SeaBank Philippines, Inc.

A Rural Bank

2021 **ANNUAL** REPORT

Table of Contents

1. Corporate Objective 1
Vision and Mission Statement of the Bank 1
About SeaBank Philippines, Inc. (A Rural Bank) 1
Business Model 2
2. Financial Summary/Financial Highlights 3
3. Financial Condition and Results of Operation 4
Message from the President 4
4. Financial Result of Major Business Segments 6
5. Risk Management Disclosure 6
Risk Management Culture and Philosophy 6
Risk Appetite and Strategy 6
Bank-Wide Risk Governance Structure 7
Risk Management Process 8
6. Corporate Governance 9
Overall Corporate Governance Structure and Practices 9
Selection Process for Directors and Officers 10
Board-Level Committees 11
Profile and Qualifications of Directors 13
Performance Assessment Program 14
Education Program 14
Retirement and Succession Policy for Directors 14
Profile of Senior Management 15
Retirement and Succession Policy for Senior Management 16
Remuneration Policy 17
Related Party Transactions 18
Self-Assessment Functions 18
Dividend Policy 19
Corporate Social Responsibility (CSR) 19
Consumer Protection 20
Organization Structure 21
List of Stockholders 21
Products and Services 21
Banking Units/Branches 24
7. Audited Financial Statements (AFS) with Auditor's Opinion 25

SEABANK PHILIPPINES, INC. (A Rural Bank)

ANNUAL REPORT (As of 31 December 2021)

1. Corporate Objective

Vision and Mission Statement of the Bank

To better the lives of individuals and businesses in our region with financial services through technology:

- Make financial services accessible for everyone through the use of proprietary technology and data
- Offer fast and seamless services enabled by best-in-class UI/UX and back-end technology
- Simplify all offerings to encourage everyone to save, invest, grow, and achieve their aspirations
- Provide transparent pricing with no hidden fees and penalties
- Ensure stability with proper risk infrastructure focused on advanced credit models, and leading edge non-financial risk prevention

About SeaBank Philippines, Inc. (A Rural Bank)

On December 5, 1965, the 300th rural bank of the Philippines opened, known as **The Rural Bank of Pagsanjan, Inc.** From the ground floor of a two-storey house, bank employees went and reached as far as the boundaries of Laguna with the provinces of Quezon and Rizal. As a rural bank, we take our mission to provide our customers the ability to save excess deposits and take on loans to invest in building their productive capacity.

Prior to its 50th year, the Bank unveiled its new brand name as **Banco Laguna Inc (A Rural Bank Since 1965)** alongside with its new corporate logo to signify unwavering pursuit of quality rural banking and genuine service towards financial inclusion. Continuous commitment to uphold the lives of the people and communities it serves is one of the main thrusts and part of the Bank' s strategies it pursues.

In December 2021, the Bank rebranded to SeaBank Philippines, Inc. (A Rural Bank), **("SeaBank", "the Bank")** alongside its new corporate logo which reflects the branding of the new majority shareholders, Sea Limited.

Currently, the Bank has 6establishments, the Head Office is located in Pagsanjan and branches in the capital towns of Sta. Cruz, Siniloan, Liliw, and Majayjay in Laguna and one in Sariaya, Quezon. Additionally, the Bank opened an extension office in Metro Manila to provide additional working space for its employees.

Business Model

As part of its mandate as a rural bank, SeaBank supports countryside development by offering simple banking products and services to depositors and borrowers within Laguna and its neighboring provinces through its six branches across the CALABARZON region.

To attract deposits and loans, the Bank offers products and services at competitive rates. Credit facilities for agricultural, business, personal and other purposes are available for qualified borrowers while deposit products consist of regular and premium savings deposits.

Funding is primarily sourced from capital and deposit taking activities.

On 26 April 2021, the Bank was granted an Electronic Products and Financial Services (EPFS) Type A License by the Bangko Sentral ng Pilipinas (BSP) to launch its Digital Banking Application. Aligned with the Bank's aspiration to provide a full suite of digital financial services in the next five years. The Bank's Digital Banking Application will be launched in 2022.

2. Financial Summary/Financial Highlights

(In Philippine Pesos, except selected ratios and headcount)

Profitability	**2021**	**2020**
Total Net Interest Income*	30,224,511	37,703,397
Total Non-Interest Income	16,475,822	13,103,654
Total Non-Interest Expenses	76,335,765	42,348,261
Pre-provision Profit (Loss)	(11,002,592)	9,607,076
Provision for Credit and Impairment Losses	19,877,269	5,241,001
Net Income (Loss) before Comprehensive Loss	(30,879,861)	4,366,075
Remeasurement Gain (Loss) on Retirement Liability	(124,610)	1,934,883
Net Income (Loss) after Comprehensive Loss	(31,004,471)	2,431,192
Selected Balance Sheet Data		
Liquid Assets	394,045,214	207,790,385
Gross Loans	223,930,250	254,507,846
Total Assets	844,966,600	518,401,023
Deposits	384,957,465	380,710,611
Total Equity	137,839,798	126,769,269
Selected Ratios		
Return on Equity	(23.34%)	1.95%
Return on Assets	(4.53%)	0.47%
Capital Adequacy Ratio	20.67%	27.76%
Others		
Cash Dividends Declared	-	-
Headcount	74	55
Officers	17	16
Staff	57	39

**net of interest expense on finance lease payable*

3. Financial Condition and Results of Operation

Message from the President

In 2021, the Bank continued to execute according to our strategy which included significant investments to build our digital banking app, resulting in an expected net loss.

During the year, we obtained approval for an Electronic Payment and Financial Services (EPFS) from Bangko Sentral ng Pilipinas, and became a member of Philippine Payments Management Inc., with approval to participate in both Instapay and PESONet. At the same time, we started work to build the digital banking app which is targeted for launch in 2022.

With the continued support of our shareholders and directors, we aim to continue serving our community by providing relevant financial services in 2022 and beyond.

2021 Operational Performance

Given the ongoing macro environment resulting from COVID-19 pandemic, we focused on striking a balance between generating new businesses and mitigating credit risk. As of the end of 2021, our total loan portfolio stood at PHP 223.9 million, a decrease of 12% compared to PHP 254.5 million last year. The decrease is mainly due to the negative impact of the pandemic on our economy, adversely affecting small business owners and employees which compose the majority of our client base.

Our assets increased to PHP 845.0 million or 63 % higher compared to PHP 518.4 million last year.

Our net loss stood at PHP 31.0 million due to increased operating expenses related to building our digital banking app. Total non-interest expenses stood at PHP 76.3 million or 80% higher than last year's PHP 42.4 million.

Nonetheless, our total equity showed an increase of 8.7% from last year with a total of PHP 137.8 million in 2021 as our shareholder injected additional capital of PHP 42.5 million.

Our Capital Adequacy Ratio (CAR) remained strong at 20.67% by year-end, well above the BSP requirement of 10% and industry average of 18.23%. The Bank's Tier 1 capital-to-risk assets ratio stood at 20.48%.

We continued to review all the business functions to improve processes and identify opportunities to be more agile as a bank. We focused on improving corporate governance with initiatives such as updating the bank's risk appetite to incorporate changes in market conditions as well as digitalization strategies, conducting bank-wide internal audits to pinpoint any gaps and updating operational policies to align with best market practices.

Challenges and Opportunities

Digital financial services have become an expectation of the Philippines market and is a new challenge for the Bank. However, we view this as an opportunity and will take the necessary steps to meet this challenge in the coming years.

The COVID-19 pandemic has been and continues to be a challenge from the perspective of credit risk management and loan growth in 2021, we will continue to improve our credit underwriting process, credit portfolio management and marketing of new loans.

Thank you very much to all of you!

MARCO C. CABREZA

4. Financial Result of Major Business Segments

The table below shows the performance of the Major Business Segments of the Bank

Business Segment	Outstanding balance as of (in Pesos)	
	December 31 2021	December 31, 2020
Agra loans	3,624,000	2,874,991
Other Agricultural Credits	14,689,782	21,148,927
Micro Enterprise	19,314,461	4,337,042
Small Enterprise	27,887,929	26,492,458
Medium Enterprise	20,848,205	41,316,760
Loans to Individuals for Housing Purposes	8,290,925	6,910,293
Loans to Individuals for Other Purposes (Business)	58,402,611	50,858,005
Loans to Individuals for Personal Use	51,461,843	81,980,701
Salary Loans	14,081,664	12,847,734
Other Loans	5,328,830	5,740,935
Total	**223,930,250**	**254,507,846**

5. Risk Management Disclosure

Risk Management Culture and Philosophy

The Bank recognizes enterprise risk management as an integral part of its operating environment and good governance. Hence, the Bank is committed to carry out risk management principles and practices in attaining the Bank's mission "to better the lives of individuals and businesses in our region with financial services through technology". In this sense, the Bank has adopted a risk management system that can effectively adapt to changing internal and external environments especially during severe adverse events such as the current pandemic.

Risk Appetite and Strategy

Risk is inherent in the business of banking, thus risk-taking is an essential part of the operation wherein if not taken, returns and growth may be insignificant and unsustainable. Given that business risks are always present, the Board of Directors and Senior Management make timely and rational decisions about the risks they are willing to take in pursuit of the organization's goals and objectives, aligned with the Risk Management Principles of the Bank:

- Robust Governance
- Adequate Capital Ratios
- Sound Business Management
- Sustainable Products and Services
- Sustainable Long-Term Earnings
- Protection of Consumer Rights

These Principles provide an overarching framework for which the Bank assumes and manages risks, as well as adapt to the new normal brought by the unprecedented Covid-19 pandemic. Striking a balance between generating new businesses and mitigating risk, while remaining committed to the Bank's mission has guided the Bank in defining its risk appetite and long-term strategies.

The Bank takes calculated risks when making business decisions. The Bank's risk appetite has been clearly defined to provide a comprehensive summary of risk tolerance and parameters guiding the operations of the Bank. It facilitates concise presentation and informed periodic review of the amount of risk the Bank is prepared to take in its key activities. Strategies are also designed to address limits throughout the Bank to ensure that actions in all levels of the organization are in line with the risks that the company is willing to accept.

The Bank will not compromise adherence to its risk appetite to pursue revenue growth or higher returns. The Bank pursues business objectives by accepting risks up to the level where it remains aligned with the Board-approve operating limits on credit, liquidity and balance sheet strength, operational, compliance, market and interest rate in the banking book risks.

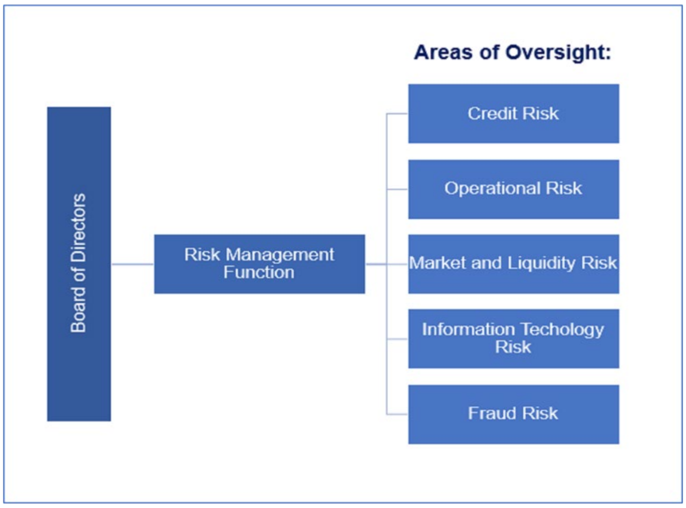
Bank-Wide Risk Governance Structure

Risk governance directly emanates from the Board of Directors who set the tone for a sound risk culture within the Bank; and approve and support the overall risk management systems and procedures to ensure risk supervision. The established risk management framework is being implemented by Senior Management across the business units with the philosophy of uniformity and consistency. The Key Risk Indicators and other relevant metrics are monitored monthly and reported to the Board.

The Bank subscribes to a three-line of defense system to effectively manage the bank-wide risks.

The first line of defense refers to the business units, undertaking risk-taking activities within set parameters, limits and threshold as approved by the Board. The second line of defense refers to the Compliance and Risk Management functions, managing compliance risk management system and risk-taking activities of the Bank, respectively. The third line of defense refers to the Internal Audit, providing independent assurance that the Bank's risk management, governance and internal control processes are operating effectively.

Risk Management Structure



Risk Management Process

The specific goal of the risk management process is to ensure adherence to the Bank's standards in risk measurement and reporting. The evaluation, analysis, and control performed by the Risk Management Function, in conjunction with the business units, constitute the risk management process. The risk management process is applied at all levels of the Bank to ensure that risks are properly identified, quantified, and analyzed in the light of its potential effect on the Bank's business. These processes are specifically embedded in the managing relevant risk areas of the Bank.

6. Corporate Governance

Overall Corporate Governance Structure and Practices

The Board of Directors and its Overall Responsibility

The Board adopts a Manual on Corporate Governance that is aligned with the requirements of the Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions. The Manual serves as the commitment, reinforced with the values, principles, and best practices to guide the Bank's business conduct.

The Board is composed of five seats, the Chairman of the Board, 2 regular directors and 2 independent directors. The present composition of the Board exceeds the minimum regulatory standards which require that majority of the directors should be non-executive and independent. Independent and Non-Executive Directors of the Bank comprise 80% (4 of 5) of the Board.

The Board is primarily responsible for establishing the overall corporate culture and values of the organization. In this regard, it has adopted the Bank's codes of conduct and ethical standards with a high degree of integrity. Further, it approves the Bank's strategic objectives and oversees its implementation through policies including the governance framework, risk management, related-party transactions, renumeration, among others.

Further, the Board is also responsible for approving the selection and appointment of the Senior Management led by the President including the Heads of Units who exercise control functions, i.e., Compliance, Risk and Internal Audit.

The Board meets at least once a month primarily held at the Bank's principal office, at any branch office or such other place in or outside the Philippines as may be designated in the notice of meetings. Directors who cannot physically attend or vote at regular board meetings can participate and vote through remote communication aligned with the Securities and Exchange Commission Memorandum Circular No. 6, series of 2020. Special Board Meetings may be called upon the call of the Chairman of the Board. Notice of such meetings shall be given at least 3 days before the date thereof.

There were no changes in the Board of Directors in 2021.

Board Performance

On an annual basis, the Board performs a self-assessment exercise to evaluate its performance as an oversight body, as individual directors, and as members of board-level committees. The annual self-assessment aims to ascertain the oversight and fiduciary roles and responsibilities and confirms the qualifications of the Board. In this regard, the Board reviews and rates its performance using an internally-set rating system on the basis of its (i) individual practice of duties and responsibilities, appropriate training requirements and qualifications; (ii) performance as a collective oversight body; (iii) frequency, quality and attendance to meetings; (iv) effectiveness of oversight on corporate governance, related party transactions, and risk management; and, when applicable (v) duties and responsibilities as members of the Audit and Compliance Committee.

Selection Process for Directors and Officers

Election/Appointment of the Board of Directors and Officers are in accordance with the provision of the Bank's By-Laws, Republic Act No. 7353 (An Act Providing for the Creation, Organization and Operation of Rural Banks and for Other Purposes), General Banking Law of 2000, Corporation Code of the Philippines, as amended, R.A. No.879, and as prescribed in the BSP Manual of Regulations for Banks (MORB).

The election/appointment of Directors and Senior Management follows a three-phased selection process, i.e., identification, assessment, and selection. A rigorous selection process is adopted to ensure that the Director/Officers meet the required qualifications and none of the disqualifications set forth under the MORB. Further, the Human Resource Unit performs a fit and proper test, specifically considering the integrity, education/training and competence of the director/officer relevant to the function.

Directors

Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of the term, is filled by the vote of at least the majority of the remaining directors, if still constituting a quorum, otherwise, said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. A director so elected to fill a vacancy shall serve only the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors is filled only by election at a regular or special meeting of stockholders duly called for the purpose.

Assessment on the qualifications for Directors are conducted by the Human Resource Team together with Compliance Unit.

Officers

Officers of the Bank are identified through the Human Resource Team and assessed against the qualifications required under the Section 134 of the MORB. Assessment on the qualifications, including the conduct of fit and proper tests are done by the Human Resource Team together with the Head of the unit and/or, if directly reporting to the President, the President. The Head of the unit and/or, if applicable, the President recommends the best candidate for approval of the Board.

Role and Contribution of The Board of Directors and The Chairman of The Board

The Bank's Board of Directors has a range of skills and a mix of experiences vital to the conduct of the organization and its business affairs.

The role of the Chairman of the Board is segregated from that of the Bank's President, and independent director. He provides leadership and facilitates activity during Board meetings. As Chairman, he influences the direction and priorities of the Board as a whole.

The function of the Board is being balanced through the roles of the non-executive and executive directors. As the Executive Directors have a thorough knowledge of the business, they manage the day-to-day operations of the Bank. The non-executive directors, which includes independent directors generally focuses on board matters. As they are not involved in the day-to-day running of the business, they have a more independent perspective of the business. Nevertheless, they have the same authority to access information and to constructively challenge the Senior Management in order to ensure that it meets the Bank's organizational objectives.

