Tax Payable		**487,570**		186,455
Total	₱	**12,821,599**	₱	10,909,397

Movements of Retirement Fund

		2024		2023
Balance of Fund Jan.01	₱	**9,661,189**	₱	10,161,634
Added/Deposited		**(470,435)**		884,670
Interest earned by the Fund		**-**		(225,515)
Payment for Retiree		**868,718**		(1,159,600)
Ending Balance	₱	**10,059,472**	₱	9,661,189

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. An employee who has reached the age of sixty (60) and has rendered at least five years of continuous service to the Bank is entitled to the full normal retirement benefit equivalents to one (1) month's pay per year of service. As a recognition of retiree's contributions to Prestige Bank, a gift will be presented to them on their last working day.

The Bank recognized retirement liability amounting to ₱10,059,472 and ₱9,661,189 in December 31, 2024 and 2023, respectively.

14. RELATED PARTY TRANSACTIONS

The Bank's related parties include it s 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% of equity. The amount of individual loans to DOSRI, of which 70% 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). In Aggregate, loans to DOSRI generally should bot exceed the total capital funds of 15% of the loan portfolio of the Bank, whichever is lower. The bank complied with the restrictions on DOSRI loans as of December 31, 2024 and 2023.

Remuneration of Key Management Personnel

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

		2024		2023
Short-term benefits (included in the total salaries)	₱	**5,841,032**	₱	7,689,658

Other than the amounts presented above, there is no termination, share-based payment and their benefits received by the key managements personnel for the year ended December 31, 2024.

15. CAPITAL STOCK

The capital stock of the Bank are as follows:

	2024			2023		
	Shares		**Amount**	Shares		Amount
Authorized Common stock at ₱100 par value per share	**101,550**	**₱**	**10,155,000**	101,550	₱	10,155,000
Issued and outstanding	**101,550**	**₱**	**10,155,000**	101,550	₱	10,155,000
	101,550	**₱**	**10,155,000**	101,550	₱	10,155,000

The book value per share are as follows:

December 31, 2024	**-**	**Total capital funds** / **Total Common Shares Outstanding**	**₱**	**282,497,388** / **101,550**	**=**	**₱ 2,782**
December 31, 2023	-	Total capital funds / Total Common Shares Outstanding	₱	262,925,665 / 101,550	=	₱ 2,589

The total capital funds used in the above computation are 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 the operating resources of the Bank. The Retained earnings reserve is set aside for the redemption of the preferred shares and for other contingencies purposes. Retained Earnings reserved represents an amount set aside by the bank for any contingencies.

The Bank declared a cash dividend amounting to nil and ₱5,078,622 for the years ended December 31, 2024 and 2023, respectively.

Capital Management and Regulatory Capital

The bank has to maintain at least ₱120M of capital level starting September 21, 2027, as of December 31, 2024 the bank is already compliant since its capital stands as ₱282,553,488.

The BSP, as a lead regulator, sets and monitors capital requirements for the Bank. In Implementing current capital requirements, 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, and Other Intangible Assets-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 lfe 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)

The Bank's regulatory capital position (in millions of Philippine pesos) as of December 31, 2024 based on the BSP prescribed computation is as follows:

Tier 1 Capital	**2024**	**2023**
Common stock	**10.155**	10.155
Retained Earnings	**272,342**	252.771
Deferred tax asset, net of deferred tax liability	**(2.526)**	(2.457)
	279,971	260.469
Tier 2 Capital		
Preferred stock	**0.056**	0.056
General loan loss provision	**2.550**	2.550
Total Qualifying Capital	**282.578**	263.075
Total Risk Weighted Assets	**523.128**	482.105
Capital Adequacy Ratio	**54.11%**	54.57%
Tier 1 Capital Adequacy Ratio	**53.62%**	54.03%

The Bank is not engaged in trading and has no foreign currency denominated assets subject to market risk. As of December 31, 2024 and 2023 the credit risk weighted asset stood at ₱465,228,404 and ₱427,624,292, respectively.

