

2024

CARD SME BANK INTEGRATED ANNUAL REPORT

ROADMAP TO 2030: Innovating the Way to Poverty Eradication





CARD MRI: Innovating the Way to Poverty Eradication

At CARD MRI, innovation means finding better ways to serve the communities in need. The theme, “Innovating the Way to Poverty Eradication”, reflects our mission to make financial services, livelihood programs, and social initiatives more accessible and impactful.

A pedicab on a bamboo raft, steered by a boatman, symbolizes the daily journey of Filipino families, carrying their dreams while navigating life’s challenges. The pedicab reflects the hardworking spirit of microentrepreneurs; the raft, CARD MRI’s steady support.

Another image shows a woman rowing toward a farmer, both lit by the rising sun. The image highlights the strength and perseverance of those striving to provide for their families. The sun ray represents the hope and opportunities that CARD MRI brings, illuminating the path toward progress and prosperity.

At CARD MRI, we believe that poverty eradication is not just about the destination; it is about the journey we take together, the lives we uplift, and the future we build, one step at a time.



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CARD SME BANK

A Thrift Bank

Let's grow your business, together.

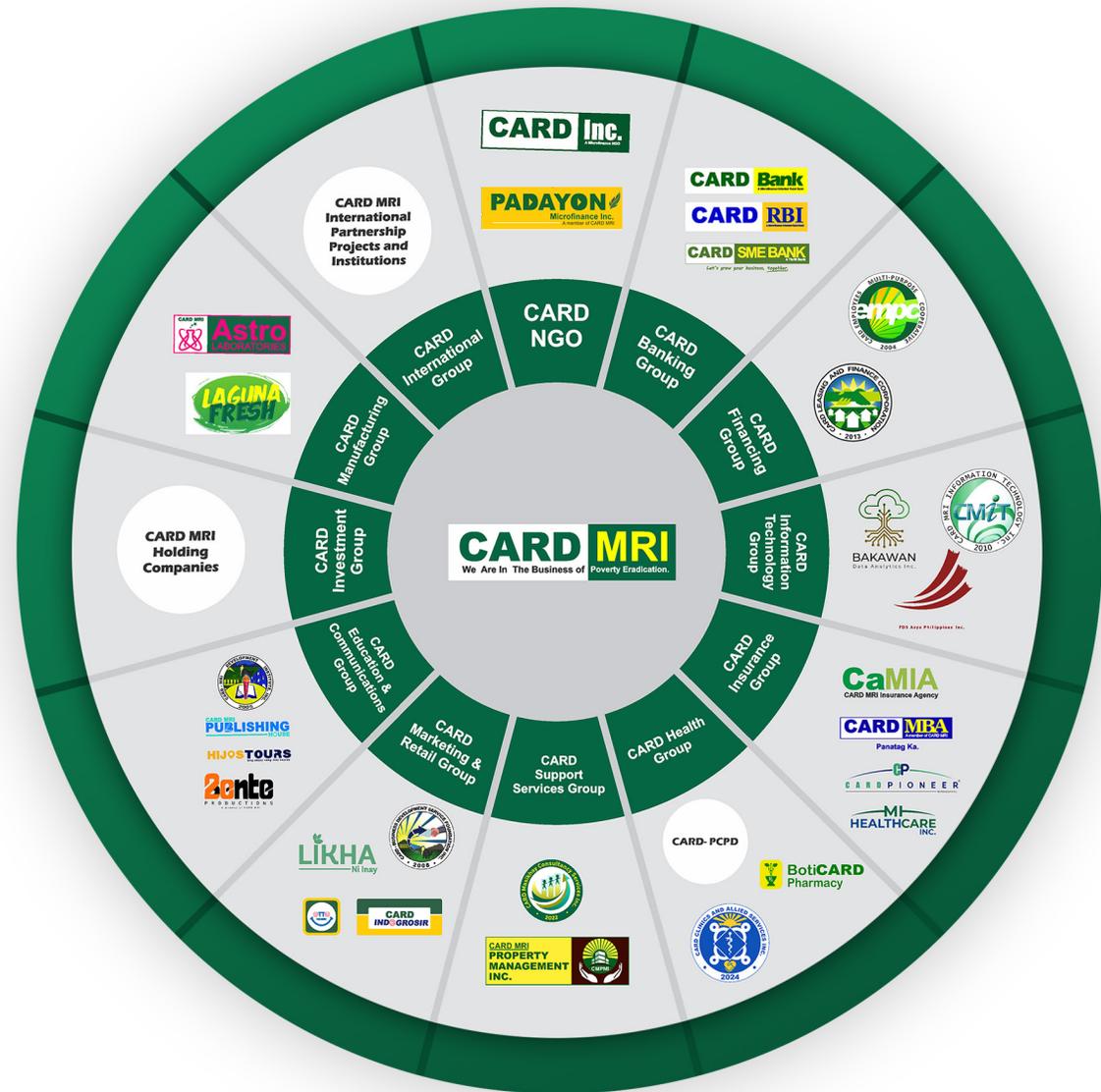
CARD Banking Group

CARD SME Bank is the thrift bank of CARD MRI. It fills the financial needs of microfinance graduates from CARD, Inc. (A Microfinance NGO), CARD Bank and CARD MRI Rizal Bank who are poised to venture into small and medium enterprises (SMEs). The bank specializes in loan and savings products and services for these entrepreneurs engaging in SMEs.