Board-Level Committees

Executive Committee

The Executive Committee is composed of at least 3 members of the Board duly appointed by the Board. The Committee may act, by majority vote of all its members, on such specific matters within the competence of the Board, as may be delegated to it on a majority of the Board, except with respect: (1) approval of any action for which stockholders approval is required; (2) the filling of vacancies in the Board; (3) the amendment or repeal of by-laws or the adoption of new by-laws; (4)

amendment or repeal of any resolution of the board which is express terms is not so amendable or repealable; and (5) distribution of cash dividends to the shareholder

As of 17 December 2021, the Executive Committee was dissolved as approved by the Board during its regular meeting dated 17 December 2021. Authorities delegated to the Executive Committee have been reinstituted to the Board.

Audit and Compliance Committee

The Audit and Compliance Committee is composed of at least 3 members of the Board, 2 of whom are Independent Directors, including the Chairman. The Audit and Compliance Committee provides oversight over the Bank's financial reporting and control, internal and external audit functions, internal control and compliance systems. In this regard, the Head of Internal Audit and the Chief Compliance Officer functionally report to the Committee on a regular basis.

Board Composition and Participation on Board-Level Committees

Name	Type of Director	Number of years served	Number of direct and indirect shares held	% shares held to total outstanding shares	Board Level Committees
Tan Ki Mien	• Chairman • Non-executive	2	1	0.0%	• Execom (Chairman) • ACC
Marco Cabreza	• Executive	29	1	0.0%	• N/A
Jan Frederic Chiong	• Non-Executive	2	399,996	40.0%	• Execom
Wonsuk Heo	• Independent	2	1	0.0%	• ACC (Chairman) • Execom
Tan Shao Ming	• Independent	2	1	0.0%	• ACC

Frequency and Attendance to Meetings

Name	Board (15 meetings)		Audit and Compliance Committee (3 meetings)		Executive Committee (3 meetings)	
	Attended	%	Attended	%	Attended	%
Tan Ki Mien	13	87%	3	100%	3	100%
Marco Cabreza	15	100%	N/A	N/A	N/A	N/A
Jan Frederic Chiong	15	100%	N/A	N/A	2	67%
Wonsuk Heo	10	67%	0	0%	3	100%
Tan Shao Ming	15	100%	3	100%	N/A	N/A

Profile and Qualifications of Directors

Name	Education Background	Previous Position in Other Company	Current Directorship	Officership in Other Companies	Age	Nationality
Tan Ki Mien	• National University of Singapore (BSc. Engineering) • Baruch College, City University of New York (MSc. Finance)	• Manager, Accenture (2007-2009) • Director, Wilmar Consultancy Services Pte. Ltd. (2009-2011)	• SeaBan • Naterra Resources International • AAI Logistics Cargo Express, Inc • SeaMoney (Credit) Finance Philippines Inc.	• N/A	46	Singapore
Marco Cabreza	• University of the Philippines (B.A. Philippine Studies)	• Director/Executive Assistant to the President, Banco Laguna Inc. (A Rural Bank) (2008 - 2011) • Director/President , Banco Laguna Inc, (A Rural Bank) (1993 - 1993) • Director, Rural Bankers Assoc. of the Philippines (2000 - 2001) • President, Federation of Laguna RBS (1997 - 1999)	• N/A	• Director/President, Cabreze & Crescini Inc • Director, Caliraya Holdings, Inc. • Director/Treasurer • Director, Metro Laguna Land Corporation • Director, Platinum Prop and Landholdings	55	Philippines
Jan Frederic Chiong	• Ateneo De Zamboanga University (BS Computer Engineerin)	• N/A	• SeaBan • Garena Philippines Inc • SCommerce Philippines Inc • ShopeePay Philippines Inc • SPX Philippines Inc • Parolla Logistics Inc • Qualitrans Courier and Manpower Services Inc	• Garena Philippines Inc [President] • SCommerce Philippines Inc [President] • ShopeePay Philippines Inc [President] • SPX Philippines Inc [President] • Qualitrans Courier and Manpower Services Inc [Chairman and President]	35	Philippines
Wonsuk Heo	• Syracuse University (B.S. Marketing & Finance) • New York University (Strategic Marketing & Operations Management) • Georgetown University (M.S. Executive Masters in Leadership)	• Managing Director, Simon&White LLC (May 2007 - Dec 2008) • New Product Development Manager, Travel Industry Association (May 2005 - May 2007)	• SeaBank • Eaglestar Marine (Phils) Corp • BCH Holding Co Inc • Canal Holdings Inc • Filmalay Credit Services	• N/A	43	South Korea
Tan Shao Ming	• National University of Singapore (M. Eng, B. Eng (Chemical Engineering)	• Director, Peer Capita Limited (2018-2021) • Managing Director, Ikhlas Capital Singapore Pte Ltd (2018-2018) • Director, Citi Venture Capital International (2010-2015) • Director - Special, Citadel Investment Group (HK) (2006-2010) • Associate Director, Temasek Holdings Private Limited (2001-2006) • Non-executive Director, Asia Capital & Advisors Pte Ltd (2015-2019) • Director, Luma Investments Limited (2011-2015)	• SeaBank • ABC World Asia Pte Ltd • Impact Asia Pte Ltd • Sunseap Group Pte Ltd • Impact Food Pte Ltd • Impact Vietnam Pte Ltd • Kim Health Care Group Corporation • Labo A&B Joint Stock Company • Impact Blossom Pte. Ltd. • Algodao Investment Holding Pte.	• N/A	46	Singapore

Performance Assessment Program

The performance of the Senior Management team is based on the Performance Evaluation System (PES) that objectively measures the job performance. It also provides benchmarks of performance standards on specific duties and responsibilities of the Officers and Rank and File members of the organization. It is likewise designed to determine the training and development needs of each individual. The key metrics in the PES are aligned with the Strategic Objectives of the Bank, consisting of (i) Total Loan Portfolio; (ii) Non-Performing Loans; (iii) Total Deposit Liabilities; and (v) Total Operating Income.

These metrics are then broken down at branch level. The Board is responsible to approve these metrics and it is tracked monthly during the Board Meetings. In the event targets are not met, this will be reflected in their Performance Evaluation which affects the compensation of the respective personnel.

Education Program

The Bank encourages personnel across multiple levels to attend and benefit from various seminars and training. Some of these educational activities were provided in-house, while others were conducted by external providers aimed to equip and update the Directors, Senior Management and employees from different departments with the necessary knowledge and skills required for banking operation. All new hires are provided with customized training plans according to their job role. The minimum new hire orientation is for 1-week ranging up to one-month for more technical roles. Nonetheless, on the job training remains the most important way for our employees to obtain the relevant skills to perform their role.

All directors were provided and attended a three-hour corporate governance training provided by the Compliance team on 8 December 2021.

Retirement and Succession Policy for Directors

The Board oversees the succession framework and leadership development plans for senior management. As part of the periodic review, the succession framework is updated, and training programs are conducted accordingly. In 2021, the Board approved an updated succession plan for Directors to meet the needs of the organization's growth.

The retirement age for directors is 70 years old. In the exigency of the requirement to fill up any vacancy in the director-level and in the absence of qualified personnel to the vacant position, the Bank, subject to Board approval, might retain directors aged more than 70 years old until a suitable successor is appointed

The key elements of succession policy of the Bank extend to current members of the board:(i) Independent directors may only serve as such for a maximum cumulative term of nine (9) years. After which, they may serve as regular directors; (ii) Independent directors shall not be a close family member of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of directors of the Bank; (iii) Members of the board of directors shall not be appointed as Corporate Secretary or Chief Compliance Officer; (iv) The positions of chairperson and CEO/President shall not be held by one person.

In exceptional cases where the position of chairperson of the board of directors and CEO/President is allowed to be held by one person as approved by the Monetary Board, a lead independent director is appointed, whose functions shall be defined and documented in the corporate governance manual.

Profile of Senior Management

Senior Management refers to the President and other persons having authority and responsibility for planning, directing and controlling the activities of the Bank

There are four (4) officers that directly report to the Board. This is namely:

- Marco C. Cabreza, President, 55 years old, Filipino
  - BLI Director since year 1993,
  - With 29 years of banking experience
  - Graduate of Bachelor of Arts in Philippine Studies, University of the Philippines

- Janice Joy M. Agati, Chief Compliance Officer, 37 years old, Filipino
  - Assumed the position since August 2021
  - Former Senior Director at Sycip, Gorres, Velayo & Co.
  - Former Bank Officer of the Bangko Sentral ng Pilipinas
  - 15 years of experience with Banks and other Financial Institutions
  - Graduate of Master of Science in Computational Finance from the De LaSalle University
  - Graduate of Bachelor of Science in Accountancy from the University of Santo Tomas
  - Certified Public Accountant

- Theresa Teodoro, Head of Operational Risk, 38 years old, Filipino
  - Assumed the position since November 2021
  - Former Regional Fraud Risk Manager at Citibank, N.A. Regional Operating Headquarters

- Former Head of Operations Control Management for Corporate & Investment Banking at JPMorgan Chase Bank, N.A. - Philippine Global Service Center
- Former Head of Operational Risk Management at Mizuho Bank, Ltd. - Manila Branch
- With 17 years of banking experience specializing on risk management
- With experience on various areas of risk management other than Operational Risk (e.g., Fraud, IT, Credit, Market risks) and IT Systems Development
- Graduate of Bachelor of Science in Mathematics and Computer Science, Summa Cum Laude, from Far Eastern University

There are two officers at Vice President level. These are namely:

- Evelyn L. Malapaya, Vice President, Chief Operating Officer, 63 years old, Filipino
  - Assumed the position since January, 2019
  - Former Head Office Manager, Banco Laguna, Inc., 2017 - 2018, Former Asst. Vice-Pres., Land Bank of the Philippines, 2012 - 2017
  - With 42 years of banking experience
  - Graduate of Bachelor of Science in Business Commerce - Major in Accounting, Union College of Laguna (With 21 units of Public Administration from Union College of Laguna)

- Siew Ghee Kung Lim, Vice President, Strategy, 34 years old, Malaysian
  - Assumed the position since October 2020
  - Former Head of Regional Business Development at Shopee Singapore, 2017-2020
  - Former Private Equity Associate at Creador, 2014-2017
  - Former Consulting Associate at McKinsey & Company, 2011-2014
  - Graduate of Bachelor of Mechanical Engineering and Management - McMaster University

Retirement and Succession Policy for Senior Management

The retirement age for senior management shall be 70 years old and not to exceed 65 years old for regular employees. In the exigency of the requirement to fill up any vacancy in the officer-level and in the absence of qualified employees to the vacant position, Management employs experienced bank officers, regardless of age, under management contract, and subject to the approval of the board.

Succession planning is a mindful decision of the Bank to foster and promote continuous development of employees and ensure that their positions maintain some measure of stability. A succession plan for key officers and employees is in place in compliance with BSP Circular 900 (Management of Human Resources Related Risk).

In 2021, the Board approved an updated succession plan for Senior Management to meet the needs of the organization's growth. The Bank has adopted a talent management program, potential job rotation assignments, coupled with internal and external training and development curriculum, that identifies the appropriate exposure and program for a potential successor

Remuneration Policy

SeaBank is committed to providing a total rewards structure that attracts, drives, motivates high performance, and retains high engagement of talents for a sustainable achievement of company goals. Driving by and co-built with SeaBank leaders, this forms an integral part of the overall employer value proposition (EVP) of Seabank and a reflection of our core values.

The non-executive members of the Board do not receive any stated salary for their services. They receive remuneration in the form of per diem for their attendance at each regular or special meeting of the Board or Committee meetings attended. Compensation of the Executive Directors are covered in the section on Senior Management below

Following the philosophy and guidelines, the remuneration framework for senior management includes guaranteed pay, variable and performance-based bonuses for short-term goals and achievements, employee stock option plans for long-term gains, and a comprehensive set of employee benefits and perks to support total employee well-being and health. The employee stock option plan is designed to encourage long-term tenure, loyalty, co-ownership, and shared accountability in growing the bank's business. The specific components and details for the remuneration package of the bank's CEO/President and members of the Senior Management directly reporting to the President and Leads of Admin and Credit Department, the most highly compensated management officers of the Bank are recommended by the Head of the Human Resources department which goes through a series of review and approval of the Remuneration Committee which is composed of the bank's Board of Directors. This exercise is done on an annual basis, through an Executive Session, towards the end of the calendar year and implemented in the first month of the following calendar year.

The compensation is determined by various factors, including but not limited to the following:

- Current salary from previous employer (if newly appointed and externally hired) or from last performance year (for annual review of incumbents)
- External benchmarking of remuneration data from companies in similar or related industries
- Annual Performance Rating which is determined by assessing current performance and contribution to the bank's targets and corporate goals
- Review of depth and span of the incumbent's roles and responsibilities in the bank

Related Party Transactions

Cognizant of the risks posed to the Bank, its depositors, creditors and other stakeholders arising from conflict of interest brought about by dealings with related parties, the Board adopts and oversees the implementation of the Bank's policy on related party transactions (RPT). RPT requires a thorough review of all transactions with related parties as having been conducted in the ordinary course of business, at arm's length basis, at fair market prices, and upon terms not less favorable to the Bank versus terms offered to others. Materiality thresholds on an individual and aggregate exposures have been set in line with the Bank's overall risk appetite. RPTs are vetted at the Executive Committee level, consistent with the Bank's Code of Approving and Signing Authorities. Final approval shall be with the Board of Directors who shall be presented with formal justification that such RPT has been conducted at arm's length and requires monthly reporting to the Board of Directors on the Bank's outstanding exposure to RPTs. To prevent conflict of interest, no director can participate in the discussion, deliberation, and approval of a transaction where he is a related party.

Self-Assessment Functions

Internal Audit

The Bank has an independent internal audit function which is mandated to provide assurance and consulting activities designed to add value and improve operations through employing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes of the Bank.

The IA adheres to the principles required by the ISPPIA (International Standard for the Professional Practice of Internal Auditing), the Definition of Internal Audit, Code of Ethics, and other pertinent applicable rules and regulations of the governing regulatory agencies. The function, its scope, and activities are committed to support Senior Management and the Board protect the Bank and its reputation. The purpose, authority, responsibility, statement of independence and objectivity, organizational set-up, and scope of work of IA are formally defined in its Charter and duly approved by the ACC.

The Internal Audit (IA) presents the audit reports to the ACC quarterly. Any material breaches in internal control and/or fraud is immediately elevated to the ACC, and a special meeting shall ensue to address the issue.

Compliance

The Bank is committed to comply with existing laws, rules and regulations to protect the franchise value of the Bank and preserve the confidence of its clientele. Compliance starts at the top, with the Board of Directors primarily responsible for establishing an effective compliance risk management system that is aimed to mitigate compliance risk, while Senior Management is responsible to implement this system and to report and timely address any significant compliance concerns

The Compliance Function leads the implementation of the Bank's compliance risk management system. The Bank adopts a Charter of the Compliance Function which sets out standing, authority and independence of the Compliance Unit as well as its roles and responsibilities and relationship with the Audit and Compliance Committee. Under the Charter, the Compliance Unit have the authority to: (i) access to information and confidentiality; (ii) conduct due diligence as part of the regular or ad hoc compliance activity; (iii) initiate investigations on its own initiative when deemed necessary; (iv) direct access to the Board; and (v) recourse to external experts.

The Anti-Money Laundering and Terrorist Financing Unit (AML/CTF) is under the Compliance Function and focuses on the enforcement of the Bank's AML/CTF Program, in accordance with the Anti-Money Laundering (AML) Law, as amended, and other relevant laws and regulations. The AML program of the Bank is articulated in the Board-approved Money Laundering and Terrorist Financing Prevention Program ("MTPP") and built on the following principles (i) Risk management; (ii) customer identification and verification; (iii) ongoing monitoring; (iv) cooperation with authorities (v) policies, procedures and trainings; (vi) compliance to relevant laws and regulations.

Dividend Policy

Subject to the Board's approval, the Bank may only declare and pay dividends only when the CAR of the preceding year of declaration is above BSP threshold requirement of 10%.

There are no dividends declared for the Financial Year 2021

Corporate Social Responsibility (CSR)

In the past years, the Bank has been a regular contributor in the "Brigada Eskwela" projects of various educational institutions in the municipality it serves. With the pandemic at the beginning of

2020 and being part of Sea Group and Shopee Philippines since then, the bank continues to take on the responsibility to its social well-being and promotes positive community change by actively being involved in other CSR activities implemented within the group such as providing support to sellers and aspiring business owners in Region IV-A in partnership with Go Lokal!