The operational risk weighted assets amounted to ₱57,899,299 and ₱54,480,390 with total conversation buffer ratio stood at 47.61% and 48.07% as at December 31, 2024 and 2023, respectively.

Dividend declared during the year's ended December 31, 2024 and 2023 stands at nil and ₱5,078,622

16. FEES, COMMISSION, AND OTHER INCOME

The Bank's income form service fees and service charges amounted to ₱1,014,622 and ₱1,258,725 for the years ended December 31, 2024 and 2023, respectively. Income from service fee and service charges represent other charges and fees on loans collected by the Bank as payments for its services.

17. PROFIT FROM ASSETS SOLD

		2024		2023
Bank Premises, Furniture, Fixture and equipment	**₱**	**88,981**	₱	6,840
Income from Sale of Investment Properties		**-**		25,537,647
Total	**₱**	**88,981**	₱	25,544,487

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

18. OTHER INCOME

This represents income coming from sources which are not included in major caption presented in all income source previously discussed, sources are penalties and charges for client's request of statement of accounts and collection of charged off assets for years ended December 31, 2024 and 2023. The Laguna Prestige Banking Corporation (A Rural Bank) earned ₱12,981,890 and ₱ 3,546,184 respectively.

19. COMPENSATION AND EMPLOYEE BENEFITS

		2024		2023
Salaries/Wages and Other Benefits	₱	**9,877,772**	₱	14,464,138
Other Benefits directors		**4,185,032**		7,500
Director's fee		**1,656,000**		1,668,000
SSS, Philhealth and Employees' Compensation		**1,062,658**		-
Contribution to Retirement/Provident Fund		**442,335**		884,670
Medical, Dental and Hospitalization		**58,900**		40,080
Pag-IBIG Fund Contributions		**-**		907,712
Total	₱	**17,282,697**	₱	17,972,100

20. DEPRECIATIONS AND AMORTIZATIONS

		2024		2023
Buildings	₱	**257,988**	₱	192,900
Investment Property		**919,831**		1,139,117
IT Equipment		**247,275**		374,006
Transportation Equipment		**209,754**		147,964
Other Office Equipment		**158,099**		228,842
Leasehold improvement		**27,742**		-
Furniture and Fixtures		**24,474**		191,770
Right-of-use Assets		**-**		635,217
Total	₱	**1,845,163**	₱	2,909,816

21. ADMINISTRATIVE EXPENSES

This account is composed of the following:

		2024		2023
Security services	₱	**1,701,822**	₱	1,800,003
Rent		**1,252,105**		554,711
Power, light and water		**1,054,686**		1,215,892
Insurance expenses				
PDIC insurance		**788,994**		791,252
Other insurance		**223,933**		150,522
Fuel and lubricants		**754,841**		724,759
Management and other professional fees		**492,900**		502,638
Litigation expense		**329,752**		265,972
Stationery and supplies used		**323,338**		329,189
Repairs and maintenance		**318,975**		342,119
Postage, telephone, cables and telegrams		**280,909**		300,958
Printing, photocopying and other admin. costs		**257,980**		221,204
Representation and entertainment		**233,809**		96,503
Supervision fees		**96,546**		123,615
Advertising and publicity		**52,675**		79,400
Information technology expenses		**40,411**		30,672
Membership fees and dues		**34,840**		46,280
Travelling expenses		**33,409**		146,082
Donations and charitable contributions		**5,884**		14,069
Fines, penalties and other charges		**3,350**		23,867
Fees and commission expense		**2,000**		100,000
Bad debts written off		**-**		751,671
	₱	**8,283,159**	₱	8,611,378

22. INCOME TAX

22.01 Income Tax Recognized in Profit or Loss

A numerical reconciliation between tax expense (benefit) and the product of accounting profit (loss) multiplied by the tax rate in 2024 and 2023 follows:

		2024		2023
Accounting income	₱	**26,159,622**	₱	35,392,492
Reconciling Items				
Interest income subject to final Tax		**(6,910,294)**		(7,404,700)
Tax arbitrage 20% of interest income subject to Final tax, maximum is equal to interest expense		**1,382,059**		1,480,940
Disallowed expenses- non – deductible penalties		**3,350**		23,867
Non-Cash Provisions and Impairments and provision for retirement		**442,335**		884,670
Adjustment due to PFRS-16 in interest on lease Liability		**-**		18,025
Adjustment due to PFRS-16 in depreciation expense (ROUA)		**-**		635,217
Adjustment due to PFRS-16 – rent expense		**-**		(689,500)
Net taxable income		**21,077,072**		30,341,011
Tax rate		**25%**		25.00%
Regular corporate income tax	₱	**5,269,658**	₱	7,585,253

Minimum Corporate Income Tax

		2024		2023
Gross profit (after effecting permanent and temporary differences)	₱	**33,585,872**	₱	45,101,651
Other income (after effecting permanent and temporary differences)		**-**		-
Total gross taxable income		**33,585,872**		45,101,653
Tax rate		**2.00%**		1.50%
Minimum Corporate Income Tax	₱	**671,717**	₱	676,525

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 Assets from the allowance for losses for loans and receivables may not be fully realizable given that the provision for losses may not result in the actual write-off of accounts and the availability of future income.

The components of deferred tax assets for 2024 are as follows:

		Amount		Tax effect
Post-employment defined benefit obligations	₱	**10,059,472**	₱	2,525,881

23. 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 safe keep collateral of borrowers, which are not reflected in the accompanying financial statements. Management believes that, as of December 31, 2024, 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 9.a.

24. EVENTS AFTER THE REPORTING PERIOD

There is no material and significant events occurring from December 31, 2024 until the issuance of the Audited Financial Statement.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Bank's financial instruments comprise of cash and cash equivalents, receivables and payables, which arises 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 risks, liquidity risks, and market risk. The Board of Directors reviews and approves policies for managing each of these risks summarized below and the succeeding pages.

25.01 Market Risk Management

Market risk is the risk to earnings and capital arising from the possible decline in value due to 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. The Bank Market Risk is considered as low, since there is no placement that is materially be affected by changes of market.

Interest Risk

The Bank's policy is to minimize interest rate cash flow risk exposures. As of 2024, 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.

	2024				
	Sensitivity Rate +/-%		**Profit Before Tax**		**Equity**
Due from other banks	0.126%	₱	**140,777**	₱	**112,621**
Investment in securities measured at amortized cost	0.126%		**172,748**		**138,199**
		₱	**313,525**	₱	**250,820**

	2023				
	Sensitivity Rate +/-%		**Profit Before Tax**		**Equity**
Due from other banks	0.22%	₱	**189,938**	₱	**151,950**
Investment in securities measured at amortized cost	0.44%		**761,984**		**609,588**
		₱	**951,922**	₱	**761,538**

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.

25.02 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Bank only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Bank uses other publicly available financial information and its own trading records to rate its major customers. The Bank's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Bank is exposed to credit risk from its operating activities and from its financing activities consisting of cash and loans 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.
The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recognized in the financial statements, which is net of impairment losses, represents the Bank's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

		2024		2023
Cash and other cash items	₱	**2,516,493**	₱	3,181,841
Due from BSP		**1,686,870**		4,720,611
Due from other banks		**111,727,878**		86,335,498
Investment in securities measured at amortized cost		**137,101,953**		173,178,275
Loans and other receivables		**378,352,677**		342,765,704
	₱	**631,385,871**	₱	610,181,929

The credit risk for due to BSP and other banks is considered negligible, since the counterparties are reputable banks with high external credit ratings. Due from other banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of ₱500,000 per depositor per banking institution, as provided under the 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 large number of customers in various industries and geographical areas.