Moreover, its mission extends beyond financial transactions. The Bank also aims to empower its community to reach their full potential.

CARD SME Bank collaborates closely with the CARD MRI group to achieve a holistic approach to development. Together, it offers comprehensive programs and services, including microinsurance, educational and health programs, and capacity-building initiatives. By addressing this, we strive to elevate the quality of life for the communities we serve.

As the Bank empowers MSMEs in the country, it contributes to the growth of our national economy.





VISION & MISSION

VISION

CARD SME Bank, Inc. supports CARD MRI's vision statement as a Group of Mutually Reinforcing Institutions that is dedicated to empower the poor by upholding the core values of competence, family spirit, integrity, stewardship, humility, culture of excellence, and simplicity. As one of the institutions that comprise the CARD MRI and in support of its mission, CARD SME envisions building a sustainable financial and capacity building institution owned and led by socially-and-economically challenged families by providing integrated Microfinance, Small and Medium Enterprise (MSME) and social development (credit with education, leadership with a heart, innovative community programs) services to an expanding membership base by organizing and empowering women and their families; and continue upholding the highest standards of stewardship of financial, human, and institutional resources.

MISSION

- To provide banking services especially designed for landless rural workers by bringing bank services to community sites and accommodating the least financial transactions within their affordability
- To provide collateralized and non-collateralized loans to financially excluded MSMEs but with viable, socially responsible and environmentally sustainable MSME projects.
- To grow the bank's SME lending to become the pre-eminent SME Bank in the Philippines to be able to reach more SME beneficiaries.

CORE VALUES

The core values of CARD SME Bank—competence, family spirit, integrity, simplicity, humility, excellence, and stewardship—serve as the foundation of its work. These principles guide how the Bank serves its clients, supports its people, and builds stronger communities. With these values at its core, CARD SME Bank continues to move forward with hope, purpose, and a deep commitment to ending poverty.

C Competence

Excellence is built through dedication and continuous learning. CARD SME Bank strengthens its people by providing the knowledge, skills, and values needed to serve with integrity and a deep commitment to clients.

F Family Spirit

More than just a workplace, CARD SME Bank is a home where employees and clients stand together. Shared struggles, victories, and unwavering support foster relationships that go beyond service.

I Integrity

Honesty and accountability define every action. CARD SME Bank remains true to its commitment to fairness, ensuring that trust is not only given but consistently earned.

S Simplicity

True service is clear and purposeful. CARD SME Bank values straightforward actions and genuine connections, keeping its mission focused on what truly matters—empowering people.

H Humility

Greatness is measured by the willingness to serve. CARD SME Bank listens, learns, and walks alongside its clients, treating every individual with equal respect and understanding.

E Excellence

There are no limits to progress. CARD SME Bank constantly seeks new ways to improve, innovate, and create a lasting impact, ensuring that every effort brings positive change to more families.

S Stewardship

Every resource entrusted to CARD SME Bank carries a greater purpose. With care and responsibility, financial, human, and institutional assets are managed to ensure sustainability for generations to come.

BUSINESS MODEL

OUR CAPITALS

FINANCIAL



Our outstanding loans support the financial activities of the institution's Agriculture, Fisheries, and Rural Development (AFRD) initiatives.

- Net Income: **PHP 995,070,768.00**
- Total Assets: **PHP 12,230,618,042.00**
- Total Equity: **PHP 3,209,820,253.00**

MANUFACTURED & INTELLECTUAL



Our machines and infrastructure are strategically placed in safe, non-hazardous areas to safeguard both employees and clients.

We continue to strengthen our transition to paperless transactions through digital platforms such as the Core Banking System (CBS), Loan Origination Monitoring System (LOMS), and T24.

- Head Office: **1**
- Branches: **40**
- Branch-lite Units (BLUs): **281**
- Automated Teller Machine (ATM): **11**
- Digital Cash Machines (DCM): **41**

HUMAN



Our highly skilled, experienced, and dedicated personnel regularly participate in ongoing training programs, including both local and international study tours, to further enhance their expertise and commitment.

- Employees: **2,526** (Men: **33%**, Women: **67%**)
- Training expenditure: **PHP 117,129,925.00**

SOCIAL & RELATIONSHIP



Our clients and banking partners trust us as advocates of social development and nation-building.

- Years of Value-added Services: **13**
- Accounts Served: **1,298,087**
- Partners: **50**
- Attendees for Client Training Programs: **10,221**

NATURAL



Our delivery of products and services that reduce gas emissions helps minimize our environmental impact.

- Seedlings planted: **2,157**
- Clients of WASH Loans (Microfinance): **2,038**
- Clients of OL-Home Essentials (Solar): **487**

THE VALUE WE CREATE



EMPLOYEES

We empower our employees by creating a supportive and dynamic workplace that encourages creativity, continuous learning, and professional growth.

- Payments to Employees: **PHP 957,040,332.00**
- Training Program Participants: **12,956**
- Staff Training Programs: **366**
- Training Hours: **4,948**



INVESTORS

We maintain our investor's trust by ensuring transparency and prudent risk management through monthly board meetings and publishing of annual reports on the website.