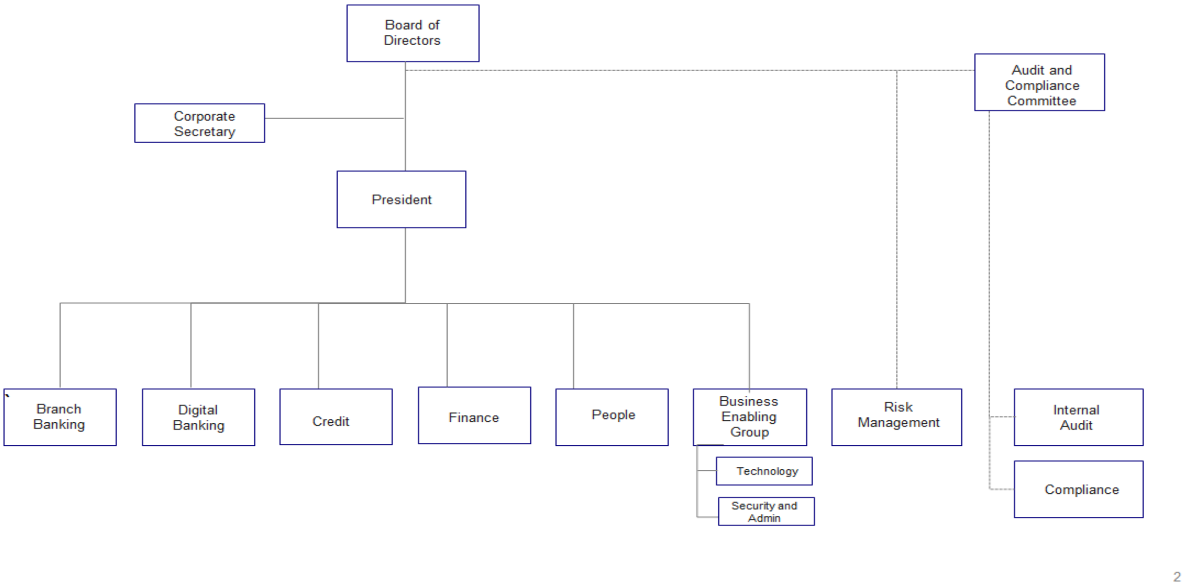
Consumer Protection

The Board is responsible for developing the Bank’s consumer protection strategy and establishing an effective oversight over the Bank’s consumer protection practices.

A carefully devised, implemented, and monitored Consumer Protection Risk Management System (“CPRMS”) provides the foundation for ensuring the bank's adherence to consumer protection standards of conduct and compliance with consumer protection laws, rules and regulations, thereby ensuring that identified risks to the bank and associated risk of financial harm or loss to consumers are properly managed. The Bank’s CPRMS is integrated into the bank's enterprise-wide risk management processes and risk governance framework that includes the governance structure, policies, processes, measurement and control procedures to ensure that consumer protection risks are identified, measured, monitored, and mitigated.

The Consumer Assistance Group Head together with the Consumer Assistance Officers (CAOs) assigned to each Branch is responsible for implementing the Bank’s established Consumer Assistance Management System (“CAMS”) that sets out the standard guidelines and procedures in handling customer feedback or complaints. The CAO shall record the details of customer feedback or complaints and monitor for action and resolution in accordance with the timeline defined by the Bank. The Consumer Assistance Group Head reports on a periodic basis to Senior Management and Board on the complaints received by the Bank including the remedial actions.

Organization Structure



List of Stockholders

Name	Nationality	Shareholding	Voting Status
Marco C. Cabreza	Filipino	0.00%	Active
Jan Frederic Lam Chiong	Filipino	40.00%	Active
SeaMoney Holding PH Private Ltd.	Singaporean	60.00%	Active
Ki Mien Tan	Singaporean	0.00%	Active
Shao Ming Tan	Singaporean	0.00%	Active
Wonsuk Heo	Korean	0.00%	Active

Products and Services

Loan Products/ Facilities

Farmers Loan

- To provide financial assistance to small farmers for crop production.

Multi-purpose loan for Professionals

- To provide financial assistance to licensed individuals for their business and other personal needs.

Agricultural Loan

- To finance and augment working capital of borrowers engaged in agricultural activities such as palay farming, coconut production, livestock, poultry, piggery, fisheries, fruits and vegetable production and other related agricultural projects;
- To finance initial operating cost of the project/permanent working capital of borrowers engaged in agricultural activities; and
- Acquisition of fixed assets, machineries and equipment, and building construction/renovation of borrowers engaged in agricultural activities.

Business/Manufacturing/Industrial Loans

- To finance or augment working capital of borrowers engaged in business, manufacturing/industrial and other related activities
- To finance initial operating cost of the project/permanent working capital of borrowers engaged in business; and
- Acquisition of fixed assets, machineries, and equipment, and building construction/ renovation of borrowers engaged in business.

Personal Consumption Loans

- To finance personal financial requirements such as Purchase of lot, house and lot, condominium, Construction/ renovation of residential building, purchase/repair/ maintenance of vehicles, Hospitalization, education, calamity, and other personal needs.

Back-to-Back Loans

- Loans secured by holdouts and/or assignment of deposit.

Chattel mortgage Loan

- Loans and other credit accommodations on the security of chattels not exceeding fifty percent (50%) of the appraised value of the security.

Salary Loan

- Loans granted to individuals where repayment would come from future cash flows mainly on the basis of regular salary, pension or other fixed compensation.

Livelihood/Palengke/Market Loans

- To finance/augment working capital of borrowers engaged in livelihood projects.

Small Business Loans

- To finance/augment working capital of borrowers engaged in small business.

Deposit Products

Savings Account

- Deposit account for individuals or juridical persons at regular savings interest rate.

Premium Savings Account

- Deposit account for individuals or juridical person at special interest rate

Banking Units/Branches

Head Office

32 Rizal Street, Brgy. Poblacion II, Pagsanjan, Laguna

Telephone Nos. (049)501-4213; (049)501-4342; (049)501-4829

Email: bancolaguna.headoffice@ymail.com; Bancolaguna.headoffice@rbap.org

Sta. Cruz Branch

Burgos Street, Brgy. IV, Sta. Cruz, Laguna

Telephone Nos. (049)501-0833; (501)2961

Email: bancolaguna.santacruz@ymail.com

Siniloan Branch

Fernandez Street, Brgy. Burgos, Siniloan, Laguna

Telephone No. (049)501-1207

Email: bancolaguna.siniloan@ymail.com

Liliw Branch

Bonifacio Street, Brgy. Ilayang Palina, Liliw, Laguna

Telephone No. (049)503-3311

Email: bancolaguna.liliw@ymail.com

Majayjay Branch

P. Zamora Street, Brgy. San Miguel, Majayjay, Laguna

Telephone No. (049)523-7391

Email: bancolaguna.majayjay@yahoo.com

Sariaya Branch

Quezon Avenue corner Dalis Street Brgy. Poblacion 5, Sariaya, Quezon

Telephone No. (042)717-5958

Email: bancolaguna.sariaya@yahoo.com

7. Audited Financial Statements (AFS) with Auditor's Opinion

REPORT OF INDEPENDENT AUDITOR

The Board of Directors and Shareholders
SeaBank Philippines, Inc. (A Rural Bank)
(Formerly: BANCO LAGUNA, INC. (A RURAL BANK SINCE 1965))
32 Rizal Street, Pagsanjan, Laguna

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of SeaBank Philippines, Inc. (A Rural Bank) (Formerly: Banco Laguna, Inc. (A Rural Bank Since 1965)) ("the Bank") which comprise the statements of financial position as at December 31, 2021 and 2020 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SeaBank Philippines, Inc. (A Rural Bank)) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Emphasis of a Matter

Without qualifying my opinion, I direct users of this financial statements to the discussion below:

As discussed in Note 3, Management represented that the recorded allowance for losses is sufficient based on existing BSP rules and regulations; the Bank did not implement the Expected Credit Loss (ECL) model of PFRS 9. The Bank does not have a robust database of loss that will pave the way for the computation of "Loss-given default" - an essential factor in computing expected credit loss, hence the allowances that should have been recognized based on the provision of PFRS 9 - "Expected Credit Loss" method as of December 31, 2021, was not computed. The loan exposure is also not classified into "Stages" as required by the provision of PFRS 9.

This deviation did not result in a qualification of opinion but caused the insertion of an Emphasis of a Matter paragraph. The Management and the Auditor believe that this deviation is not likely to affect any decision of those in charge with governance and those who will use the audited financial statements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 has no realistic alternative but 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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the 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.

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

Report on Other Regulatory Requirements

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

Cristobal C. Umale, CPA
TIN No. 207-149-953-000
CPA Certificate No. 0114744 expiry January 07, 2023
PTR OR No. 1568088, Issued at San Pedro City on January 14, 2022
BOA Reg. No. 03838 valid until January 07, 2023
SEC Accreditation No. 114744-BSP – Group C for Bangko Sentral ng Pilipinas
Valid to Audit Until Year 2024 Financial Statements
BIR Accreditation: AN-09-006575-001, issue date 10/01/19 expiry on 10/01/22

Issued on March 25, 2022 at San Pedro City, Laguna

BUREAU OF INTERNAL REVENUE
Revenue District No. 55 - East Laguna
APR 2 0 2022
RECEIVED
COMPLIANCE SECTION

SUPPLEMENTAL WRITTEN STATEMENT OF INDEPENDENT AUDITOR

The Board of Directors and Shareholders
SeaBank Philippines, Inc. (A Rural Bank)
(Formerly: BANCO LAGUNA, INC. (A RURAL BANK SINCE 1965))
32 Rizal Street, Pagsanjan, Laguna

I have examined the financial statements of SeaBank Philippines, Inc. (A Rural Bank) (Formerly: Banco Laguna, Inc. (A Rural Bank Since 1965)) ("the Bank") for the year ended December 31, 2021, on which I have rendered the attached report dated March 25, 2022. In compliance with SRC Rule 68, I am stating that the said company has a total number of two (2) stockholders owning one hundred (100) or more shares each.

Cristobal C. Umale, CPA
TIN No. 207-149-953-000
CPA Certificate No. 0114744 expiry January 07, 2023
PTR OR No. 1568088, Issued at San Pedro City on January 14, 2022
BOA Reg. No. 03838 valid until January 07, 2023
SEC Accreditation No. 114744-BSP – Group C for Bangko Sentral ng Pilipinas
Valid to Audit Until Year 2024 Financial Statements
BIR Accreditation: AN-09-006575-001, issue date 10/01/19 expiry on 10/01/22

Issued on March 25, 2022 at San Pedro City, Laguna

BUREAU OF INTERNAL REVENUE
Revenue District No. 55 - East Laguna
APR 2 0 2022
RECEIVED
COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT TO ACCOMPANY INCOME TAX RETURN

The Board of Directors and Shareholders
SeaBank Philippines, Inc. (A Rural Bank)
(Formerly: BANCO LAGUNA, INC. (A RURAL BANK SINCE 1965))
32 Rizal Street, Pagsanjan, Laguna

I have audited the financial statements of SeaBank Philippines, Inc. (A Rural Bank) (Formerly: Banco Laguna, Inc. (A Rural Bank Since 1965)) ("the Bank") for the year ended December 31, 2021, on which I have rendered the attached report dated March 25, 2022.

In compliance with Revenue Regulations No. V-20, I am stating that I am not related by consanguinity or affinity to the president, manager or board of directors of the Bank.

Cristobal C. Umale, CPA
TIN No. 207-149-953-000
CPA Certificate No. 0114744 expiry January 07, 2023
PTR OR No. 1568088, Issued at San Pedro City on January 14, 2022
BOA Reg. No. 03838 valid until January 07, 2023
SEC Accreditation No. 114744-BSP – Group C for Bangko Sentral ng Pilipinas
Valid to Audit Until Year 2024 Financial Statements
BIR Accreditation: AN-09-006575-001, issue date 10/01/19 expiry on 10/01/22

Issued on March 25, 2022 at San Pedro City, Laguna

SeaBank

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of SeaBank Philippines, Inc. (A Rural Bank) (Formerly: Banco Laguna, Inc. (A Rural Bank Since 1965)) ("the Bank") is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, 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 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 has no realistic alternative 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.

Cristobal C. Umale, CPA, the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in his report to the stockholders, has expressed his opinion on the fairness of presentation upon completion of such audit.

Ki Mien Tan
Chairman of the Board

BUREAU OF INTERNAL REVENUE
Revenue District No. 55 - East Laguna
APR 20 2022
RECEIVED
COMPLIANCE SECTION

Marco C. Cabreza
President

Arrione B. Abarquez
Treasurer

Signed this 25th day of March, 2022

SUBSCRIBED AND SWORN to before me this APR 04 2022
at Taguig City affiant exhibited to ID No

ATTY. JENNYLYN R. OJANO-SABADO
Notary Public City of Taguig
Until 31 December 2022
IBP O.R No. 168265 issued on December 17, 2021
PTR No. 8852508 / 3 January 2022/ Makati City
Appointment No. M-4-(2021-2022)
MCLE Compliance No. VII-[illegible]
Unit 25, G/F Fiesta Market Market Ext.
BGC, Taguig City
Roll No. 71171

Doc. No. 09
Page No. 03
Book No. 17
Series of 20 22

SeaBank

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SeaBank Philippines, Inc. (A Rural Bank) (Formerly: Banco Laguna, Inc. (A Rural Bank Since 1965)) ("the Bank") is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, 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 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 has no realistic alternative 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.

Cristobal C. Umale, CPA, the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in his report to the stockholders, has expressed his opinion on the fairness of presentation upon completion of such audit.

Ki Mien Tan
Chairman of the Board

Marco C. Cabreza
President

Arrione B. Abarquez
Treasurer

Signed this 25th day of March, 2022

BUREAU OF INTERNAL REVENUE
Revenue District No. 55 - East Laguna
APR 2 0 2022
RECEIVED
COMPLIANCE SECTION

SUBSCRIBED AND SWORN to before me this APR 0 4 2022 at Taguig City affiant exhibited to ID No

Doc. No. 09
Page No. 03
Book No. 17
Series of 20 22

ATTY. JENNYLYN R. OJANO-SABADO
Notary Public City of Taguig
Until 31 December 2022
IBP O.R No. 168265 issued on December 17, 2021
PTR No. 8852508 / 3 January 2022/ Makati City
Appointment No. M-4-(2021-2022)
MCLE Compliance No. VII-[illegible]
Unit 25, G/F Fiesta Market Market Ext.
BGC, Taguig City
Roll No. 71171

SeaBank Philippines, Inc. (A Rural Bank)
(Formerly: Banco Laguna, Inc. (A Rural Bank since 1965))
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Cash and other cash items (Note 7)	**₱13,234,658**	₱8,394,611
Due from Bangko Sentral ng Pilipinas (Notes 7 and 15)	**131,788,392**	11,914,612
Due from other banks (Note 7)	**162,341,340**	91,750,229
Investment securities at amortized cost (Note 8)	**108,857,617**	109,547,944
Loans and receivables (Notes 9 and 10)	**207,112,862**	249,569,527
Bank premises, furniture, fixtures and equipment (Notes 11 and 26)	**209,651,387**	33,745,325
Investment properties (Note 12)	**7,037,883**	12,474,990
Intangible assets (Note 13)	**935,036**	87,086
Other assets (Note 14)	**4,007,425**	916,699
	₱844,966,600	₱518,401,023
LIABILITIES AND EQUITY		
Liabilities		
Deposit liabilities (Note 15)	**₱384,957,465**	₱380,710,611
Accrued expenses and other liabilities (Notes 16 and 24)	**229,327,620**	7,383,027
Lease liability (Note 26)	**88,026,824**	–
Deferred tax liabilities (Note 25)	**2,353,317**	1,749,760
Retirement liability (Note 19)	**2,422,218**	1,550,405
Income tax payable (Note 25)	**39,358**	237,951
	707,126,802	391,631,754
Equity		
Capital stock – common (Note 17)	**100,000,000**	57,500,000
Retained earnings reserve (Note 17)	**3,811,258**	3,811,258
Retained earnings free (Note 17)	**34,579,872**	65,884,733
Remeasurement losses on retirement liability (Note 19)	**(551,332)**	(426,722)
	137,839,798	126,769,269
	₱844,966,600	₱518,401,023

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
Revenue District No. 55 - East Laguna
APR 2 0 2022
RECEIVED
COMPLIANCE SECTION

SeaBank Philippines, Inc. (A Rural Bank)
(Formerly: Banco Laguna, Inc. (A Rural Bank since 1965))

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
INTEREST INCOME		
Loans and receivables (Notes 9 and 10)	**₱32,303,850**	₱38,957,647
Investment securities at amortized cost (Note 8)	**2,066,446**	2,926,075
Due from other banks (Note 7)	**534,917**	333,371
	34,905,213	42,217,093
INTEREST EXPENSE		
Deposit liabilities (Note 15)	**3,725,970**	4,467,284
Lease liability (Note 26)	**954,732**	–
Bills payable	–	46,412
	4,680,702	4,513,696
NET INTEREST INCOME	**30,224,511**	37,703,397
OTHER OPERATING INCOME		
Net gains on sale or exchange of assets (Note 18)	**12,983,200**	9,183,020
Fees and commission	**3,343,646**	3,778,968
Other income	**148,976**	141,666
	16,475,822	13,103,654
TOTAL OPERATING INCOME	**46,700,333**	50,807,051
OTHER EXPENSES		
Compensation and fringe benefits (Notes 19 and 24)	**21,483,384**	20,228,196
Provision for credit and impairment losses (Note 22)	**19,877,269**	5,241,001
Administrative expenses (Note 21)	**19,479,630**	10,884,630
Depreciation and amortization (Note 20)	**9,950,433**	3,309,805
Taxes and licenses	**5,545,049**	2,684,629
	76,335,765	42,348,261
INCOME (LOSS) BEFORE INCOME TAX	**(29,635,432)**	8,458,790
PROVISION FOR INCOME TAX (Note 25)	**1,244,429**	4,092,715
NET INCOME (LOSS)	**(30,879,861)**	4,366,075
OTHER COMPREHENSIVE LOSS, NET OF TAX		
Remeasurement losses on retirement liabilities (Note 19)	**(124,610)**	(1,934,883)
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(31,004,471)**	₱2,431,192
Basic/Diluted earnings (loss) per share (Note 23)	**(₱47.81)**	₱7.59

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
Revenue District No. 55 - East Laguna
APR 2 0 2022
RECEIVED
COMPLIANCE SECTION