25.03 Liquidity Risk Management

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 these financial statements:

	2024			
	Due within one year	**Due beyond one year but within five**	**Due beyond five years**	**Total**
Financial Assets:				
Cash and other cash items	₱ 2,516,493	₱ -	₱ -	₱ 2,516,493
Due from BSP	1,686,870	-	-	1,686,870
Due from other banks	111,727,878	-	-	111,727,878
Investment in Securities measured at amortized cost	-	47,500,000	89,601,953	137,101,953
Loans and Receivables	98,155,992	134,029,376	159,553,025	391,738,393
Sales contract receivables	-	1,005,183	-	1,005,183
	₱ 214,087,233	₱ 182,534,559	₱ 249,154,978	₱ 645,776,770
Financial Liabilities:				
Deposit liabilities	₱ 385,508,062	₱ -	₱ -	₱ 385,508,062
Accrued expenses and other liabilities	12,821,599	-	-	12,821,599
	398,329,661	-	-	398,329,661
Cumulative Total Gap	₱ (184,242,428)	₱ 182,534,559	₱ 249,154,978	₱ 247,447,109

	2023							
		Due within one year		Due beyond one year but within five years		Due beyond five years		Total
Financial Assets:								
Cash and other cash items	₱	3,181,841	₱	-	₱	-	₱	3,181,841
Due from BSP		4,720,611		-		-		4,720,611
Due from other banks		86,335,498		-		-		86,335,498
Investment in Securities measured at amortized cost		-		58,340,000		114,838,275		173,178,275
Loans and Receivables		63,120,267		143,414,652		149,580,926		356,115,845
Sales contract receivables		-		1,040,758		-		1,040,758
	₱	157,358,217	₱	202,795,410	₱	264,419,201	₱	624,572,828
Financial Liabilities:								
Deposit liabilities		386,590,707		-		-		386,590,707
Lease liabilities		671,475		-		-		671,475
Accrued expenses and other liabilities		10,909,397		-		-		10,909,397
		398,171,579		-		-		398,171,579
Cumulative Total Gap	₱	(240,813,362)	₱	202,795,410	₱	264,419,201	₱	226,401,249

25.04 Operations Risk Management

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

Managing operations risk in the Bank founded on a sounded internal control environment. Among the key components of sound a 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.

26. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Carrying Amount and Fair Values by Category

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

	2024		2023	
	Carrying amounts	**Fair Values**	**Carrying amounts**	**Fair Values**
Financial Assets				
Cash and other cash items	**₱ 2,516,493**	**₱ 2,516,493**	₱ 3,181,841	₱ 3,181,841
Due from BSP	**1,686,870**	**1,686,870**	4,720,611	4,720,611
Due from other banks	**111,727,878**	**111,727,878**	86,335,498	86,335,498
Investment measured at amortized cost	**137,101,953**	**137,101,953**	173,178,275	173,178,275
Loans and other receivables	**378,352,677**	**378,352,677**	342,765,704	342,765,704
Other Assets – net	**13,112,541**	**13,112,541**	13,108,868	13,108,868
	₱ 644,498,412	**₱ 644,498,412**	₱ 623,290,797	₱ 623,290,797
Financial Liabilities				
At amortized cost:				
Deposit Liabilities	**₱ 385,508,062**	**₱ 385,508,062**	₱ 386,590,707	₱ 386,590,707
Accrued expenses and other liabilities	**12,821,599**	**12,821,599**	503,811	503,811
	₱ 398,329,661	**₱ 398,329,661**	₱ 387,094,518	387,094,518

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.

27. 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., prices) as 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 and liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For the 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 groups, 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 counter parties, or is calculated based on the expected cash flows of the underlying net assets 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 Amortized Cost for which Fair Value is Disclosed

The fair values of financial assets (other than Investments) 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 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 follows:

	2024			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and other cash items	₱ 2,516,493	₱ -	₱ -	₱ **2,516,493**
Due from BSP	1,686,870	-	-	**1,686,870**
Due from other banks	111,727,878	-	-	**111,727,878**
Investment measured at amortized cost	137,101,953	-	-	**137,101,953**
Loans and other receivables	-	-	378,352,677	**378,352,677**
	₱ 253,033,194	**₱ -**	**₱ 378,352,677**	**₱ 631,385,871**
Financial Liabilities				
At amortized cost:				
Deposit Liabilities	₱ **385,508,063**	₱ -	₱ -	₱ **385,508,063**
Accrued expenses and other liabilities	**12,821,599**	-	-	**12,821,599**
	₱ 398,329,661	**₱ -**	**₱ -**	**₱ 398,329,661**

	2023			
	Level 1	Level 2	Level 3	Total
Financial Assets		-		
Cash and other cash items	₱ 3,181,841	₱ -	₱ -	₱ 3,181,841
Due from BSP	4,720,611	-	-	4,720,611
Due from other banks	86,335,498	-	-	86,335,498
Investment measured at amortized cost	173,178,275	-	-	173,178,275
Loans and other receivables	-	-	342,765,704	342,765,704
	₱ 267,416,225	₱ -	₱ 342,765,704	₱ 610,181,929
Financial Liabilities				
At amortized cost:		-		
Deposit Liabilities	₱ 386,590,707	₱ -	₱ -	₱ 386,590,707
Accrued expenses and other liabilities	10,909,397	-	-	10,909,397
	₱ 397,500,104	₱ -	₱ -	₱ 397,500,104

28. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. The Bank maintains sufficient capital necessary to support its primary purpose and/or undertakings which it has initiated and promoted. The Bank management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Bank's business operations of unanticipated events created by consumer behaviour or capital market conditions.

The Bank manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank’s compliance with regulatory requirements and ratios is based on the amount of the Bank’s unimpaired capital (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects.

Section 127 of the MORB which provides the revised risk-based capital adequacy framework for stand-alone thrift banks, rural banks and cooperative banks represents BSP’s commitment to align existing prudential regulations with international standards, which is consistent with the BSP’s goal of promoting the soundness and stability of individuals and of the Banking system as a whole.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10%) of its risk weighted assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excludes:

- Un-booked valuation reserves and other capital adjustments as may be required by the BSP;
- total outstanding unsecured credit accommodations to directors, officers, stakeholders and related interests (DOSRI);
- deferred tax asset or liability; and
- other regulatory deductions.

Risk weighted assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out or assignment of deposits, Loans or acceptances under Letters of Credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The adjusted Capital Adequacy Ratio (CAR) of the Bank as at December 31, 2024 and 2023 are as follows:

		2024		2023
Tier 1 Capital	₱	**279,971,507**	₱	260,468,285
Common Equity Tier 1 (CET) Capital		**282,497,388**		262,925,664
CET 1 ratio		**54.00%**		54.54%
Total Qualifying Capital	₱	**287,629,864**	₱	263,074,680
Risk Weighted Assets	₱	**523,127,633**	₱	482,105,000
Tier 1 Capital Ratio		**53.62%**		54.03%
Leverage Ratio		**41.12%**		39.82%
Minimum Liquidity Ratio		**73.78%**		79.34%
Return on average equity		**7.18%**		10.39%
Return on average resources		**2.92%**		3.98%
Net interest margin		**3.18%**		6.47%
Capital Adequacy Ratio (CAR)		**54.11%**		54.57%

29. 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, 202. 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.

		2024		2023
Capital Position:	₱	**282.497**	₱	262,926
Common Equity Tier-1 (CET-1) Capital	₱	**279.972**	₱	260,468
Tier l Capital – in millions of Pesos	₱	**282.578**	₱	263,075
Total Risk Weighted Assets – in millions of Pesos	₱	**523.128**	₱	482,105
Capital Adequacy Ratio		**54.11%**		54.57%
CET – 1 Ratio		**54.00%**		54.54%
TIER 1 Ratio		**53.62%**		54.03%
Leverage Ratio		**41.12%**		39.82%
Minimum Liquidity Ratio		**73.78%**		79.34%
Return on average equity		**7.18%**		10.39%
Return on average resources		**2.92%**		3.98%
Net interest margin		**3.18%**		6.47%
Capital instrument Issued		Refer to Note 15		

Significant credit exposure:

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.