GOVERNMENT & REGULATORS

We support economic growth by offering loans and investments that encourage sustainability, boost productivity, and contribute to the well-being of local communities.

- Government Remittances: **3**
- Paid Taxes: **PHP 290,567,631.00**

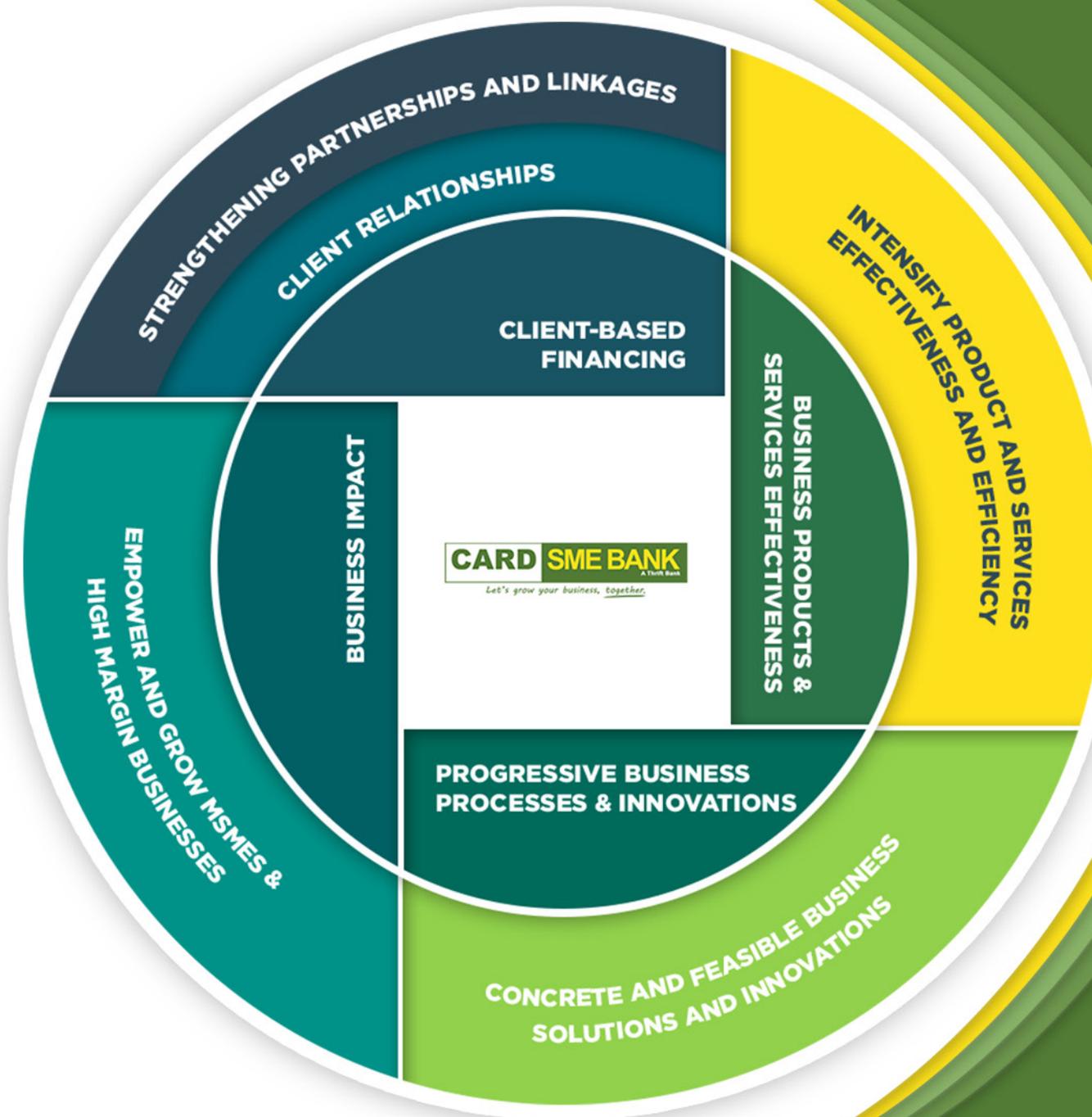


CLIENTS & COMMUNITIES

We support our clients and communities by offering products and services that promote financial inclusion and access to opportunities and business growth.

- Client Training Attendees: **10,221**
- Negosyo Talk participants: **187**

VALUE CREATIONS



HOW WE CREATE VALUE BUSINESS OPERATIONS



STRATEGIES



SUSTAINABILITY STRATEGY

RESPONSIBLE BANKING

Aligned with the SDGs, we prioritize the social and environmental impacts of our microfinancing decisions. Our goal is to offer ethical and sustainable financing solutions that tackle global challenges, such as climate change and financial inequality, while fostering long-term positive change.

RESPONSIBLE OPERATIONS

We ensure smooth daily operations by focusing on the efficiency of our processes. This includes regular program monitoring, weekly center meetings, and additional measures like Client Investigation and Background Investigation (CIBI) and Loan Utilization Check (LUC) to uphold accountability and transparency.