SeaBank Philippines, Inc. (A Rural Bank)
(Formerly: Banco Laguna, Inc. (A Rural Bank since 1965))

STATEMENTS OF CHANGES IN EQUITY

	(No. of shares)		(In Pesos)	
	2021	2020	**2021**	2020
Capital Stock – Common				
Beginning balance	**575,000**	575,000	**₱57,500,000**	₱57,500,000
Additional issuance (Note 17)	**425,000**	–	**42,500,000**	–
Ending balance	**1,000,000**	575,000	**100,000,000**	57,500,000
Retained Earnings Reserve				
Reserve for retirement of officers and employees (Note 17)			**3,811,258**	3,811,258
Ending balance			**3,811,258**	3,811,258
Retained Earnings Free				
Beginning balance			**65,884,733**	61,518,658
Net income (losses) closed to retained earnings			**(30,879,861)**	4,366,075
Share issuance costs (Note 17)			**(425,000)**	–
Ending balance			**34,579,872**	65,884,733
Remeasurement on Retirement Liabilities (Note 19)				
Beginning balance			**(426,722)**	–
Total comprehensive loss for the year			**(124,610)**	(1,934,883)
Transition asset			–	1,508,161
Ending balance			**(551,332)**	(426,722)
			₱137,839,798	₱126,769,269

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
Revenue District No. 55 - East Laguna
APR 20 2022
RECEIVED
COMPLIANCE

SeaBank Philippines, Inc. (A Rural Bank)
(Formerly: Banco Laguna, Inc. (A Rural Bank since 1965))
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) before income tax	**(₱29,635,432)**	₱8,458,790
Adjustments for:		
Provision for credit and impairment losses (Note 22)	**19,877,269**	5,241,001
Depreciation and amortization (Note 20)	**9,950,433**	3,309,805
Gain on foreclosure (Note 18)	**(7,714,984)**	(7,851,730)
Gain on sale of investment properties (Note 18)	**(5,268,216)**	(1,181,291)
Accretion of lease liability (Note 26)	**954,732**	–
Retirement expense (Note 19)	**747,203**	1,123,683
Gain on sale of fixed assets (Note 11)	**–**	(149,999)
Operating income (loss) before changes in working capital	**(11,088,995)**	8,950,259
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Loans and receivables	**19,526,500**	59,909,075
Other assets	**(3,090,726)**	4,061
Increase (decrease) in the amounts of:		
Deposit liabilities	**4,246,854**	(3,861,365)
Accrued interest and other liabilities	**9,601,662**	(524,125)
Income taxes paid	**(331,120)**	(3,064,062)
Net cash provided by operating activities	**18,864,175**	61,413,843
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment in securities measured at amortized cost (Note 8)	**(409,469,982)**	(233,855,259)
Bank premises, furniture, fixtures and equipment (Notes 11 and 29)	**(62,926,736)**	(282,138)
Intangible assets (Note 13)	**(1,024,800)**	–
Proceeds from disposals of:		
Investment in securities measured at amortized cost (Note 8)	**410,160,309**	208,422,919
Investment properties (Note 12)	**9,074,984**	1,384,058
Bank premises, furniture, fixtures and equipment (Note 11)	**–**	149,999
Net cash used in investing activities	**(54,186,225)**	(24,180,421)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposit for future stock subscription (Notes 16 and 24)	**200,000,000**	–
Issuance of share capital (Note 17)	**42,500,000**	–
Payment of lease liability (Note 26)	**(11,871,912)**	–
Settlement of bills payable	**–**	(3,792,754)
Net cash provided (used in) financing activities	**230,628,088**	(3,792,754)
EFFECT OF FOREIGN EXCHANGE DIFFERENCES	**(1,100)**	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	**₱195,304,938**	₱33,440,668

(Forward)

	Years Ended December 31	
	2021	2020
Cash and other cash items	**₱8,394,611**	₱4,994,198
Due from Bangko Sentral ng Pilipinas	**11,914,612**	12,055,209
Due from other banks	**91,750,229**	61,569,377
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**112,059,452**	78,618,784
Cash and other cash items	**13,234,658**	8,394,611
Due from Bangko Sentral ng Pilipinas	**131,788,392**	11,914,612
Due from other banks	**162,341,340**	91,750,229
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱307,364,390**	₱112,059,452
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest paid	**₱39,080,245**	₱39,513,987
Interest received	**4,853,062**	6,013,136

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
Revenue District No. 55 - East Laguna
APR 20 2022
RECEIVED
COMPLIANCE SECTION

NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information**

SeaBank Philippines Inc. (A Rural Bank) (Formerly: BANCO LAGUNA, INC., (A RURAL BANK SINCE 1965)) (SeaBank PH or the Bank), was established in 1965 and registered with the Securities and Exchange commission (SEC) under Registration Number 27173 on May 11, 1965. The Bank's corporate life has already been extended for another 50 years from May 11, 2015 and has been indefinite or perpetual from April 22, 2020. The new corporate name was approved by the SEC on December 9, 2021.

The primary business objective of the Bank is to engage in the business of extending credit to farmers and tenants, and to small and medium entrepreneurs including deserving rural industries and enterprises for productive and providential purposes. The Bank acquired its Electronic Payment and Financial Services (EPFS) license from Bangko Sentral ng Pilipinas (BSP) in April 2021 to enable its customers to receive payments or initiate financial transactions through an electronic device such as a mobile phone.

Its principal head office address is located at Pagsanjan, Laguna, with five (5) branches established in the municipalities of Sta. Cruz, Siniloan, Liliw, and Majayjay in the province of Laguna and a branch at the municipality of Sariaya in Quezon province.

Last October 2020, SeaMoney Holding PH Private Limited ("SeaMoney Holding PH") and Mr. Jan Frederic Chiong acquired 60.00% and 20.00% ownership of the Bank, respectively. The BSP pre-approved the change of ownership on July 30, 2020, and such change was duly registered with the SEC on January 21, 2021.

In October 2021, Mr. Jan Frederic Chiong further acquired from Mr. Carlo Cabreza and Mr. Marco Cabreza shares of stock totaling to 114,996 with a par value of ₱100.00. The Certificate Authorizing Registration (CARs) for the said transfers were issued in December 2021.

Further in November 2021, SeaMoney Holding PH and Mr. Jan Frederic Chiong subscribed to additional shares of stock amounting to 255,000 and 170,000 respectively, each with a par value of ₱100.00.

As of December 31, 2021, the capital structure of the Bank is held by the following:

Shareholder	Number of shares	% of ownership
SeaMoney Holding PH	600,000	60.0
Jan Frederic Chiong	399,996	40.0
Marco Cabreza	1	0.0
Ki Mien Tan	1	0.0
Wonsuk Heo	1	0.0
Shao Ming Tan	1	0.0
	1,000,000	100.0

SeaBank PH's immediate parent company is SeaMoney Holding PH, and ultimate parent company is Sea Limited. SeaMoney Holding PH and Sea Limited are incorporated in Singapore and Cayman

Islands, respectively. SeaMoney Holding PH's principal activity is that of an investment holding company.

2. Summary of Significant Accounting Policies

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

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

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

Presentation of Financial Statements
The Bank presents the statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 5.

The Bank generally presents financial assets and financial liabilities at their gross amounts in the statement of financial position, unless the offsetting criteria under PFRS are met. The Bank does not also set off items of income and expenses, unless required or permitted by PFRS, or is specifically disclosed in the Bank's accounting policies.

Functional and Presentation Currency
The amounts in these financial statements are measured and presented in Philippine pesos, the Bank's functional and presentation currency. All values represent absolute amounts, except when otherwise indicated.

Functional currency is the currency of the primary economic environment in which the Bank operates.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended standards and interpretations which became effective for the year 2021.

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases: Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs, which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the 'separately identifiable' requirement when an RFR instrument is designated as a hedge of a risk component

  The amendments also require disclosure of information about the nature and extent of risks to which an entity is exposed arising from financial instruments subject to IBOR reform, how the entity manages those risks, their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition. The amendments had no impact on the financial statements of the Bank.

<u>Future Changes in Accounting Standards</u>
Listed below are accounting standards and interpretations issued but not yet effective up to the date of issuance of the Bank's financial statements. The Bank intends to adopt these standards when they become effective. Except as otherwise indicated, the Bank does not expect the adoption of these new and amended standards and interpretations to have significant impact on the financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations: Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3, *Business Combination* was also added to avoid the issue of potential 'Day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine Interpretation IFRIC 21, *Levies*, if incurred separately. The amendments apply prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds Before Intended Use*
  The amendments prohibit entities to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, entities should recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts: Cost of Fulfilling a Contract*
  The amendments apply a "directly related cost approach" to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Under this approach, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments apply to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRS Standards 2018-2020 Cycle*
  (a) Amendments to PFRS 1, *Subsidiary as a first-time adopter*
  (b) Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  (c) Amendments to PFRS 16, *Lease incentives*
  (d) Amendments to PAS 41, *Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- PFRS 17, *Insurance Contracts*
  PFRS 17 is comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted but only if the entity also applies PFRS 9, *Financial Instruments*, and PFRS 15, *Revenue from Contracts with Customers*.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify: (a) what is meant by a right to defer settlement; (b) that a right to defer must exist at the end of the reporting period; (c) that classification is unaffected by the likelihood that an entity will exercise its deferral right; and (d) that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are applied retrospectively.

Deferred effectivity

- PFRS 10, *Consolidated Financial Statements*, and PAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.
  The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Foreign Currency Translation

For financial reporting purposes, the Bank translates all foreign currency-denominated accounts into their equivalents in Philippine pesos.

As at reporting date, the Bank translates the following foreign currency-denominated accounts in Philippine peso using:

Financial statement accounts	**Exchange rate**
Monetary assets and liabilities	Bankers Association of the Philippines (BAP) closing rate at end of year
Income and expenses	Rate prevailing at transaction date

The Bank recognizes in the statement of comprehensive income any foreign exchange differences arising from revaluation of monetary assets and liabilities. As of December 31, 2021 and 2020, there are no non-monetary assets and liabilities measured in foreign currency.

Cash and Other Cash Items

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Bank considers as cash equivalents wherein drawings can be made to meet cash requirements.

Fair Value Measurement

Fair value is the price that the Bank would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that these transactions take place either:
- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank. The Bank measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Bank uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances.

For nonfinancial assets, the Bank measures their fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 6, based on the lowest level input that is significant to the fair value measurement as a whole.

Financial Instruments – Initial Recognition

Date of recognition

The Bank recognizes purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace on settlement date (i.e., the date that an asset is delivered to or by the Bank). The Bank recognizes deposits, amounts due to banks and customers and loans when cash is received by the Bank or advanced to the borrowers.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

Financial Instruments – Classification and Subsequent Measurement
The Bank classifies and measures financial assets at FVTPL unless these are measured at FVOCI or at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing those financial assets.

The Bank first assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test ('solely payments of principal and interest' or SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than insignificant exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL. Only financial assets that pass the SPPI test are eligible to be measured at FVOCI or at amortized cost.

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

For financial liabilities, the Bank classifies them as either financial liabilities at FVTPL or financial liabilities at amortized cost.

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

This accounting policy relates to the statement of financial position captions 'Due from Bangko Sentral ng Pilipinas', 'Due from other banks', 'Investment securities at amortized cost', 'Loans and Receivables' and financial assets included in 'Other assets'.

The Bank subsequently measures financial assets at amortized cost using the effective interest method of amortization, less allowance for credit losses. The Bank includes the amortization in 'Interest income', and the ECL arising from impairment of such financial assets in 'Provision for credit and impairment losses' in the statement of comprehensive income.

Financial liabilities at amortized cost
The Bank classifies issued financial instruments or their components which are not designated at FVTPL, as financial liabilities at amortized cost under 'Deposit liabilities' or other appropriate financial liability accounts. The substance of the contractual arrangement for these instruments results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

The Bank subsequently measures financial liabilities at amortized cost using the effective interest method of amortization.

Reclassification of financial instruments
Subsequent to initial recognition, the Bank may reclassify its financial assets only when there is a change in the business models for managing these financial assets. Reclassification of financial liabilities is not allowed.

Financial Instruments – Derecognition
Financial assets
The Bank derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:
- the rights to receive cash flows from the asset have expired;
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor
- retained the risk and rewards of the asset but has transferred control over the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the Bank recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under 'Miscellaneous Income' in the statements of income.

Financial liabilities
The Bank derecognizes a financial liability when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the Bank treats such an exchange or modification as a derecognition of the original liability and recognition of a new liability, and Bank recognizes the difference in the respective carrying amounts in the statement of income.

Financial Instruments – Impairment
Impairment losses is based on the BSP methodology as described in Circular 1011. This method is promulgated by the BSP to align the Bank's practice of recognizing impairment based on the "Expected Credit Loss" method mandated by PFRS 9, *Financial Instruments*.

The Bank assesses its impairment based on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Bank's identification of a credit loss event. Instead, the Bank considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

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

Determining significant increase in credit risk (SICR)
At each reporting date, the Bank assesses whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Bank's assessment of SICR involves looking at both the qualitative and quantitative elements, as well as if the loan or credit exposure is unpaid for at least 30 days ("backstop").

The Bank assesses SICR on loans or credit exposures having potential credit weaknesses based on current and/or forward-looking information that warrant management's close attention.
Such weaknesses, if left uncorrected, may affect the repayment of these exposures. The loan or credit exposure also exhibits SICR if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

Transfer between non-performing to performing
The Bank transfers credit exposures from non-performing to performing when there is sufficient evidence to support their full collection. Such exposures should exhibit both of the following indicators:
- quantitative – characterized by payments made within an observation period; and
- qualitative – pertain to the results of assessment of the borrower's financial capacity.

Generally, the Bank considers that full collection is probable when payments of interest and/or principal are received for at least six months.

Modified or restructured loans and other credit exposures
In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule, which may be provided depending on the borrower's current or expected financial difficulties. Modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date and schedule of periodic payments.

If modifications are considered by the Bank as substantial based on qualitative factors, the loan is derecognized as discussed under Financial Instruments – Derecognition.

If a loan or credit exposure has been renegotiated or modified without this resulting in derecognition, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). The Bank also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification are determined on a case-by-case basis.

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

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

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

	Years
Bank premises, furniture, fixtures and equipment	
Building	3 - 20 years
Furniture and fixtures	1 - 5 years
Office equipment	1 - 5 years
Right-of-use assets	over the shorter of lease term or the estimated useful lives of the assets
Leasehold rights and improvements	over the shorter of lease term or the estimated useful lives of the assets

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

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

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

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

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

Investment Properties

The Bank initially measures investment properties and chattel mortgage properties at cost, including transaction costs such as capital gains tax (CGT) and documentary stamp tax (DST). When the investment property or chattel mortgage property is acquired through an exchange transaction, the Bank measures the asset at its fair value, unless the fair value of such an asset cannot be reliably measured, in which case the asset acquired is measured at the carrying amount of asset given up. In case the investment property has depreciable improvements, the initial recognition is divided into 'Land' and 'Building and improvements' based on the fair value. The Bank recognizes any gain or loss on exchange in the statement of income under 'Net gains on sale or exchange of assets'.

Foreclosed properties are classified under 'Investment properties' upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, the Bank carries the investment properties and chattel mortgage properties at cost less accumulated depreciation (for depreciable properties) and any impairment in value. Depreciation is computed using the straight-line method over the estimated useful lives (i.e., 10 years) of the depreciable assets.

The Bank derecognizes investment properties when they have either been disposed of or when the asset is permanently withdrawn from use and no future benefit is expected from its disposal. The Bank recognizes any gains or losses on the retirement or disposal of an investment property in the statement of comprehensive income under 'Net gain on sale or exchange of assets' in the period of retirement or disposal.

The Bank transfers assets to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Conversely, the Bank transfers out of investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Intangible Assets

Intangible assets pertain to initial franchise fees and software costs which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of three years. Intangible assets include Software Costs as of December 31, 2021 and 2020.

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

Impairment of Non-financial Assets
Bank premises, furniture, fixtures and equipment, investment properties and intangible assets
At each reporting date, the Bank assesses whether there is any indication that its property and equipment, investment properties and intangible assets with finite lives may be impaired. When an indicator of impairment exists, the Bank makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit (CGU) to which it belongs.

When the carrying amount of an asset exceeds its recoverable amount, the Bank considers the asset as impaired and writes the asset down to its recoverable amount. In assessing value in use, the Bank discounts the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Any impairment loss is charged against current operations. At each reporting date, the Bank assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the recoverable amount and reverses a previously recognized impairment loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal recognized in the statement of income cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. After such reversal, the Bank adjusts the depreciation and amortization in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Equity
The Bank measures capital stock at par value for all shares issued and outstanding. When the shares are sold at a premium, the Bank credits the difference between the proceeds and the par value to 'Capital paid in excess of par value'.

The reserves recorded in equity in the statement of financial position include:
1. Retained earnings – free represents all current and prior period results of operations as reported in the profit and loss section of the statements of income and other comprehensive income, reduced by the amounts of dividends declared, if any.
2. Retained earnings reserve represents appropriation on the retirement benefit of its officers and employees
3. Remeasurement losses on retirement liability pertains to the remeasurement comprising actuarial gains or losses on the present value of the defined benefit obligation, net of return on plan assets

Dividends
The Bank recognizes dividends on common shares as a liability and deduction against 'Retained earnings reserve' when approved by the Board of Directors (BOD). For dividends that are approved after the reporting date, the Bank discloses them in the financial statements as an event after the reporting date.