		2024	
Industry	**In millions of pesos**	**Percent to loan exposure**	**Ratio to Tier 1 Capital**
Wholesale and retail trade, repair of motor vehicles	₱ **74.64**	**19.05%**	**26.62%**
Real estate activities	**118.47**	**30.24%**	**42.24%**
Human health and social work activities	**23.21**	**5.93%**	**8.28%**

		2023	
Industry	**In millions of pesos**	**Percent to loan exposure**	**Ratio to Tier 1 Capital**
Wholesale and retail trade, repair of motor vehicles	₱ 108.43	30.45%	41.63%
Real estate activities	146.34	41.09%	56.18%
Human health and social work activities	26.35	7.40%	10.12%

Breakdown of loans as to security:

	2024	2023
a. Secured		
Real Estate Mortgage	₱ **351,250,821**	₱ 327,973,683
Secured by other collaterals	**14,961,869**	9,658,677
b. Unsecured	**25,525,883**	18,843,484
	₱ **391,738,393**	₱ 356,115,844

Breakdown of loans as to status per product line:

	Current	**Past Due performing**	**Past Due Non-performing**
Agrarian Reform Loans	₱ **9,248,531**	₱ **-**	₱ **153,217**
Other Agricultural Credit Loans	**1,356,033**	**-**	**1**
Small Scale Enterprises	**78,946,140**	**-**	**6**
Medium Scale Enterprises	**204,602,143**	**-**	**-**
Loans to Individuals for Personal Use	**1,246,403**	**-**	**2**
Loans to Individuals for Housing Purposes	**18,956,056**	**-**	**-**
Loans to Individuals for Other Purposes	**76,069,001**	**-**	**1,160,860**
	₱ **390,424,307**	₱ **-**	₱ **1,314,086**

Information on DOSRI/ Related party (RP) loans:

	Secured	Unsecured
Current DOSRI/RP loans	6,134,352	-
Past due DOSRI/RP loans - performing	Not applicable	-
Past due DOSRI/RP loans - non-performing	Not applicable	-

	DOSRI Loans	Related party (RP) Loans (inclusive of DOSRI loans)
Outstanding amount	6,134,352	6,134,352
a. Percent of total DOSRI/RP loans to total loan portfolio	1.57%	1.57%
b. Percent of unsecured DOSRI/RP loans to total DOSRI/RP loans	Not applicable	0.00%
c. Percent of past due DOSRI/RP loans to total DOSRI/ RP loans	Not applicable	0.00%
d. Percent of non-performing DOSRI/RP loans to total DOSRI/RP loans	Not applicable	0.00%

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

Provision for probable losses:	2024	2023
a. Provision for probable losses net of any reversal	-	-
b. Allowance for probable losses - specific reserve	11,006,214	11,006,214
c. General loan loss provision	2,550,495	2,550,495

d. How determined: Followed guidelines prescribed by Bangko Sentral ng Pilipinas and PFRS; for complete discussion, please refer to the corresponding Notes to the Financial Statement.

Aggregate amount of secured liabilities and assets pledged as security:

a. Secured liabilities	None
b. Assets pledged as security:	
> Promissory notes of borrowers	Not applicable

30. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Revenue Regulations (RR) No. 21-2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income Tax Returns was amended under RR 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the notes to financial statements, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under the Philippine Financial Reporting Standards and such other standards and/or conventions.

Below is the additional information required by RR 15 – 2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

30.01 Gross Receipt Tax consist Taxes

The Bank reported total Gross Receipts Tax (GRT) amounting to ₱2,951,996 for the year ended December 31, 2024. The GRT paid is presented under Taxes and Licenses.