Back to Basics, Forward to Innovation: Paving the Way to a Poverty-Free Future

Dr. Jaime Aristotle B. Alip
CARD MRI Founder & Chairman Emeritus

Looking back at the humble beginnings of CARD, I recall how far we have come and how much we have achieved, not only as an institution but as a community of individuals who shared the same vision: to empower those who needed it most, to provide opportunities for those who had none, and to enable people to overcome the confines of poverty. I recall when our journey began with a handful of passionate people who felt the world could be a better place where no one would be left behind. From there, we took on a mission that once felt overwhelming but became our beacon of hope—assisting the underserved in realizing their dreams step by step.

We began small with a single mission—serving people experiencing poverty through microfinance. We aspired to create a system that would bring lasting change. But as we progressed, we understood that financial services were insufficient. We had to engage more intimately with our clients, learn about their needs, and provide a comprehensive solution to community development. And so, we grew. We transformed. We learned. And in doing so, we learned that true change starts not with the financial products we provide but with the relationships we form and the trust we gain from the people we serve.

It has not been simple. There were roadblocks along the way—obstacles that seemed insurmountable. But with every failure, we grew stronger. Our desire to help others only intensified. We stuck to our cause and understood that what we were doing was far from complete. Persevering, we developed what we now have: an interlinked web of institutions and programs that make a difference to millions of lives. What started as an endeavor to get financial access underway became a movement to enable people to liberate themselves from poverty.

As we look back at the milestones we have achieved, I am filled with gratitude. But even as we bask in our triumph, we should keep our eyes on the road ahead. The journey is far from over. The road to eliminating poverty is long and arduous, but it is worth taking. The next chapter in this journey is all about innovation.

This year, our theme, “Road Map to Innovating the Way to Poverty Eradication”, reminds us that we have to keep adapting. But as we peer into the future, we also need to keep in mind the basics that brought us to this point in the first place: a commitment to our values, a focus on relationships, and a determination to make a difference. As we innovate, we must ensure that we never forget the fundamentals. These values that have always directed us will continue to be our guide as we go forward. And in this new age of innovation, we must remain anchored in the basic principles that have brought us where we are today.

CARD SME Bank started with a clear mission: to provide micro, small, and medium enterprises (MSMEs) with the financial support they need to grow and thrive. From its modest beginnings, the bank has focused on empowering local businesses by offering tailored financial products and services. In 2024, CARD SME Bank took a significant step by launching programs to increase financial literacy among MSME owners and strengthen their access to capital. The bank’s commitment to nurturing local businesses has helped transform countless lives, supporting the backbone of the economy. CARD SME Bank remains focused on driving economic inclusion, innovation, and sustainable business development as it grows.

So, as we continue on our path toward poverty eradication, let’s not forget the things that truly matter. Let’s continue to work with integrity, build trust, and always remember the people we are working for. Our journey requires patience, resilience, and dedication. We have come so far, but we must continue moving forward. Together, we will create a better future for all.



Building on our Foundations for a Stronger Future

Mr. Aristeo A. Dequito
CARD MRI Managing Director /
CARD SME Bank Chairperson

As we look back at what we have achieved and what we have learned, we are reminded that the path to poverty eradication requires constant evolution and change. The challenges we face are complex, and they demand innovative solutions. But as we look to the future, we must also recognize the importance of going back to basics. This year's theme, "Road Map to Innovating the Way to Poverty Eradication", explores new and better ways to achieve our mission. However, the core message is clear: before we innovate, we must return to the foundations that have always been our strength.

The "Back to Basics" campaign may be unconventional to many people, particularly when change and innovation are so much prized. But in reality, this is a call to refocus on the essential elements that have helped us succeed—elements that should never be overlooked in our pursuit of progress. Fundamentally, this reminds us that even as we adopt new technologies, new methods, and new concepts, the core values that have long guided our work— competence, family spirit, integrity, simplicity, humility, excellence, and stewardship—remain the pillars upon which everything we do should rest.

Returning to our roots is a chance to realign ourselves to the mission and values that have brought us this far. Through the years, we have rolled out numerous new services, programs, and solutions in response to our communities' changing needs. And though these innovations have been crucial in expanding our reach and impact, they are not an end in themselves. They are merely instruments—tools that aim to improve lives and eradicate poverty. And for these tools to matter, they need to be anchored in the values that have guided our organization all along.

Going back to basics also means revisiting the principles of financial inclusion and understanding the deep impact of our work on the communities we serve. The financial services we offer are only part of the picture. It is the trust we establish with our clients, the relationship we foster, and the care we show to enable people to change their lives. As we look to innovate, we must ensure that every new service and initiative is built with this understanding at its heart.

Getting caught up in the excitement of new ideas is easy, but it is essential to remember that innovation is most powerful when grounded in purpose. That is why this "Back to Basics" campaign exists. It reminds us to keep our eyes on what really matters—serving others, building lasting relationships, and maintaining our values of integrity. These things will always be central to what we do.

As we continue to innovate and adapt, we must remain focused on the values that have guided us from the beginning. We must continue to listen to our communities, understand their needs, and adapt our services to meet them in ways that truly make a difference. The road to poverty eradication is long and will not be without its challenges. But with the basics as our foundation, we can continue to move forward with purpose, confidence, and a clear vision of the future we want to create.