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

Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis. Interest expense for all interest-bearing financial liabilities is recognized using the EIR of the underlying financial liabilities.

The Bank earns interest income from loans and other receivables and investments (see accounting policy for financial assets). The Bank also earns service fees and commissions on various banking services, and gains on sale of properties, which are supported by contracts approved by the parties involved.

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

(a) Fees, commission and other income – are recognized as earned, when collected, or when there is reasonable degree of certainty as to their collectability and based on the agreed term and conditions with customers which are generally when the services have been performed. These are included as part of the Fees and Commission in the statements of comprehensive income.

(b) Penalties –are charges from deposit accounts that fall under dormancy or below maintaining balance. These fees are recognized at the time of dormancy or when the account falls below maintaining balance. Penalty is also imposed against non-payment of loans and receivables. These are included as part of the Fees and Commission in the statements of comprehensive income.

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

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

(a) Post-employment Defined Benefit Plan
A defined benefit plan is a post-employment plan covering all regular full-time employees that defines an amount of 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 these benefits remains with the Bank, even if plan assets for funding the defined benefit plan have been

acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The present value of the defined benefit obligation is calculated annually by an independent actuary. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

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

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

(c) Compensated Absences and Other Employee Benefits
Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. In addition, the Bank recognizes a liability and an expense for other employee benefits based on a formula that is fixed, regardless of the Bank's income after certain adjustments, and does not take into consideration the profit attributable to the Bank's shareholders. The Bank recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation. They are included in Accrued Expenses and Other Liabilities account in the statements of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

<u>Leases</u>
The Bank determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee
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 right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

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

The Bank presents the right-of-use assets in 'Bank premises, furniture, fixtures and equipment' and subjects it to impairment in line with the Bank's policy on impairment of nonfinancial assets.

Lease liabilities
At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any 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 exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses 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 the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The Bank determines the IBR based on the ultimate parent company's credit rating since the ultimate parent company is expected to fund the Bank's operations. After the commencement date of the lease, the Bank measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in 'Interest expense on lease liability'), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Short-term leases and leases of low-value assets
The Bank applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases that are considered of low value (i.e., below ₱250,000). As of December 31, 2021 and 2020, there are no short-term leases and leases of low-value assets.

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

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

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

Income Taxes
Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply during the period when the asset is realized or the liability is settled, provided such tax rates have been enacted or substantively enacted at the end of reporting period.

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

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

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

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

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

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

Related Party Transactions and Relationships

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

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

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

The Bank's policy on transactions with related parties is to ensure that these are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. Related party transactions should not involve more than the normal risk of collectability or present other unfavorable conditions.

Events After the Reporting Period

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and contingent liabilities, if any. Future events may occur which can cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and 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.

Judgments

(a) Leases

Bank as a lessee

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

Extension and termination options
The Bank has a lease contract that includes extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the IBR for lease liability
The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR for lease liability is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Bank determines the IBR based on the ultimate parent company's credit rating since the ultimate parent company is expected to fund the Bank's operations.

The carrying values of the Bank's right-of-use asset and lease liability are disclosed in Notes 11 and 26.

(b) *Fair value of financial instruments*
When the fair values of financial assets and financial liabilities in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and default rates assumptions. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of the Bank's financial instruments are disclosed in Note 6.

(c) *Classification of financial assets*
The Bank classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Bank performs the business model assessment based on observable factors such as:

a) Performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel
b) Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
c) Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
d) Expected frequency, value and timing of sales

In performing the SPPI test, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

Contingencies
In the normal course of the Bank's operations, there are various legal proceedings. The estimate of the probable costs for the resolution of claims has been developed in consultation with the outside legal counsel handling the Bank's defense in these matters and is based on an analysis of potential results. The Bank currently does not believe that these proceedings will have a material adverse effect on the financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 28).

<u>Estimates</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) *Credit losses on loans and receivables*
The Bank reviews its loans and receivables periodically to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgment made by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors including the assessment of the financial condition of the counterparty, and estimated net selling prices of collateral, and actual results may differ, at which event, the Bank adjusts the impairment loss and ensures that allowance for it remains adequate.

In addition to specific allowance against individually significant loans and receivables, the Bank also provides a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on changes in factors that are indicative of incurred losses, such as deterioration in payment status, among others. Likewise, the Bank follows BSP Circular 1011 in adopting for a simple loan loss methodology fundamentally anchored on the principle of recognizing ECL.

The ongoing COVID-19 outbreak is widely expected to adversely affect the global economy and financial markets for the foreseeable future. The economic impact of COVID-19 depends on the mutation of the virus and the response of the authorities and the global community. The situation continues to evolve and the impact on the global and Philippine economy and the related government responses and measures depend on future developments that are highly uncertain.
In light of the COVID-19 pandemic, the Bank reviewed the conduct of its impairment assessment and methodologies. The Bank assessed the adequacy of its allowance for credit losses provided to its loans and receivables.

The gross carrying amounts of financial assets subject to ECL as of December 31, 2021 and 2020 and the related allowance for credit losses are disclosed in Note 9.

b) *Present value of retirement obligation*
The cost of defined retirement plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and the long-term nature of this plan, such estimates are subject to significant uncertainty.

The expected rate of return on plan assets was determined based on market prices prevailing on the date of valuation applicable to the period over which the obligation is to be settled.
The assumed discount rates were determined using the market yields on Philippine government

bonds with terms consistent with the expected employee benefit payout as of statement of financial position date. The present value of the defined benefit obligation of the Bank and the details of assumptions used are disclosed in Note 19.

c) *Impairment of investment properties*
The Bank regularly conducts an impairment review of its investment properties to determine if there is any indication that the property maybe impaired. The Bank considers the following to assess the recoverable amount of each individual asset:

- liquidation period of the Bank in relation on the property's saleability, or significant fair value changes of the property from the last valuation
- application of cost to sell the property
- realizability of the actual sales versus the appraised amount

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the fair value approach. Recoverable amounts are estimated for individual asset.

The carrying value of investment properties is disclosed in Note 12.

4. **Financial Risk Management Objectives and Policies**

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

Risk Responsibilities
The BOD directs the Bank's over-all risk management strategy and performs an oversight function on the Bank's implementation of its risk policies through the help of two independent functions - the Compliance Department and the Internal Audit.

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

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

Credit Risk
Credit risk is the risk that a counterparty fails to make repayment in full or partially. It arises from lending, treasury and other activities undertaken by the Bank. The Bank has a moderate appetite for credit risks, as reflected by a credit mix comprising secured and unsecured loans to individuals and corporates.

The Bank's activities are governed by its Loans Operations Manual which defines guiding principles and parameters for credit activities as well as the roles and responsibilities of every individual to the over-all credit process. Credit policies and standards are periodically reviewed to ensure effectiveness and relevance.

The Bank's Credit Committee undertakes credit analysis and review to ensure consistency in the Bank's risk assessment process. It performs risk scoring for its loan application accounts. It also ensures that the Bank's credit policies and procedures are adequate to meet the demands of the business operations. The Credit Committee is also responsible for developing procedures to streamline and expedite the processing of credit applications.

The Bank is exposed to credit risk from its operating activities and from its financing activities consisting of cash and loans and receivables. Credit Risk is quantified into performance metrics, (e.g., NPL, NPL Coverage Ratio) and these metrics are monitored and reported to the BOD on a monthly basis. The credit strategy, such as credit mix is being reviewed and approved by the BOD. Tolerances for the Bank's daily credit activities are delegated by the BOD to the Credit Committee. Above a certain threshold, credit activities are approved directly by the BOD.

Maximum exposure to credit risk after collateral held or other credit enhancements

	2021			
	Carrying Amount	**Fair Value of Collateral or Credit Enhancement**	**Financial Effect of Collateral or Credit Enhancement**	**Maximum Exposure to Credit Risk**
Consumer	**₱105,265,857**	**₱379,358,457**	**₱85,715,672**	**₱19,550,185**
Commercial	**77,256,898**	**347,772,579**	**76,521,999**	**734,899**
Mortgage	**8,170,958**	**21,777,760**	**8,170,958**	**–**
	₱190,693,713	**₱748,908,796**	**₱170,408,629**	**₱20,285,084**

	2020			
	Carrying Amount	Fair Value of Collateral or Credit Enhancement	Financial Effect of Collateral or Credit Enhancement	Maximum Exposure to Credit Risk
Consumer	₱128,904,524	₱492,349,154	₱125,981,566	₱2,922,958
Commercial	91,736,733	276,744,189	91,179,538	557,195
Mortgage	6,795,692	34,741,052	6,795,692	–
	₱227,436,949	₱803,834,395	₱223,956,796	₱3,480,153

Collateral and other risk mitigants
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding acceptability of the types of collateral and valuation parameters.

The main type of collateral obtained by the Bank is real estate mortgage.

Due from BSP and Other Banks
The credit risk for Due from BSP and other Banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Due from other banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of ₱500,000 per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, Amendment to Charter of PDIC.

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

Distribution/Concentration of credits:

	2021		2020	
	Amount*	**%**	Amount*	%
Real estate activities	**₱61,285,938**	**27.42%**	₱73,633,123	28.99%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**38,649,238**	**17.29%**	38,826,204	15.29%
Activities of households for own use	**33,463,737**	**14.97%**	34,178,266	13.45%
Manufacturing	**21,323,666**	**9.54%**	22,924,564	9.02%
Agriculture, forestry and fishing	**18,322,735**	**8.20%**	24,224,346	9.54%
Salary-based general purpose consumption	**14,081,664**	**6.30%**	12,847,734	5.06%
Accommodation and food service activities	**13,971,557**	**6.25%**	11,557,202	4.55%
Construction	**11,702,268**	**5.23%**	21,593,265	8.50%
Transportation and storage	**1,578,712**	**0.71%**	2,497,127	0.98%
Education	**1,317,291**	**0.59%**	2,505,040	0.99%
Human health and social work activities	**274,948**	**0.12%**	427,305	0.17%
Other service activities	**7,558,530**	**3.38%**	8,785,106	3.46%
	₱223,530,284	**100.00%**	₱253,999,282	100.00%

**net of unamortized discount and other deferred credits*

Schedule of impaired non-performing receivables as of December 31:

	2021	2020
Loans - non-performing*	**₱26,003,140**	₱23,673,289
Sales contract receivable - non-performing	**2,973,534**	4,930,022
Total	**₱28,976,674**	₱28,603,311

**net of unamortized discount and other deferred credits*

Market Risk

Market risk is the risk to earnings and capital arising from the possible decline in value from its funding costs, placements with other banks and investments in securities. The Bank has a conservative appetite for market risk, as reflected by its stable deposit base and low reliance on investment income. Moreover, it ensures that each investment is in accordance with current BSP regulations.

Interest Risk

The Bank follows a policy on managing its assets and liabilities to ensure that fluctuations in interest rates are kept within acceptable limits in accordance with BSP Circular 1044. The Bank has in place a risk management system and processes to quantify and manage interest rate risk in the banking book (IRRBB). It uses measurement tools to quantify its exposure to IRRBB in terms of potential changes to both Economic Value of Equity (EVE) and Net Interest Income (NII).

Economic value measures are used to provide a view on potential long-term effects of an institution's overall IRRBB exposure. The Bank quantifies potential changes in economic value of equity, arising from movements in the underlying interest rates, by means of stress scenarios.

NII represents the periodic value view of the bank's earnings. NII is defined as the difference between total interest income and total interest expense. The NII components relevant for IRRBB comprise risk-free rate, basis spreads and interest rate-sensitive and non-sensitive margins.

The table below demonstrates the sensitivity of net interest income. NII sensitivity was computed by calculating the changes in the banking book gaps assuming a parallel shift in the yield curve.

	2021		2020	
Change in basis points	**+100**	**-100**	+100	-100
Sensitivity of NII	**(₱324,017)**	**₱324,017**	(₱711,030)	₱711,030

Liquidity Risk

The Bank's liquidity risk is mainly due to the duration mismatch between assets and liabilities. Liquidity risk could snowball into crisis and trigger serious consequences such as a bank run. Liquidity shortfall happens when the short-term liability is due and there is not enough cashflow generated from assets to meet the obligation. The Bank has a conservative appetite for liquidity risk and has various options for emergency funding in the event of a liquidity crunch. Liquidity risk is quantified into performance metrics (e.g. Liquidity Ratio) and these metrics are stress tested under various scenarios and reported to the Board on a monthly basis.

The analysis of the maturity groupings of the Bank's financial assets and financial liabilities made and disclose in these financial statements. For the purpose of disclosure and to reflect the situational liquidity position, amount of past-due loans is presented in the longest time bucket. While Savings and Demand Deposits are presented in the earliest time bucket.

	2021			
	Due within one year	**Due beyond one year but within five years**	**Due beyond five years**	**Total**
Financial assets				
Cash and other cash items	**₱13,234,658**	**₱–**	**₱–**	**₱13,234,658**
Due from other banks*	**162,341,340**	**–**	**–**	**162,341,340**
Due from Bangko Sentral ng Pilipinas	**131,788,392**	**–**	**–**	**131,788,392**
Investment securities measured at amortized cost*	**77,281,146**	**28,466,396**	**11,472,360**	**117,219,902**
Loans and sales contract receivables*	**124,169,650**	**136,943,356**	**27,931,188**	**289,044,194**
Total	**508,815,186**	**165,409,752**	**39,403,548**	**713,628,486**
Financial liabilities				
Deposit liabilities*	**385,891,312**	**–**	**–**	**385,891,312**
Accrued expenses & other liabilities	**17,373,548**	**–**	**–**	**17,373,548**
Lease liability*	**22,238,066**	**73,610,753**	**–**	**95,848,819**
Total	**425,502,926**	**73,610,753**	**–**	**499,113,679**
Positive liquidity gap	**83,312,260**	**91,798,999**	**39,403,548**	**214,514,807**
Cumulative total gap	**₱83,312,260**	**₱175,111,259**	**₱214,514,807**	**₱429,029,614**

**includes future interest*

	2020			
	Due within one year	Due beyond one year but within five years	Due beyond five years	Total
Financial assets				
Cash and other cash items	₱8,394,611	₱–	₱–	₱8,394,611
Due from other banks*	91,775,209	–	–	91,775,209
Due from Bangko Sentral ng Pilipinas	11,914,612	–	–	11,914,612
Investment securities measured at amortized cost*	84,045,710	23,918,556	6,130,544	114,094,810
Loans and sales contract receivables*	155,438,530	135,923,128	32,443,743	323,805,401
Total	351,568,672	159,841,684	38,574,287	549,984,643
Financial liabilities				
Deposit liabilities*	385,059,764	–	–	385,059,764
Accrued expenses & other liabilities	2,536,793	–	–	2,536,793
Total	387,596,557	–	–	387,596,557
Positive (negative) liquidity gap	(36,027,885)	159,841,684	38,574,287	162,388,086
Cumulative total gap	(36,027,885)	₱123,813,799	₱162,388,086	₱324,776,172

**includes future interest*

Operation Risk

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

Managing operation risk in the Bank is founded on a sound internal control environment. Among the key components of a sound internal environment are recruitment and placement policies 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.

The Bank has a conservative appetite for operational risks. Risks are carefully analyzed in all the Bank's operational activities, including to ensure that the benefits of the risk control measures exceed their costs. Loss incidents are analyzed, escalated, recorded, and followed up by each business unit, as well as overseen by the second line of defense. The BOD has also set up a robust Internal Audit team that works closely with Management to ensure all relevant audit findings are closed expeditiously.