30.02 Documentary Stamp Tax

Pursuant to the Provisions of Republic Act (RA) No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN), various tax rates have been revised including the rates on Documentary Stamp Tax, below are some of the regulations affecting the operation of the Bank and non-financial intermediaries:

SEC. 51. Section 174 of the NIRC, as amended, is hereby further amended to read as follows:

Section 174: Stamp Tax on Original Issue of Shares of Stock

On every original issue, whether on organization, reorganization or for any lawful purpose, of shares of stock by any association, company, or corporation, there shall be collected a documentary stamp tax of two pesos (₱2.00) on each two hundred pesos (₱200), or fractional part thereof, of the par value, of such shares of stock: Provided, That in the case of the original issue of shares of stock without par value, the amount of the documentary stamp tax herein prescribed shall be based upon the actual consideration for the issuance of such shares of stock; Provided, further, That in the case of stock dividends, on the actual value represented by each share.

SEC. 55. Section 179 of the NIRC, as amended, is hereby further amended to read as follows:
Section 179: Stamp Tax on All Debt Instruments

On every original issue of debt instruments, there shall be collected a documentary stamp tax of One peso and fifty centavos (₱1.50) on each two hundred pesos (₱200), or fractional part thereof, of the issue price of any such debt instruments: Provided, That for such debt instruments with terms of less than one (1) year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to three hundred sixty-five (365) days: Provided, further, That only one documentary stamp tax shall be imposed on either loan agreement, or promissory notes issued to secure such loan.

Documentary Stamp Tax paid by the Bank during the year amounted to ₱1,682,193.

30.03 Other Taxes and Licenses

An analysis on the Bank's other taxes and licenses and permit fees paid or accrued during the year is as follows:

Percentage tax	₱	2,951,996
Business permit		182,357
Real estate tax		115,636
Others		19,379
	₱	**3,269,368**

30.04 Withholding taxes

An analysis on the Bank's withholding taxes paid or accrued during the year is as follows:

Withholding tax on compensation	₱	561,680
Expanded withholding taxes		296,786
Final withholding taxes		451,918
	₱	**1,310,384**

PDAC
PAGUIO, DUMAYAS & ASSOCIATES CPAs

PrimeGlobal

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Stockholders and the Board of Directors
LAGUNA PRESTIGE BANKING CORPORATION (A RURAL BANK)
233 J.P. Rizal Street Corner F. Limcaoco Street
Barangay Poblacion Uno, Cabuyao City, Laguna

We have audited the financial statements of **LAGUNA PRESTIGE BANKING CORPORATION (A RURAL BANK)** for the year ended **December 31, 2024**, on which we have rendered the attached report dated April 3, 2025.

In compliance with Revenue Regulation V-20, we are stating that we are not related by consanguinity or affinity to the president, manager, or principal stockholders of the Bank.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Bank has a total number of thirty four (34) stockholders owning one hundred (100) or more shares each.

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC)
Tax Identification Number 008-662-265-000
BIR Accreditation No. 08-800011-000-2025, February 3, 2025, valid until February 2, 2028
SEC Accreditation No. 5614-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025
BOA Accreditation No. 5614, July 5, 2023, valid until February 28, 2026
BSP Accreditation No. 5614-BSP (Group B), valid for 2021 to 2025 financial statements audit
IC Accreditation No. 5614-IC (Group A), valid for 2020 to 2024 financial statements audit
CDA Accreditation No. 124-AF, January 15, 2025, valid until January 14, 2030

For the Firm:

Floyd C. Paguio

FLOYD C. PAGUIO
Senior Partner
CPA Certificate No. 115664
Tax Identification Number 243-676-418-000
BIR Accreditation No. 08-800011-001-2025, February 3, 2025, valid until February 2, 2028
SEC Accreditation No. 115664-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025
BSP Accreditation No. 115664-BSP (Group B), valid for 2021 to 2025 financial statements audit
IC Accreditation No. 115664-IC (Group A), valid for 2020 to 2024 financial statements audit
PTR No. 4778905, issued on January 15, 2025, Muntinlupa City

April 3, 2025
Muntinlupa City, Metro Manila

NOT VALID WITHOUT SEAL