Driving Financial Inclusion and Sustainable Growth

Mr. Julius Adrian R. Alip
President & CEO

At CARD SME Bank, our vision is clear: to be a driving force in financial inclusion and poverty eradication. Guided by our core values of competence, family spirit, integrity, stewardship, humility, excellence, and simplicity, we remain committed to empowering communities through responsible and sustainable banking.

As we move forward, we recognize that the key to lasting change lies in both innovation and staying true to our fundamentals. While we embrace digital transformation, we continue to uphold the foundational practices that have strengthened our relationship with clients. Center meetings remain central to our operations, reinforcing credit discipline, financial literacy, and community engagement. Through these gatherings, we ensure that our clients receive the support they need to manage their finances effectively and grow their businesses.

At the same time, we invest in technological advancements to enhance financial accessibility. Our core banking and loan origination systems have improved operational efficiency, allowing us to deliver faster and more reliable services. The development of konek2CARD, our mobile banking application, has expanded financial access to underserved areas, ensuring that clients can save, borrow, and transact securely anytime, anywhere. These innovations enable us to bring banking closer to the communities that need it most.

Looking ahead, we are focused on expanding our reach and deepening our impact. The opening of new branches in key locations such as Ipil and Narra strengthens our presence in rural areas, ensuring that more micro, small, and medium enterprises (MSMEs) can access the financial services they need to thrive. Our Savings Caravan across Luzon, Visayas, and Mindanao has further reinforced financial literacy, emphasizing the importance of saving as a foundation for financial security.

MSMEs are at the heart of economic growth, and supporting them remains our top priority. By providing accessible financing, we help create jobs, sustain livelihoods, and drive economic progress. Our journey through the Roadmap to 2030 is built on the belief that every successful enterprise leads to stronger families and communities.

Education is another pillar of our long-term vision. Through our partnership with CARD-MRI Development Institute, Inc. (CMDI), we provide scholarships and training programs that equip clients and their children with the knowledge and skills to build better futures. In 2024 alone, 2,735 bank personnel and 10,221 clients participated in training sessions focused on financial management and business development. We believe that education is a powerful tool against poverty, and we will continue to support learning opportunities that uplift lives.

Our efforts have yielded significant results. As of December 31, 2024, CARD SME Bank has reached 1,298,087 clients, disbursed PHP 20,451,082,733 in loans, and recorded PHP 7,300,669,869 in savings. These figures reflect the trust our clients place in us and the tangible progress we are making toward financial inclusion.

Moving forward, we will strengthen our foundation while embracing innovation. We will continue to refine our strategies, enhance our services, and expand our reach to ensure that every Filipino—regardless of background or location—has access to financial opportunities.

Our vision is to create a future where financial stability is within everyone's reach. Through responsible banking, continuous innovation, and unwavering commitment to our mission, we will continue innovating the way to poverty eradication, ensuring that no Filipino is left behind.