5. Maturity Analysis of Assets and Liabilities

The table below summarizes the maturity profile of the Bank's assets and liabilities based on the applicable undiscounted contractual payments as of December 31, 2021 and 2020:

	2021			2020		
	Less than twelve months	**Over twelve months**	**Total**	Less than twelve months	Over twelve months	Total
Financial assets						
Cash and other cash items	**₱13,234,658**	**₱–**	**₱13,234,658**	₱8,394,611	₱–	₱8,394,611
Due from Bangko Sentral ng Pilipinas	**131,788,392**	**–**	**131,788,392**	11,914,612	–	11,914,612
Due from other banks	**162,341,340**	**–**	**162,341,340**	91,750,229	–	91,750,229
Investment securities at amortized cost*	**78,682,441**	**30,175,176**	**108,857,617**	81,377,150	28,170,794	109,547,944
Loans and receivables**	**90,974,005**	**116,138,857**	**207,112,862**	67,516,815	182,052,712	249,569,527
Other assets***	**–**	**3,256,671**	**3,256,671**	–	–	–
	₱477,020,836	**₱149,570,704**	**₱626,591,540**	₱260,953,417	₱210,223,506	₱471,176,923

(Forward)

	2021			2020		
	Less than twelve months	**Over twelve months**	**Total**	Less than twelve months	Over twelve months	Total

Nonfinancial assets						
Bank premises, furniture, fixtures and equipment****	**₱–**	**₱209,651,387**	**₱209,651,387**	₱–	₱33,745,325	₱33,745,325
Investment properties****	**–**	**7,037,883**	**7,037,883**	–	12,474,990	12,474,990
Intangible assets	**–**	**935,036**	**935,036**	–	87,086	87,086
Other assets*****	**640,262**	**110,492**	**750,754**	852,807	63,892	916,699
	640,262	**217,734,798**	**218,375,060**	852,807	46,371,293	47,224,100
	₱477,661,098	**₱367,305,502**	**₱844,966,600**	₱261,806,224	₱256,594,799	₱518,401,023
Financial liabilities						
Deposit liabilities	**₱384,957,465**	**₱–**	**₱384,957,465**	₱380,710,611	₱–	₱380,710,611
Accrued expenses and other liabilities	**218,733,227**	**10,594,393**	**229,327,620**	7,383,027	–	7,383,027
Lease liability	**18,978,848**	**69,047,976**	**88,026,824**	–	–	–
	622,669,540	**79,642,369**	**702,311,909**	388,093,638	–	388,093,638
Nonfinancial liabilities						
Deferred tax liabilities	**–**	**2,353,317**	**2,353,317**	–	1,749,760	1,749,760
Retirement liability	**–**	**2,422,218**	**2,422,218**	–	1,550,405	1,550,405
Income tax payable	**39,358**	**–**	**39,358**	237,951	–	237,951
	39,358	**4,775,535**	**4,814,893**	237,951	3,300,165	3,538,116
	₱622,708,898	**₱84,417,904**	**₱707,126,802**	₱388,331,589	₱3,300,165	₱391,631,754

**Net of unamortized discount.*
***Net of unamortized discount and other deferred credits and allowance for credit losses.*
****Other assets under financial assets include security deposits.*
*****Net of accumulated depreciation and allowance for impairment losses.*
******Other assets under financial assets include prepaid expenses, prepaid documentary stamps, stationery and office supplies and other miscellaneous assets.*

6. Fair Value Measurement and Disclosures

The Bank used the following methods and assumptions in estimating the fair value of its assets and liabilities:

Asset and Liabilities	Fair Value Methodologies
Cash equivalents	At carrying amounts due to their relatively short-term maturity
Investment securities	For quoted securities – based on market prices from debt exchanges For unquoted securities* – estimated using either: quoted market prices of comparable investments; or discounted cash flow methodology**
Loans and receivables	For loans with fixed interest rates – estimated using the discounted cash flow methodology For loans with floating interest rates – at their carrying amounts
Investment properties	Appraisal by in-house appraiser based on highest and best use of the property (i.e., current use of the properties)*** using market data approach****
Short-term financial liabilities	At carrying amounts due to their relatively short-term maturity

**using interpolated PHP BVAL rates provided by the Philippine Dealing and Exchange Corporation*
***using the current incremental lending rates for similar loan*
****considering other factors such as size, shape and location of the properties, price per square meter, reproduction costs new, time element, discount, among others*
*****using recent sales of similar properties within the same vicinity and considering the economic conditions prevailing at the time of the valuations and comparability of similar properties sold*

Fair Value Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:

Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Bank held the following financial assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	2021				
	Carrying values	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	**₱108,857,617**	**₱85,478,837**	**₱–**	**₱22,988,528**	**₱108,467,365**
Loans and receivables**					
Multipurpose	**105,265,857**	–	–	**133,495,689**	**133,495,689**
Commercial	**77,256,898**	–	–	**102,822,220**	**102,822,220**
Mortgage	**8,170,958**	–	–	**9,955,718**	**9,955,718**
Total	**₱299,551,330**	**₱85,478,837**	**₱–**	**₱269,262,155**	**₱354,740,992**
(Forward)					
Financial liabilities					
Financial liabilities at amortized cost:					
Deposit liabilities					
Special savings	**₱174,082,694**	**₱–**	**₱–**	**₱173,070,989**	**₱173,070,989**
	₱174,082,694	**₱–**	**₱–**	**₱173,070,989**	**₱173,070,989**

**net of unamortized discount (Note 8)*
***net of unamortized discount and other deferred credits and allowance for probable losses (Note 9)*

	2020				
	Carrying values	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱109,547,944	₱84,939,701	₱10,026,688	₱13,738,605	₱108,704,994
Loans and receivables**					
Multipurpose	128,904,524	–	–	163,288,124	163,288,124
Commercial	91,736,733	–	–	116,496,939	116,496,939
Mortgage	6,795,692	–	–	9,457,543	9,457,543
Total	₱336,984,893	₱84,939,701	₱10,026,688	₱302,981,211	₱397,947,600
Financial liabilities					
Financial liabilities at amortized cost:					
Deposit liabilities					
Special savings	180,430,026	–	–	179,110,347	179,110,347
	₱180,430,026	₱–	₱–	₱179,110,347	₱179,110,347

**net of unamortized discount (Note 8)*
***net of unamortized discount and allowance for probable losses (Note 9)*

Fair Value Measurement for Non-financial Assets

Determining Fair Value of Investment Properties

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

	2021				
	Carrying values	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment properties*					
Land	**₱3,707,116**	**₱–**	**₱–**	**₱12,863,346**	**₱12,863,346**
Building	**3,330,767**	**–**	**–**	**7,948,800**	**7,948,800**
Total	**₱7,037,883**	**₱–**	**₱–**	**₱20,812,146**	**₱20,812,146**

**net of accumulated depreciation and allowance for impairment losses (Note 12)*

	2020				
	Carrying values	Level 1	Level 2	Level 3	Total
Investment properties*					
Land	₱10,218,921	₱–	₱–	₱13,020,650	₱13,020,650
Building	2,256,069	–	–	6,394,760	6,394,760
Total	₱12,474,990	₱–	₱–	₱19,415,410	₱19,415,410

**net of accumulated depreciation and allowance for impairment losses (Note 12)*

As of December 31, 2021 and 2020, there were no transfers between levels 1, 2 and 3 fair value.

7. Cash and Other Cash Items, Due from BSP and Due from Other Banks

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

	2021	2020
Cash and other cash items	**₱13,234,658**	₱8,394,611
Due from BSP	**131,788,392**	11,914,612
Due from other banks	**162,341,340**	91,750,229
	₱307,364,390	₱112,059,452

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 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.

As of December 31, 2021 and 2020, the Bank is subject to reserve requirements equivalent to 2.00%. The Bank is in compliance with the reserve requirements of the BSP as at December 31, 2021 and 2020.

Due from other banks represent clearing and other depository accounts with other banks which bear annual interest. These earn interest based on average daily balance at a depository bank's deposit interest rates ranging from 0.05% to 1.00% per annum. This account consists of the following:

	2021	2020
Savings Deposit	**₱151,725,712**	₱50,312,995
Demand Deposit	**10,615,628**	2,370,171
Time Deposit	–	39,067,063
	₱162,341,340	₱91,750,229

Interest income earned from due from other banks as of the indicated periods are shown below:

	2021	2020
Time Deposit	**₱494,022**	₱245,571
Savings Deposit	**36,826**	85,482
Demand Deposit	**4,069**	2,318
	₱534,917	₱333,371

8. Investment Securities at Amortized Cost

This account consists of:

	2021	2020
Government treasury bills	**₱71,757,000**	₱81,215,000
Agrarian reform bonds	**22,947,658**	13,818,547
Government fixed rate treasury note	**10,000,000**	10,000,000
Government retailed treasury bonds	**5,000,000**	5,000,000
	109,704,658	110,033,547
Unamortized discount	**(847,041)**	(485,603)
	₱108,857,617	₱109,547,944

Movements in investments are summarized below:

	2021	2020
Balance at beginning of year	**₱109,547,944**	₱84,115,604
Placements	**409,469,982**	233,855,259
Less: Maturities	**(410,160,309)**	(208,422,919)
Balance at end of year	**₱108,857,617**	₱109,547,944

These investments represent 100% risk-free investment in government debt securities which were availed of through authorized underwriters.

The effective interest rates of investment securities at amortized cost range from 1.13% to 5.16% and 1.02% to 5.16% in 2021 and 2020, respectively. Interest income earned from these investments amounted to ₱2.1 million and ₱2.9 million in 2021 and 2020, respectively.

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

9. Loans and Other Receivables

Loans and receivables net of discount are disclosed below:

	2021	2020
Consumer loans	**₱123,946,120**	₱145,831,012
Commercial loans	**91,693,206**	101,766,541
Mortgage loans	**8,290,924**	6,910,293
	223,930,250	254,507,846
Less: Unamortized discount and other deferred credits	**399,966**	508,564
	₱223,530,284	₱253,999,282

(Forward)

	2021	2020
Other receivables		
Sales contract receivables (Note 10)	**₱14,809,989**	₱17,801,992
Accrued interest receivables	**3,575,651**	7,750,683
Account receivables	**32,253**	153,770
	18,417,893	25,706,445
	241,948,177	279,705,727
Less: Allowance for credit losses	**34,835,315**	30,136,200
	₱207,112,862	₱249,569,527

The loan accounts include loan items in litigation.

These loan exposures earn interest ranging from 8.00% to 28.00% and 8.00% to 24.00% per annum in 2021 and 2020, respectively. Interest income on loans and other receivables amounted to ₱32.3 million and ₱39.0 million in 2021 and 2020, respectively.

The Bank establishes allowance for impairment losses on loans and other risk assets in accordance with the requirements of the BSP in the revised Appendix 15 issued together with BSP Circular 1011. Please refer to Note 2 - Impairments for more detailed discussions.

	2021	2020
Balance at beginning of year	**₱30,136,200**	₱26,147,031
Additions to allowance	**10,606,793**	3,989,169
Reversals	**(4,118,746)**	–
Write-offs	**(1,788,932)**	–
Balance at the end of year	**₱34,835,315**	₱30,136,200

In 2021, the bank wrote-off loans and receivables amounting to ₱1.8 million composed of 24 accounts through a Board Resolution carried on February 26, 2021.

10. Sales Contract Receivables

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

	2021	2020
Current and performing	**₱11,986,455**	₱12,871,970
Non-performing	**2,973,534**	4,930,022
Gross sales contract receivables	**14,959,989**	17,801,992
Less: Allowance for credit losses	**1,531,631**	2,670,594
Unamortized discount	**150,000**	–
Sales contract receivables - net	**₱13,278,358**	₱15,131,398

This account is recorded initially at present value of the installment receivable discounted at the imputed rate of interest. Discount is amortized over the term of the sales contract by crediting interest income using effective interest method. The difference between the present value of the sales contract receivable and the derecognized assets is recognized in profit or loss at the date of sale in accordance with PFRS 15.

In 2021 and 2020, the Bank recognized provision for (reversal of) credit losses for sales contract receivables including related accrued interest receivable amounting to (₱1.1 million) and ₱0.5 million, respectively (Note 22).

These receivables earn interest ranging from 8.00% to 14.00%. The total interest income recognized in these receivables amounted to ₱1.8 million and ₱1.7 million for the years ended December 31, 2021 and 2020, respectively, and the amount is included in the Statements of Comprehensive Income under 'Interest Income - loans and receivables.'

11. **Bank Premises, Furniture, Fixtures and Equipment**

The composition of and movements in this account follow:

	2021					
	Land	**Building and Improvements**	**Office Equipment**	**Furniture and Fixtures**	**Right-of-Use Asset - Bank Premises (Note 26)**	**Total**
Cost						
Beginning balance	**₱18,801,668**	**₱34,647,530**	**₱13,321,260**	**₱7,492,544**	**₱–**	**₱74,263,002**
Additions	**–**	**56,976,471**	**10,964,473**	**7,444,552**	**109,538,398**	**184,923,894**
Disposals	**–**	**–**	**(308,655)**	**(833,914)**	**–**	**(1,142,569)**
Balance at end of year	**18,801,668**	**91,624,001**	**23,977,078**	**14,103,182**	**109,538,398**	**258,044,327**
Accumulated depreciation						
Beginning balance	**–**	**21,265,939**	**12,017,340**	**7,234,398**	**–**	**40,517,677**
Depreciation (Note 20)	**–**	**912,403**	**1,830,982**	**188,980**	**6,085,467**	**9,017,832**
Disposals	**–**	**–**	**(308,655)**	**(833,914)**	**–**	**(1,142,569)**
Balance at end of year	**–**	**22,178,342**	**13,539,667**	**6,589,464**	**6,085,467**	**48,392,940**
Net book value at end of year	**₱18,801,668**	**₱69,445,659**	**₱10,437,411**	**₱7,513,718**	**₱103,452,931**	**₱209,651,387**

	2020				
	Land	Building and Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
Beginning balance	₱18,801,668	₱34,647,530	₱13,743,307	₱7,483,359	₱74,675,864
Additions	–	–	272,953	9,185	282,138
Disposals	–	–	(695,000)	–	(695,000)
Balance at end of year	18,801,668	34,647,530	13,321,260	7,492,544	74,263,002
Accumulated depreciation					
Beginning balance	–	21,142,445	11,744,077	6,814,787	39,701,309
Depreciation (Note 20)	–	123,494	968,263	419,611	1,511,368
Disposals	–	–	(695,000)	–	(695,000)
Balance at end of year	–	21,265,939	12,017,340	7,234,398	40,517,677
Net book value at end of year	₱18,801,668	₱13,381,591	₱1,303,920	₱258,146	₱33,745,325

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

Gain on disposal of bank premises, furniture and fixtures and office equipment in 2021 and 2020 amounted to nil and ₱0.2 million, respectively (Note 18). The related net proceeds on disposal of bank premises, furniture and fixtures and office equipment in 2021 and 2020 amounted to nil and ₱0.2 million, respectively. As of December 31, 2021 and 2020, bank premises, furniture and fixtures and office equipment of the Bank with gross carrying amount of ₱31.1 million and ₱30.0 million are fully depreciated but are still being used.

As at December 31, 2021 and 2020, the bank premises does not have an indicator of impairment.

12. Investment Properties

Investment properties include land and buildings and improvements acquired by the Bank through foreclosure or acquired through settlement of loans.

The composition of and movements in this account follow:

		2021	
	Land	**Building and Improvements**	**Total**
Cost			
Beginning balance	**₱13,433,508**	**₱6,185,390**	**₱19,618,898**
Additions	**4,413,051**	**4,570,338**	**8,983,389**
Disposals	**(4,414,415)**	**(2,832,397)**	**(7,246,812)**
Balance at end of year	**13,432,144**	**7,923,331**	**21,355,475**
Accumulated depreciation			
Beginning balance	**–**	**3,907,247**	**3,907,247**
Depreciation (Note 20)	**–**	**755,751**	**755,751**
Disposals	**–**	**(1,486,250)**	**(1,486,250)**
Balance at end of year	**–**	**3,176,748**	**3,176,748**
Allowance for impairment losses			
Beginning balance	**3,214,587**	**22,074**	**3,236,661**
Provision for impairment (Note 22)	**7,876,735**	**1,393,742**	**9,270,477**
Disposals	**(1,366,294)**	–	**(1,366,294)**
Balance at end of year	**9,725,028**	**1,415,816**	**11,140,844**
Net book value at the end of the year	**₱3,707,116**	**₱3,330,767**	**₱7,037,883**

	2020		
	Land	Building and Improvements	Total
Cost			
Beginning balance	₱6,221,168	₱4,457,779	₱10,678,947
Additions	1,290,987	–	1,290,987
Disposals	(202,766)	–	(202,766)
Others*	6,124,119	1,727,611	7,851,730
Balance at end of year	13,433,508	6,185,390	19,618,898
Accumulated depreciation			
Beginning balance	–	2,246,727	2,246,727
Depreciation (Note 20)	–	1,660,520	1,660,520
Disposals	–	–	–
Balance at end of year	–	3,907,247	3,907,247
Allowance for impairment losses			
Beginning balance	1,364,134	284,354	1,648,488
Foreclosures	336,341	–	336,341
Provision for impairment (Note 22)	1,514,112	(262,280)	1,251,832
Disposals	–	–	–
Balance at end of year	3,214,587	22,074	3,236,661
Net book value at the end of the year	₱10,218,921	₱2,256,069	₱12,474,990

**Others pertain to the RAP to GAAP adjustments recorded by the Bank in 2020*

The market values of investment properties stand at ₱20.8 million and ₱19.4 million for the years ended December 31, 2021 and 2020 respectively.

The Bank sold certain investment properties, which resulted in a gain of ₱5.3 million and ₱1.2 million in 2021 and 2020, respectively (Note 18). The net proceeds from the said sale of certain investment properties amounted to ₱9.1 million and ₱1.4 million in 2021 and 2020, respectively. Total gain on foreclosure amounted to ₱7.7 million and ₱7.9 million in 2021 and 2020, respectively (Note 18).

The net carrying value of foreclosed properties of the Bank still subject to redemption period by the borrowers amounted to ₱5.2 million and nil in 2021 and 2020, respectively.

In 2020, the Bank recorded gain on foreclosure amounting to ₱7.9 million (Note 18) which pertains to the difference (RAP to GAAP adjustments) between the related carrying values of the investment properties and their fair values at the initial recognition which is at the time of foreclosure. This is aligned with the initial recognition requirements in accordance with PAS 40, *Investment Property.*

13. Intangible Assets

The composition of and movements in this account follow:

	2021	2020
Software costs		
Beginning balance	**₱646,753**	₱646,753
Additions	**1,024,800**	–
Balance at end of year	**1,671,553**	646,753
(Forward)		

	2021	2020
Accumulated amortization		
Beginning balance	**₱559,667**	₱421,750

Amortization (Note 20)	**176,850**	137,917
Balance at end of year	**736,517**	559,667
Net book value at end of year	**₱935,036**	₱87,086

14. Other Assets

This account consists of:

	2021	2020
Security deposit (Note 26)	**₱3,256,671**	₱–
Stationery and office supplies	**406,680**	311,581
Prepaid expenses	**126,202**	334,313
Others	**217,872**	270,805
	₱4,007,425	₱916,699

Security deposit represents the deposit for the lease of the Bank's office space in the Podium Tower and refundable at the end of lease term (Note 26).