BOARD OF DIRECTORS

Mr. Aristeo A. Dequito
Chairperson

Dr. Jaime Aristotle B. Alip
Vice Chairperson for External Affairs

Ms. Mary Jane A. Perreras
Vice Chairperson for Administration

Ms. Cynthia B. Baldeo
Director

Dr. Gilberto M. Llanto
Director

Atty. Wilfredo B. Domo-ong
Director

Mr. Julius Adrian R. Alip
Director / President & CEO

Ms. Chona A. Felesedario
Independent Director

Ms. Irene D. Arroyo
Independent Director

Ms. Abundia C. Manabes
Independent Director

Ms. Maria Agnes J. Angeles
Independent Director





Mr. Julius Adrian Alip
President and CEO



Ms. Anita Rapera
Senior Vice President



Ms. Jeannie T. La Rosa
Vice President for Finance and
Accounting



Ms. Cherry Boncajes
Senior Vice President



Ms. Florence Castillo
Assistant Vice President



Ms. Joy Palomique
Vice President for SME
Lending



Mr. Rodel Bombase
Assistant Vice President



Mr. Michael Robert L. Mendoza
Vice President for SME Lending
Operations

Ms. Leonida Gutierrez
Assistant Vice President



Ms. Patricia Saballo
Assistant Vice President

Mr. Jerry Montejo
Assistant Vice President
for Risk Management

Mr. Dennis Dimaculangan
Assistant Vice President
for Mobile Financial Services

Ms. Noralyn Silvestre
Deputy Director for Savings
Mobilization

Ms. Jennifer Masa
Deputy Director for
Compliance

Ms. Mildred Matienzo
Deputy Director for
Accounting

Mr. Norberto De Guzman
CRMU Head

Mr. Allan Dimaano
Chief Information Officer

Ms. Lourdes Marasigan
ROPA & Remedial Management
Unit Head



Ms. Shielo Reyes
Regional Director

Ms. Rosella Sansano
Regional Director

Ms. Juliana Salcedo
Regional Director

Ms. Marites Angara
Regional Director

Mr. Jayson Solosa
Regional Director

Ms. Mary Rose Venerayan
Regional Director

Ms. Amalia Ditchoso
Regional Director

Ms. Eva Mandalihan
Regional Director



Ms. Madonna Bautista
Regional Director

Ms. Belinda Salazar
Regional Director

Mr. Eugenio Gabbac
Regional Director

Ms. Jelyn Maranan
Regional Director

Ms. Gerilyn Bautista
Regional Director

Ms. Maribeth Quilit
Regional Director

Ms. Rachelle Villaverde
Regional Director

Ms. Loida Lutado
Regional Director



Repayment Rate



Financial Self-Sufficiency



Operational Self-Sufficiency

LOANS DISBURSED

PhP **22,324,075,552.00**

LOANS OUTSTANDING

PhP **9,977,007,288.00**

SAVINGS

PhP **7,284,633,050.00**

CLIENTS SERVED

1,298,087

ACTIVE CLIENTS WITH LOANS

702,581

CLIENT INCLUDING SAVERS

1,300,597



Branches & Head Office

41



Branch Lite Units

281



Staff

2,526

AT A GLANCE

FINANCIAL HIGHLIGHTS

Minimum Data Required	Year Ended	
	2023	2024
Profitability		
Total Net Interest Income	Php 3,017,811,886.66	Php 3,620,328,917.23
Total Non-Interest Income	Php 135,178,657.36	Php 164,103,786.00
Total Non-Interest Expenses	Php 2,063,218,195.16	Php 2,339,957,305.27
Pre-Provision Profit	Php 920,821,771.45	Php 1,327,732,056.67
Allowance for Credit Losses	Php 168,950,577.41	Php 116,743,341.29
Net Income	Php 688,399,432.28	Php 995,070,767.92
Selected Balance Sheet		
Liquid Assets	Php 923,409,640.61	Php 1,468,491,080.05
Gross Loans	Php 8,265,240,431.08	Php 9,977,007,287.64
Total Assets	Php 10,002,763,259.14	Php 12,230,618,041.45
Total Deposit	Php 6,306,131,961.61	Php 7,284,633,049.64
Total Equity	Php 2,456,257,571.08	Php 3,209,820,252.51
Selected Ratios		
Return on Average Equity	35.04%	35.12%
Return on Average Assets	7.88%	8.95%
Capital Adequacy Ratio (CAR)	23.47%	24.90%
Selected Balance Sheet Data		
Cash Dividend Declared	Php 270,000,000.00	Php 480,004,700.00
Stocks Dividend Declared		Php 179,995,300.00
Head Count		
Officers	214	218
Staff	2,207	2,308

Capital Structure and Capital Adequacy		
	2023	2024
Tier 1 Capital		
Paid Up Common Stock	Php 1,495,501,000.00	Php 1,927,478,200.00
Retained Earnings	Php 274,645,573.10	Php 303,045,005.39
Undivided Profit	Php 689,049,445.69	Php 984,798,816.40
Other Comprehensive Income	(Php 22,958,745.95)	(Php 2,288,434.30)
Total Core Tier 1 Capital	Php 2,482,154,764.74	Php 3,213,033,587.49
Tier 2 Capital		
General Loan Loss Provision	Php 75,125,280.64	Php 90,833,171
Total Core Tier 2 Capital	Php 75,125,280.64	Php 90,833,171
Gross Qualifying Capital	Php 2,557,280,045.38	Php 3,303,866,758
Deductions from Tier 1 and Tier 2 Capital	(Php 86,171,248.93)	(Php 97,003,272.96)
TOTAL QUALIFYING CAPITAL	Php 2,471,108,796.45	Php 3,206,863,485.63
Capital Requirements for Market Risks		
Capital Requirements for credit risk;	Php 7,399,544,484.48	Php 8,906,813,367.38
Capital Requirements for market risk;		
Capital Requirements for operational risk	Php 3,128,567,706.12	Php 3,973,524,096.54
Total and Tier 1 Capital Adequacy Ratio	23.47%	24.90%

What we accomplished in 2024

ECONOMIC

konek2CARD Users: **899,091**

konek2CARD Agents: **2,778**

ENVIRONMENTAL

Trees Planted: **2,157**

Solar Loan Portfolio: **PHP 4,089,300.00**

SOCIAL

Scholars: **3,018**

Health Availment: **27,079**

GOVERNANCE

Audit Rating: **95.84%**

At CARD SME Bank, we support economic growth by offering financial products that help micro, small, and medium enterprises (MSMEs) expand, create jobs, and become more stable. Through financial literacy programs, we guide our clients in managing their savings and businesses wisely. We also continue to improve our digital services to make financial tools more accessible, especially in areas where banking options are limited.

Caring for the environment is also part of how we do business. We promote responsible practices such as tree planting, energy conservation, and proper waste management. With the help of our environmental risk management guidelines, we assist clients in following environmental laws, allowing their businesses to grow in a sustainable way. These efforts reflect our commitment to protecting the environment while supporting community development.

Our work extends beyond financial services. We invest in programs that focus on education, health, and training to support our clients, employees, and their families. Educational loans and scholarships make learning more accessible, while health programs bring medical services closer to communities. Training activities build the skills needed for business and personal growth. Alongside these, we uphold good governance by listening to clients, practicing transparency, and maintaining high standards in our operations.

Economic

We remain dedicated to promoting financial products and services that drive economic sustainability. Our initiatives focus on employment generation, business expansion, and individual growth. As a result, we disbursed PHP 22,324,075,552 in loans to 702,581 clients nationwide under various products, including SME, SME-Unlad, Quick SME Loan, MICRO, AgriBusiness Loan, Bahay Katuparan (Housing Loan), and Drive Ur Wheels (Car Loan).