Prepaid expenses consist mainly of prepayments on insurance and business taxes.

Others include prepaid documentary stamps and miscellaneous assets.

15. Deposit Liabilities

This account consists of:

	2021	2020
Savings deposit	**₱210,874,771**	₱200,280,585
Special savings deposit	**174,082,694**	180,430,026
	₱384,957,465	₱380,710,611

Interest rates on deposit liabilities range between 0.25% to 3.00% and 0.25% to 3.50% per annum in 2021 and 2020, respectively. The related accrued interest payable amounted to ₱0.9 million and ₱1.1 million as of December 31, 2021 and 2020, respectively (Note 16).

As of December 31, 2021 and 2020, the Bank is subject to reserve requirements equivalent to 2.00%. Available reserves booked under 'Due from BSP' are as follows:

	2021	2020
Demand deposit	**₱131,788,392**	₱11,914,612

The Bank is in compliance with the reserve requirements of the BSP as of December 31, 2021 and 2020.

Interest expense on deposit liabilities consists of:

	2021	2020
Savings deposit	**₱510,894**	₱502,988
Special savings deposit	**3,215,076**	3,964,296
	₱3,725,970	₱4,467,284

16. Accrued Expenses and Other Liabilities

This account consists of:

	2021	2020
Deposit for future stock subscription (Note 17)	**₱200,000,000**	₱–
Accounts payable	**12,679,288**	436,567
Provision on asset retirement obligation (Note 26)	**10,594,393**	–
Taxes payable	**1,359,679**	1,277,696
Accrued interest payable	**889,529**	1,061,889
Unearned income	**–**	3,568,538
Others	**3,804,731**	1,038,337
	₱229,327,620	₱7,383,027

On December 31, 2021, SeaMoney Holding PH infused additional capital amounting to ₱200.0 million in the form of cash and recognized as deposit for future stock subscription under liabilities since it has not met the requirements of the SEC and BSP to be recognized as an equity (Notes 17 and 27).

Accounts payable mainly pertains to payables to suppliers for various capital expenditures of the Bank during the same year which are due 30 days to one year after the reporting period.

Taxes payable include gross receipts tax payable, withholding taxes payable and stamp tax payable.

Others includes accrued expenses, unclaimed balances, statutory payables and employee insurance payable.

17. Equity

Common Stock

	Shares		Amount	
	2021	2020	**2021**	2020
Authorized				
Common stock - P100 par value	**1,000,000**	1,000,000	**₱100,000,000**	₱100,000,000
Common stock issued and outstanding				
Balance at beginning of year	**575,000**	575,000	**57,500,000**	57,500,000
Issuance of stocks	**425,000**	–	**42,500,000**	–
Balance at end of year	**1,000,000**	575,000	**100,000,000**	57,500,000

The total number of common shares outstanding as of December 31, 2021 is 1,000,000. This includes the 255,000 and 170,000 shares issued during the year to SeaMoney Holding PH and Mr. Jan Frederic Chiong, respectively.

Incremental costs of ₱0.4 million incurred directly to the issuance of 425,000 shares are shown as a deduction from Retained Earnings Free.

Deposit for Future Subscription

On December 31, 2021, SeaMoney Holding PH infused additional capital of ₱200.0 million in the form of cash and recognized as deposit for future subscription while the Bank is in the process of preparing the necessary documents for its application on the increase in authorized capital stock (Notes 16 and 27).

Book Value per Share

December 31, 2021	Total capital funds	₱137,839,798	₱137.84
	Total shares outstanding	1,000,000	
December 31, 2020	Total capital funds	₱126,769,269	₱220.47
	Total shares outstanding	575,000	

The total capital funds used in the above computation are those available to common stockholders, while the total shares outstanding include only common stocks. Book value per share on both years presented are in Philippine Peso.

Capital Management and Regulatory Capital

The BSP, as lead regulator, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP 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:

(a) Unbooked valuation reserves and other capital adjustments as may be required by the BSP;
(b) Total outstanding unsecured credit accommodations to related interests (DOSRI);
(c) Deferred tax asset or liability;
(d) Accumulated equity in earnings of investee Bank where the Bank holds 50.00% or less but where the equity method of accounting has been applied; and,
(e) Appraisal increment on property and equipment other than those allowed to be recognized in connection with a merger or acquisition.

Risk assets consist of total assets after excluding cash on hand, due from BSP, loans covered by hold-out on 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.

As at December 31, 2021, the Bank's capital-to-risk assets ratio stands at 20.67%, which in compliant with the BSP's minimum requirement of 10.00%.

As at December 31, 2021, the Bank's Tier 1 capital-to-risk assets ratio stands at 20.48%.

This level of Capital can absorb losses or downward adjustment to Tier one Capital amounting to ₱69.1 million before it falls lower than the 10 percent, the minimum level of capital or adequacy ratio.

As at December 31, 2021, the Bank's minimum liquidity ratio stands at 55.61%, which in compliant with the BSP's minimum requirement of 16.00%.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

The Bank's policy is to maintain a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank's regulatory capital is analyzed into two tiers which are Tier 1 Capital plus Tier 2 Capital less deductions from the total of Tier 1 and Tier 2 capital for the following:
(a) investments in equity of unconsolidated subsidiary banks and other financial allied undertakings, but excluding insurance companies;
(b) investments in debt capital instruments of unconsolidated subsidiary banks;
(c) investments in equity of subsidiary insurance companies and non-financial allied undertakings;
(d) reciprocal investments in equity of other banks/enterprises; and,
(e) reciprocal investments in unsecured subordinated term debt instruments of other banks/quasi-banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of (i) an aggregate ceiling of 5.00% of total Tier 1 capital of the bank excluding Hybrid Tier 1; or (ii) 10.00% of the total outstanding unsecured subordinated term debt issuance of the other bank/quasi-banks.

Any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computing the denominator of the ratio.

The Bank's regulatory capital position (in millions of Philippine pesos) as at December 31, 2021 and 2020 based on the submission to BSP and using the prescribed computation is as follows:

	2021	2020
Tier 1 Capital		
Common stock	**100.00**	57.50
Retained earnings	**34.95**	65.61
	134.95	123.11
Tier 2 Capital		
General loan loss provision	**1.29**	3.05
Total qualifying capital	**136.24**	126.16
Total Risk Weighted Assets	**658.98**	454.47
Capital adequacy ratio	**20.67%**	27.76%
Tier 1 Capital adequacy ratio	**20.48%**	27.09%

The Bank is not engaged in trading and has a minimal foreign currency denominated deposits from a bank which is subjected to immaterial market risk. The qualifying capital is affected by audit adjustments while the risk-weighted asset and operational risk weight were both lifted in the Bank-submitted report to the BSP.

The total weighted asset includes operational risk factor amounting to ₱67.0 million and ₱67.5 million as of December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, the Bank has surplus reserves amounting to ₱3.8 million for appropriation on the retirement benefit of its officers and employees.

18. Net Gains on Sale or Exchange of Assets

This account consists of:

	2021	2020
Net gains from foreclosure and repossession of investment properties (Note 12)	**₱7,714,984**	₱7,851,730
Net gains from sale of investment properties (Note 12)	**5,268,216**	1,181,291
Net gains from sale of bank premises, furniture, fixture and equipment (Note 11)	**–**	149,999
	₱12,983,200	₱9,183,020

These are income generated by the bank through foreclosure and sale of its investment properties, and sale of bank premises, furniture, fixture and equipment. In case the sale of investment properties is through installment, the difference between the present value of gross receivables and booked value of asset sold is recognized as an outright income under 'Net gains from sale of investment properties.'

In 2020, the Bank recorded gain on foreclosure amounting to ₱7.9 million which pertains to the difference (RAP to GAAP adjustments) between the related carrying values of the investment properties and their fair values at the initial recognition which is at the time of foreclosure. This is aligned with the initial recognition requirements in accordance with PAS 40, *Investment Property.* The RAP to GAAP adjustments were recorded in profit or loss in 2020 and the previous financial statements were not restated since the management believes that the amount is immaterial as to the financial statements taken as a whole.

19. **Compensation and Fringe Benefits**

	2021	2020
Salaries and wages	**₱14,332,093**	₱11,316,226
SSS, Philhealth and employees' compensation premium and HDMF	**1,172,429**	866,131
Provision for pension & other post retirement benefits	**747,203**	1,123,683
Contribution to provident fund other than contributions to plan assets	**682,155**	443,325
Directors fees	**–**	1,435,000
Other benefits	**4,549,504**	5,043,831
Total	**₱21,483,384**	₱20,228,196

Retirement Benefits Obligations

In compliance with R.A. 7641, defined benefit plan, on which the Bank's obligation is to provide specific level of benefits for every year of service, the Bank will pay lump sum to its regular employees when they retire. The lump sum to be paid is directly related to the employees' basic salary in the final year of service multiplied by the number of years in service.

The retirement benefit is equivalent to the one-half month salary shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of not more than five (5) days of service incentive leaves or approximately twenty-two and a half (22.5) days.

The Bank has obtained the latest actuarial valuation of its employees' retirement benefits as at December 31, 2021 computed using the projected unit credit method as of December 31, 2020 as required by PAS/IAS 19, *Employee Benefits* and PAS/IAS 26, *Accounting and Reporting of Retirement Plan*.

The reconciliation of the net defined benefit liability of the Bank for 2021 are as follows:

		Net benefit cost in the statement of revenue over expenses								
	January 1, 2021	**Current service cost**	**Net Interest**	**Net pension expense**	**Actuarial changes arising from changes in financial assumptions**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from deviations of experience from assumptions**	**Return on plan assets**	**Other Comprehensive loss Subtotal**	**31 December 2021**
Present value of defined benefit obligation	**₱16,080,690**	**₱697,590**	**₱514,582**	**₱1,212,172**	**₱837,050**	**₱569,264**	**(₱1,783,267)**	**₱–**	**(376,953)**	**₱16,915,909**
Fair value of plan assets	**(14,530,285)**	**–**	**(464,969)**	**(464,969)**	**–**	**–**	**–**	**501,563**	**501,563**	**(14,493,691)**
Net defined benefit liability	**₱1,550,405**	**₱697,590**	**₱49,613**	**₱747,203**	**₱837,050**	**₱569,264**	**(1,783,267)**	**₱501,563**	**₱124,610**	**₱2,422,218**

The reconciliation of the net defined benefit liability of the Bank for 2020 are as follows:

	Net benefit cost in the statement of revenue over expenses								
	Current service cost	Net Interest	Net pension expense	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in financial assumptions	Return on plan assets	Other Comprehensive loss Subtotal	Transition (asset) liability	31 December 2020
Present value of defined benefit obligation	₱1,203,636	₱1,455,929	₱2,659,565	₱2,926,014	(₱593,021)	₱–	₱2,332,993	₱11,088,132	₱16,080,690
Fair value of plan assets	–	(1,535,882)	(1,535,882)	–	–	(398,110)	(398,110)	(12,596,293)	(14,530,285)
Net defined benefit liability	₱1,203,636	(79,953)	₱1,123,683	₱2,926,014	(593,021)	(398,110)	₱1,934,883	(1,508,161)	₱1,550,405

The following amounts were recognized in the financial statements for the years ended December 31, 2021 and 2020.

	2021	2020
Retirement expense/Current service cost	**₱747,203**	₱1,123,683
Remeasurement losses on retirement plan	**124,610**	1,934,883
Retirement liability	**2,422,218**	1,550,405

Movements in the cumulative remeasurement losses presented in equity in 2021 and 2020 follow:

	2021	2020
Balance as at January 1	**₱426,722**	₱–
Remeasurement losses during the year	**124,610**	1,934,883
Transition asset	–	(1,508,161)
Balance as at December 31	**₱551,332**	₱426,722

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions. The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2021	2020
Cash and cash equivalents	**₱3,421,638**	₱855,815
Government securities	**10,986,901**	13,677,541
Accounts payable of plan assets to employee leavers	**(28,533)**	(2,720,250)
Trust fee payable	–	(3,071)
Fair value of plan assets	**₱14,380,006**	₱11,810,035

All plan assets do not have quoted prices in the active market except government securities. Cash and cash equivalents are with reputable financial institutions and are deemed to be standard grade.

The plan assets have diverse investments and do not have any concentration risk.

The principal actuarial assumptions used in determining the retirement liability for the Bank's retirement plan follow:

	2021	2020
Discount rate	**4.83%**	3.20%
Future salary increases	**5.00%**	1.00%

The average duration of the defined benefit retirement liability at the end of the reporting period is ten years.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming if all other assumptions were held constant:

	2021		2020	
	Increase of 1.00%	**Decrease of 1.00%**	Increase of 1.00%	Decrease of 1.00%
Discount rate	**(₱726,762)**	**₱890,248**	₱12,647,141	₱14,175,704
Salary rate	**873,221**	**(737,745)**	14,187,378	12,752,047

Shown below are the 10-year maturity analyses of the undiscounted benefit payments of the Bank:

	2021	2020
Less than 1 year	**₱8,184,313**	₱6,105,283
More than 1 year to 5 years	**6,079,087**	1,455,428
More than 5 years to 10 years	**5,312,291**	6,139,944
More than 10 years to 15 years	**5,805,641**	4,042,227
More than 15 years	**17,752,504**	10,402,943

20. Depreciation and Amortization

	2021	2020
Depreciation		
Bank premises, furniture and fixtures and office equipment (Note 11)		
Right-of-use asset (Note 26)	**₱6,085,467**	₱–
Office equipment	**1,830,982**	968,263
Building and improvements	**912,403**	123,494
Furniture and fixtures	**188,980**	419,611
	9,017,832	1,511,368
Investment properties (Note 12)	**755,751**	1,660,520
	9,773,583	3,171,888
Amortization		
Intangible assets (Note 13)	**176,850**	137,917
	₱9,950,433	₱3,309,805

21. Administrative Expenses

This account is composed of the following:

	2021	2020
Security services	**₱3,904,700**	₱3,702,276
Repairs and maintenance	**3,339,533**	416,085
Management and other professional fees	**2,686,386**	1,229,922
Information technology expenses	**2,600,804**	14,544
Insurance	**1,557,247**	1,176,506
Power, light and water	**1,364,973**	1,075,245
Fuel and lubricants	**701,653**	634,463
Non-capitalized assets	**674,459**	–
Postage, telephone, cables and telegrams	**566,286**	450,892
Stationery and supplies	**336,063**	228,965
Fees and commission expense	**318,010**	495,173
Supervision fees	**273,802**	110,897
Others	**1,155,714**	1,349,662
	₱19,479,630	₱10,884,630

Management and other professional fees are expenses incurred to third parties as consideration for managerial, technical and consultancy services rendered.

Insurance premiums paid to Philippine Deposit Insurance Commission amounted to ₱0.8 million in 2021 and 2020.

Non-capitalized assets pertain to assets purchased during the year that did not meet the Bank's capitalization threshold requirements.

Others include fines, penalties and other charges, litigation expenses, representation and entertainment, advertising and publicity, donations and charitable contributions, membership fees and dues, periodicals and magazines and miscellaneous expenses.

22. Provision for Credit and Impairment Losses

This account consists of:

	2021	2020
Provision for (Reversal of) impairment losses on		
Loans (Note 9)	**₱11,778,081**	₱3,409,945
Investment properties (Note 12)	**9,270,477**	1,251,832
Sales contract receivables (Note 10)	**(1,137,183)**	540,037
Accounts receivables (Note 9)	**(34,106)**	39,187
	₱19,877,269	₱5,241,001

23. Earnings per Common Share

December 31, 2021	Net income	(₱30,879,861)	
	Total shares outstanding*	645,833	(₱47.81)
December 31, 2020	Net income	₱4,366,075	
	Total shares outstanding	575,000	₱7.59

**Weighted average number of common shares outstanding during the year*

As of December 31, 2021, and 2020, there were no potential common shares with a dilutive effect on the basic earnings (losses) per share.

24. **Related Party Transactions**

The Bank's related parties include its DOSRI and key management personnel.

The summary of the Bank's transactions and outstanding balances with its related parties follows:

DOSRI Loans

The Bank grants loans to DOSRI. The General Banking Act and BSP regulations limit the amount of the loans to be granted by the Bank to a single borrower to 25.00% of equity. The amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the amount of their deposits and the book value of their investments in the Bank. In aggregate, loans to DOSRI generally should not exceed the total capital funds or 15.00% of the total loan portfolio of the Bank, whichever is lower. The Bank complied with the restrictions on DOSRI loans as at December 31, 2021 and December 31, 2020.

Complete discussion of DOSRI loans is disclosed in Note 31.

Deposit for Future Stock Subscription

On December 31, 2021, SeaMoney Holding PH infused additional capital amounting to ₱200.0 million in the form of cash and recognized as deposit for future stock subscription under liabilities since it has not met the requirements of the SEC and BSP to be recognized as an equity (Notes 16 and 27).

Key Management Personnel Compensation

The key management personnel compensation shown as part of Employee benefits under Compensation and Fringe Benefits account in the statements of comprehensive income are as follows:

	2021	2020
Short-term employee benefits	**₱8,840,763**	₱10,622,060
Post-employment benefits	**485,982**	761,645
Total	**₱9,326,745**	₱11,383,705

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

25. **Income Tax**

Current Income Tax

Republic Act (RA) No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act lowered the Regular Corporate Income Tax (RCIT) rate from 30.00% to 25.00% and Minimum Corporate Income Tax (MCIT) rate from 2.00% to 1.00%, with retroactive application starting July 1, 2020.