Simultaneously, our clients' savings reached PHP 7,284,633,050 as of December 31, 2024, reinforcing our commitment to financial stability and inclusion. These savings accounts provide security for our clients and serve as a foundation for their long-term financial well-being.

To meet the growing needs of MSMEs, we expanded our network to 41 branches and 281 units, including new locations in Ipil and Narra, established in June and August 2024, 21 ATMs, and 41 DCMs. Strengthening our digital presence, konek2CARD reached a total of 899,091 users and 2,778 agents as of December 2024, further enhancing accessibility for our clients nationwide.

As we continue to embrace digitalization, the konek2CARD platform has played a pivotal role in making banking more accessible to entrepreneurs. QR Ph, Instapay, and Merchant features were added to konek2CARD to boost digital access and enable fast, secure, cashless transactions. Through this platform, MSME owners can perform real-time transactions, manage their finances efficiently, and reduce operational disruptions caused by traditional banking methods. The increase in konek2CARD users highlights our commitment to bridging the financial gap through technology.

In addition, we conducted Savings Caravans in various branches to promote financial literacy and savings awareness. These initiatives aim to instill responsible financial habits among clients, ensuring that they are not just borrowing but also building their financial resilience. Our approach goes beyond providing capital—we equip clients with the knowledge and tools to sustain and expand their businesses successfully.

By fostering MSME growth and financial inclusion, we create employment opportunities and contribute to local economic development, helping Filipinos build a more secure future.



Environmental

At CARD SME Bank, we uphold stewardship in our operations, ensuring environmental sustainability for the well-being of our clients and their communities. To support this commitment, we established an environmental risk management framework that guides clients in adhering to waste management regulations and mitigating environmental risks. We assist them in obtaining necessary environmental clearances to ensure compliance with local environmental standards. This structured approach helps businesses operate sustainably while minimizing their ecological footprint.

Furthering our sustainability initiatives, 11 branches participated in tree-planting activities, planting 2,157 seedlings. These efforts not only help mitigate climate change but also enhance local biodiversity and provide long-term environmental benefits. Additionally, we partnered with organizations such as Water.Org and the IFC project on Climate Smart Agri, continuing our support for initiatives that address environmental issues.

Within our own banking operations, we continuously refine our internal processes to integrate eco-friendly practices. We implemented waste segregation in all branches and offices since August 2022, aiming to reduce environmental impact. Moreover, we have adopted several paperless practices, including digital payments, electronic transactions, and online meetings, which have been in place since 2019. We maximize the use of email and electronic platforms, such as scanned documents for transmittals and signing, to minimize printing and photocopying. We also use unified collaboration platforms and Google Workspace as the repository for memoranda and circulars instead of printing them.

As part of our broader environmental strategy, we have a dedicated environmental risks assessment in place, incorporated into our SME Lending Program (E&S Checklist) since 2019, we supported sustainability through 2,038 WASH loan accounts amounting to Php 34.17 million, 484 solar loan accounts totaling Php 4.09 million, and 17,807 agri loan accounts reaching Php 365.77 million. Eight branches joined tree planting activities, while Pagadian branch





also took part in a seas clean-up drive. Our network also maps branches based on environmental risks using hazardhunter.com, ensuring a proactive approach to environmental management.

Further to our green financing initiatives, our loan portfolios support environmental sustainability with a focus on water, agriculture, and solar energy. As of 2024, the WASH Loans portfolio had 2,038 accounts totaling PHP 34.17M, while the Solar Loans portfolio comprised 484 accounts totaling PHP 4.09M. We also support the Agri Loan portfolio, which had 17,807 accounts totaling PHP 365.77M. We are proud to assist businesses that adopt eco-friendly practices and provide financial support for their growth in a sustainable manner.

Through these actions and partnerships, CARD SME Bank plays a proactive role in minimizing environmental risks while promoting a sustainable future for our clients, their businesses, and the communities they serve.

Agri Loan Portfolio

17,801
Accounts

PHP 365.77M
Total Amount

WASH Loans Portfolio

2,038
Accounts

PHP 34.17M
Total Amount

Solar Loan Portfolio

484
Accounts

PHP 4.09M
Total Amount

Social

Beyond microfinance, CARD SME Bank prioritizes social sustainability through education, capacity-building programs, and community development initiatives for staff, clients, and their families.

Our commitment to empowering individuals is reflected in our micro, small, and medium enterprise (MSME) loans, which disbursed PHP 22.19 billion in 2024. These loans have supported thousands of clients, helping them grow their businesses and strengthen their communities. This is part of our broader focus on fostering financial inclusion and social mobility.

In addition to our MSME efforts, we remain deeply committed to education. Our educational loan program provides financial assistance to mothers supporting their children's education. Loan amounts range from PHP 5,000 for elementary students to PHP 20,000 for senior high school and college students, easing the financial burden of education. This initiative underscores our belief that education is a key driver of social mobility and economic stability. As of 2024, a total of 31,151 clients availed educational loans amounting to Php370.15 million, while 339,468 clients accessed insurance loans worth Php636.67 million. We also supported 3,018 scholars, with 1,704 graduates and 1,058 currently active and continuing their studies.