Under the same provision, interest allowed as deductible expense shall be 20.00%, from previous year's 33.33%, of the interest income subject to final tax.

Any excess of MCIT over RCIT is deferred and can be used as tax credit against future income tax liability for the next three years. In addition, Net Operating Loss Carry Over (NOLCO) is allowed as a deduction from taxable income in the next five (5) consecutive taxable years following the year of such loss (Revenue Regulations No. 25-2020 published on October 2, 2020). The Bank recognized NOLCO and excess MCIT over RCIT in 2021 amounting to ₱16.6 million and ₱0.3 million, respectively and can be utilized until taxable year 2026 and 2024, respectively.

	2021	2020
MCIT	**₱312,974**	₱–
RCIT	–	1,666,584
Less:		
Income tax paid first three quarters under RCIT	**79,398**	1,383,033
Creditable withholding tax BIR Form 2307 (CWT)	**194,218**	–
Creditable income tax BIR Form 1606 (CGT)	–	45,600
Still Due	**₱39,358**	₱237,951

Income tax expense presented in the income statement consists of the following:

	2021	2020
Income tax expense - deferred	**₱603,557**	₱1,749,760
Income tax expense - normal	**312,974**	1,666,584
Income tax expense - normal (Transition adjustment for CREATE)	**(197,145)**	–
Income tax expense - final	**525,043**	676,371
	₱1,244,429	₱4,092,715

Relative to the enactment of the CREATE Act in March 2021, the Bank recognized current income tax adjustment amounting to (₱0.2 million) in its 2021's profit or loss. Consequently, the Bank has also adjusted its 2020 Annual Income Tax Return reflecting the adjusted income tax expense using the adjusted Regular Corporate Income Tax rate.

The Bank should account for the tax consequences of transactions and other events in the same way it accounts for the transactions or other events themselves, it is inherent in the recognition of an asset or liability that that asset or liability will be recovered or settled, and this recovery or settlement may give rise to future tax consequences which should be recognized at the same time as the asset or liability. The Management believes that the future tax benefits (Effect on future cash flows) arising from Deferred Tax Asset from allowance for losses for loans and receivables may not be fully realizable given that the provision for losses may not result to the actual write-off of accounts. The Bank's management has assessed that the Bank will not recognize any deferred tax assets as of December 31, 2021.

As of December 31, 2021 and 2020, the Bank recognized a deferred tax liability amounting to ₱2.4 million and ₱1.8 million, respectively, on the difference between the tax and accounting books as detailed below.

	2021	2020
Investment properties - PFRS books	**₱7,037,883**	₱12,474,990
Investment properties - Tax books	**2,456,327**	6,642,457
Difference	**4,581,556**	5,832,533
Tax effect at 25.00% and 30.00%, respectively	**1,145,389**	1,749,760
Right-of-use asset	**103,452,931**	–
Provision for asset retirement obligation	**(10,594,393)**	–
Lease liability	**(88,026,824)**	–
Net asset	**4,831,714**	–
Tax effect at 25.00% and 30.00%, respectively	**1,207,928**	–
Total deferred tax liability	**₱2,353,317**	₱1,749,760

The Bank did not recognize deferred tax assets on the following differences:

	2021	2020
Allowance for credit losses	**₱34,829,967**	₱13,421,066
NOLCO	**16,607,329**	–
Retirement liability	**2,422,218**	1,550,405
MCIT	**312,974**	–
	₱54,172,488	₱14,971,471

The reconciliation between the statutory income tax and effective income tax follows:

	2021	2020
Statutory income tax	**(₱7,408,858)**	₱2,537,637
Tax effects of:		
Changes in unrecognized deferred tax assets	**8,809,135**	1,533,856
Non-deductible items	**1,667,269**	999,056
Interest income subjected to final tax	**(125,298)**	(977,834)
Change in tax rate	**(197,145)**	–
Income exempt from tax	**(1,500,674)**	–
Effective income tax	**₱1,244,429**	₱4,092,715

Gross interest income from bond investments and other deposit substitutes are subject to final tax rate of 20.00% in 2021 and 2020.

26. **Leases**

In 2021, the Bank leased an office space in The Podium Tower, Mandaluyong City for administrative and back support operations. The lease contract has a term of 4.5 years and is renewable upon mutual agreement of both parties. The contract includes an annual escalation clause of 5.00% per annum.

The carrying amount of right-of-use asset recognized and the movements during the period are disclosed in Note 11.

Set out below are the carrying amount of the lease liability and the movements during the period:

	2021
Balance at beginning of year	**₱–**
Additions	**98,944,004**
Accretion of interest	**954,732**
Payments	**(11,871,912)**
Balance at end of year	**₱88,026,824**

The Bank recognized interest expense on lease liability amounting to ₱1.0 million.

Asset retirement obligation
Under the terms of the lease, the Bank is required to restore the leased premises to its original condition that existed at the inception of the lease. Accordingly, at the inception of the lease, the Bank capitalized an amount as part of its right-of-use assets and recognized asset retirement obligation amounting to ₱10.6 million (Note 16).

Future minimum rentals payable under non-cancellable leases follow:

	2021
Within one year	**₱22,238,066**
After one year but not more than 5 years	**73,610,753**
	₱95,848,819

27. Events after the Report Date

On January 25, 2022, Bangko Sentral ng Pilipinas (BSP) authorized the change of corporate name of Banco Laguna, Inc. (A Rural Bank Since 1965) to SeaBank Philippines, Inc. (A Rural Bank) through the issuance of Circular Letter No. CL-2022-009.

On February 23, 2022, Mr. Jan Frederic Chiong infused additional capital amounting to ₱80.0 million in the form of cash and recognized as deposit for future stock subscription under liabilities since it has not met the requirements of the SEC and BSP to be recognized as equity.

As of March 25, 2022, the Bank is in the process of submission to the SEC and BSP its application for the increase in authorized capital stock from ₱100.0 million divided into 1,000,000 common shares with par value of ₱100 per share, to ₱3.10 billion divided into 31,000,000 common shares with par value of ₱100 per share.

28. Commitments and Contingencies

The following are the significant commitments and contingencies involving the Bank:

a) In the normal course of the Bank's operations, there are outstanding commitments and contingent liabilities such as commitments to extend credit, liability to safekeep collateral of borrowers, which are not reflected in the accompanying financial statements. Management believes that, as of December 31, 2021, losses, if any, that may arise from these commitments and contingent liabilities will not have a material effect on the financial statements of the 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 and 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 had no outstanding outward and inward bills for collection at the end of the year.

e) In the ordinary course of the Bank's operations, it has pending tax assessment which is currently under stage of protest/appeal with tax authority, the outcome of which is not presently determinable (Note 32).

29. Notes to Statements of Cash Flows

The following is the summary of principal non-cash activities that relate to the analysis of the statements of cash flows in 2021 and 2020:

	2021	2020
Recognition of right-of-use asset (Note 11)	**₱109,538,398**	₱–
Recognition of lease liability (Note 26)	**98,944,004**	–
Additions of bank premises, furniture, fixtures and equipment (Note 11)	**12,458,760**	–
Additions of investment properties in settlement of loans (Note 12)	**8,983,389**	1,290,987

30. Approval for the Release of the Financial Statements

The financial statements of the Bank for the year ended December 31, 2021 (including the financial statements and other data from previous year presented) were authorized for issue by the Bank's Board of Directors (BOD) on March 25, 2022.

31. Supplementary Information Required under BSP Circular No. 1074

Presented below is the supplementary information required Sunder BSP Circular 1074 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRSs.

Basic quantitative indicators of financial performance
The following basic ratios measure the financial performance of the Bank:

	2021	2020
Return on average equity	**(23.34%)**	1.95%
Return on average assets	**(4.53%)**	0.47%
Net interest margin	**6.79%**	8.31%

Description of Capital Instruments Issued

	2021		2020	
	Shares	**Amount**	Shares	Amount
Common stock - 100 par value				
Authorized	**1,000,000**	**₱100,000,000**	1,000,000	₱100,000,000
Issued and outstanding				
Balance at beginning of year	**575,000**	**57,500,000**	575,000	57,500,000
Issuance at 100 per share	**425,000**	**42,500,000**	–	–
Balance at end of year	**1,000,000**	**₱100,000,000**	575,000	₱57,500,000

In 2021, the Bank issued 425,000 shares at par value of ₱100.

Significant credit exposures as to industry/economic sector
Based on BSP benchmark an exposure is significant if it amounts to at least 30.00% of the total loan exposure or at least ten percent (10.00%) of Tier 1 capital.

	2021		2020	
	Amount*	**%**	Amount*	%
Real estate activities	**₱61,285,938**	**27.42%**	₱73,633,123	28.99%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**38,649,238**	**17.29%**	38,826,204	15.29%
Activities of households for own use	**33,463,737**	**14.97%**	34,178,266	13.45%
Manufacturing	**21,323,666**	**9.54%**	22,924,564	9.02%
Agriculture, forestry and fishing	**18,322,735**	**8.20%**	24,224,346	9.54%
Salary-based general-purpose consumption	**14,081,664**	**6.30%**	12,847,734	5.06%
Accommodation and food service activities	**13,971,557**	**6.25%**	11,557,202	4.55%
Construction	**11,702,268**	**5.23%**	21,593,265	8.50%
Transportation and storage	**1,578,712**	**0.71%**	2,497,127	0.98%
Education	**1,317,291**	**0.59%**	2,505,040	0.99%
Human health and social work activities	**274,948**	**0.12%**	427,305	0.17%
Other service activities	**7,558,530**	**3.38%**	8,785,106	3.46%
	₱223,530,284	**100.00%**	₱253,999,282	100.00%

**net of unamortized discount and other deferred credits*

The BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of the total loan portfolio. As of December 31, 2021 and 2020, the Bank does not have credit concentration in particular industry.

Breakdown of total loans as to security and status
The following table shows the breakdown of receivable from customers as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31, 2021 and 2020:

	2021		2020	
	Amount*	**%**	Amount*	%
Secured	**₱200,928,110**	**89.89%**	₱229,750,429	90.45%
Unsecured	**22,602,174**	**10.11%**	24,248,853	9.55%
	₱223,530,284	**100.00%**	₱253,999,282	100.00%

**net of unamortized discount and other deferred credits*

The following table shows the breakdown of receivables from customers net of unamortized discount and deferred credits as to performing and non-performing as of December 31, 2021 and 2020:

	2021	2020
Performing*		
Consumer	**₱104,715,548**	₱126,113,089
Commercial	**84,520,671**	97,302,611
Mortgage	**8,290,925**	6,910,293
	197,527,144	230,325,993
Non-performing*		
Consumer	**18,884,109**	19,209,359
Commercial	**7,119,031**	4,463,930
	26,003,140	23,673,289
	₱223,530,284	₱253,999,282

**net of unamortized discount and other deferred credits*

Information on related party loans
As required under existing BSP rules and regulations, the Bank discloses loans and other credit accommodations granted to its Directors, Officers, Stockholders and Related Interests (DOSRI). These loans and other credit accommodations were made substantially on the same terms as with other individuals and businesses of comparable risks and were subject of prior Board approval and entailing BSP reportorial requirements. Existing banking regulations also limit the total amount of credit exposure to each of the Bank's DOSRIs, at least 70.00% of which must be secured, to the total of their respective deposits and book value of their respective unencumbered deposits and, if any, book value of their respective paid-in capital contribution in the Bank. In the aggregate, the Bank's total credit exposure to all its DOSRIs should not exceed its net worth or 15.00% of its total loan portfolio, whichever is lower, with any unsecured portion thereof not exceeding the lower between 30.00% of the aggregate limit or of the total actual exposure. However, loans and other credit accommodations to DOSRIs that are secured by assets considered by the BSP as non-risk are exempt from these ceilings

BSP Circular No. 423 dated March 15, 2004, as amended by BSP Circular No. 914 dated June 23, 2016, provides the rules and regulations governing credit exposures to DOSRI.

The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to BSP Circular No. 423 and new DOSRI loans and other credit accommodations granted under said circular as of December 31, 2021 and 2020:

	2021	2020
Total outstanding DOSRI accounts	**₱–**	₱–
Percent of DOSRI accounts to total loans	**0.00%**	0.00%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**0.00%**	0.00%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.00%**	0.00%
Percent of nonperforming DOSRI accounts to total DOSRI accounts	**0.00%**	0.00%

Aggregate amount of secured liabilities and assets pledged as security
As of December 31, 2021 and 2020, there are no assets pledged as collateral for any of the Bank's liabilities.

Commitments and contingent liabilities
The following is a summary of commitments and contingencies at their equivalent peso contractual amounts as of December 31, 2021 and 2020:

	2021	2020
Items held as collateral/safekeeping	**₱829**	₱1,157

32. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

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

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

Taxes and Licenses
This includes all other taxes such as gross receipts tax, fringe benefit tax, license and permit fees, and documentary stamp tax for the year ended December 31, 2021.

Gross receipts tax	**₱2,140,068**
VAT on finance lease liabilities	**1,424,629**
Documentary stamp tax	**1,350,466**
License and permit fees	**327,589**
Real property tax	**261,477**
Others	**40,820**
	₱5,545,049

Withholding Taxes
Details of remittances and balances as of December 31, 2021 of withholding taxes are as follows:

	Total Remittances	Balance
Withholding taxes on compensation	₱889,603	₱77,341
Final withholding taxes	772,169	114,967
Expanded withholding taxes	1,451,998	575,472
	₱3,113,770	₱767,780

Tax Assessments and Cases
In the ordinary course of the Bank's operations, it has a pending tax assessment for taxable year 2019 which is currently under stage of protest/appeal with tax authority, the outcome of which is not presently determinable. Management believes that the basis of said protest/appeal is legally valid such that the ultimate resolution of the assessment would not have material effect on the financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the ground that it can be expected to prejudice the outcome of the assessment.

SeaBank Philippines, Inc. (A Rural Bank)
(Formerly: Banco Laguna, Inc. (A Rural Bank since 1965))
Comparison of Audited Financial Statements and
Submitted Consolidated Balance Sheet & Income Statement
December 31, 2021

Account Titles	Submitted Report	Audited Amounts	Discrepancy	Reason for Discrepancy
Cash and Other Cash Items	₱13,219,658	₱13,234,658	(₱15,000)	This pertains to petty cash fund presented under other assets per Submitted Report (BSP books).
Due from Bangko Sentral ng Pilipinas	131,788,392	131,788,392	–	
Due from Other Banks	162,341,340	162,341,340	–	
Investment in Securities Measured at Amortized Cost	108,857,617	108,857,617	–	
Loans and Other Receivables - net	207,085,956	207,112,862	(26,906)	This pertains to accounts receivables, net of related allowance for credit losses under other assets per FRP.
Bank Premises, Furniture, Fixtures and Equipment - net	209,651,387	209,651,387	–	
Investment Properties - net	2,456,327	7,037,883	(4,581,556)	This is due to the difference in treatment of ROPA under BSP and PFRS.
Intangible Assets	935,036	935,036	–	
Other Assets - net	4,049,331	4,007,425	41,906	This refers to the petty cash fund and account receivables, net of related allowance for credit losses presented under COCI and Loans and Other Receivables, respectively, per audited financial statements.
Total Assets	₱840,385,044	₱844,966,600	(₱4,581,556)	

Account Titles	Submitted Report	Audited Amounts	Discrepancy	Reason for Discrepancy
Deposit liabilities	₱384,957,465	₱384,957,465	₱–	
Accrued expenses and other liabilities	229,327,620	229,327,620	–	
Lease liability	88,026,824	88,026,824	–	
Deferred tax liabilities	1,207,929	2,353,317	(1,145,388)	This is the difference between the net book value of ROPA under BSP and PFRS books multiplied by prevailing tax rate of 25% and 30% for 2021 and 2020, respectively.
Retirement liability	2,422,218	2,422,218	–	
Income tax payable	39,358	39,358	–	
Total Liabilities	₱705,981,414	₱707,126,802	(₱1,145,388)	
Capital stock – common	₱100,000,000	₱100,000,000	₱–	
Retained earnings reserve	3,811,258	3,811,258	–	
Retained earnings free	31,143,704	34,579,872	(3,436,168)	This is due to the difference in valuation of ROPA under BSP and PFRS (i.e., difference in cost, allowance for impairment losses, gain on sale, gain on foreclosure and depreciation expense).
Remeasurement losses on retirement liability	(551,332)	551,332	–	
Total Equity	₱134,403,630	₱137,839,798	(₱3,436,168)	
Total Liabilities and Equity	₱840,385,044	₱844,966,600	(₱4,581,556)	
Total Gross Income	₱45,749,353	₱51,381,035	(₱5,631,682)	This is due to the difference in valuation of ROPA under BSP and PFRS (i.e., difference in cost, allowance for impairment losses, gain on sale, gain on foreclosure and depreciation expense).
Total Gross Expenses	74,117,111	81,016,467	(6,899,356)	
Loss Before Tax	(28,367,758)	(29,635,432)	(1,267,674)	
Provision for Income Tax	1,244,429	1,244,429	–	
Loss After Tax	(29,612,187)	(30,879,861)	(1,267,674)	
Other Comprehensive Loss	(124,610)	(124,610)	–	
TOTAL COMPREHENSIVE LOSS	(₱29,736,797)	(₱31,004,471)	(₱1,267,674)	