A portion of CARD SME Bank's profits also supports the CARD-MRI Development Institute, Inc. (CMDI), helping students pursue their studies. By investing in education, we empower future generations with the knowledge and skills needed to break the cycle of poverty. Additionally, we have supported 3,018 scholars, with 1,704 having already graduated and 1,058 currently active and receiving support.

Our capacity-building initiatives further strengthen communities. Through CMDI, 2,735 bank personnel and 10,221 clients have attended various training programs, including financial literacy, business development, and leadership skills, equipping them with the necessary tools for success. In line with this, many of our finance officers have earned certifications such as Certified





Treasury Professional, Certified Management Accountant, and Certified Tax Technician. Furthermore, seven of our account managers and regional directors have completed their master's degrees at prestigious institutions like the Development Academy of the Philippines and the University of the Philippines, enhancing our leadership and expertise in financial services.

In our commitment to health and wellness, we continue to integrate programs that support the well-being of our clients and staff. Through our Microfinance and Health Protection (MAHP) Unit, we provide medical, dental, and optical check-ups to clients and their families. During our Kaunlaran Caravan in Barangay Poblacion, Dimasalang, Masbate, on February 8, 2024, we ensured clients received essential healthcare services, demonstrating our holistic approach to client welfare.

Moreover, our efforts to ensure gender equality are evident in our workforce, where 75% of our permanent employees as of December 31, 2024, are women. We are also proud to have 836,026 female clients (69% of our total client base), reflecting our dedication to empowering women and promoting gender equality across all sectors.

31,151

Educational Loan Clients

PHP 370.15M

Total Amount of
Educational Loan to Clients

836,026

Female Clients

CORPORATE SOCIAL RESPONSIBILITY

Policy Objective

To cater in social empowerment in Corporate Social Responsibility (CSR) programs for CARD SME Bank create more opportunities to raise savings mobilization, reduce default rates and measure more positive community impact among members.

Policy Statement

CARD SME Bank shall ensure that the CSR investment shall proactively consider as a business opportunity and strategy to support the Social Performance Management as a whole.

For almost three decades, CARD SME Bank assured that the CSR addresses the impact on the lives of its beneficiaries, its relevance in addressing current society concerns, its long-term commitment to continue the program and services, and its effectiveness in inspiring other institutions to resonate the same initiatives.

CARD SME Bank aim to provide holistic social development service to the poor by giving its clients access to health services. CARD SME Bank clients, their children and deserving students from indigent and poorest communities have also the opportunity to get educational assistance and scholarships. CARD SME Bank also ensures that its members and their families can get back on their feet through immediate provision of relief goods, stress debriefing, health missions, and immediate claims payment.

CARD SME Bank believes that financial support must be paired with suitable and effective community development services so that poverty eradication can be achieved. CARD SME Bank has been very active in delivering various programs which may assist its clients to support their growing enterprises as well as their other needs in health and education.

A. SCHOLARSHIP PROGRAM

Believing that education brings about change in the community, CARD SME Bank together with members of CARD MRI offers educational assistance and scholarship through the CARD Scholarship Program (CSP) under the Resource Mobilization Unit (RMU) of CARD MRI. This was launched in 2000 and CSP has been actively and successfully providing a platform for qualified students to have well-deserved opportunities for education.

B. HEALTH PROTECTION PROGRAM

CARD SME Bank ensures that health condition of its clients is protected. We found out that most members and their families suffer from common, treatable, and/ or preventable illnesses. Thus, the Microfinance and Health Protection Program was conceptualized. Greater availability and access to affordable physician consultation services; affordable, quality prescription drugs to treat the most common diseases; and more information about how to use health care services that are available, including when to seek treatment for themselves and their families are the greatest healthcare needs of these families.

With the restriction on social gatherings and strict implementation of social distancing, the bank and the CARD MRI has deferred its regular activities in providing Credit with Education and community health days. However, with its desire to continuously provide medical assistance to the members and to the public, following health service initiatives were provided in the midst of COVID-19 threat.

1. CARD e-Doctor Consultation

In response to the COVID-19 pandemic where there are physical limitations, the Microfinance and Health Protection (MaHP) program unit launched a free online health consultation using Facebook page where our medical health practitioners continue to provide medical support to the communities nationwide.

2. Health Education

Our MaHP nurses attend center meetings to teach health education and promote healthy lifestyles in our communities.

3. Community Clinic

Our partner doctors and CARD nurses conduct free medical and dental check-ups to our clients and their families to different communities. We also do dental extractions to our clients. CARD SME Bank advocates for a healthy family to also improve their quality of living.

We will continue strengthening these primary healthcare needs, scholarship grants, and business support, which we already extended all over the country.

Governance

At CARD SME Bank, governance is more than fulfilling obligations—it is a reflection of our deep commitment to responsible banking and social development. Guided by the Bangko Sentral ng Pilipinas (BSP) and anchored in CARD MRI's core values, we lead with integrity, operate with transparency, and listen closely to the people we serve. These guiding principles keep us grounded in our mission: building a poverty-free Philippines.

Management and Directorship

Our leadership is shaped by purpose and grounded in values. With CARD MRI's CFISHES—Competence, Family Spirit, Integrity, Simplicity, Humility, Excellence, and Stewardship—at the heart of everything we do, our management and board work together to pursue sustainable growth that empowers the underserved.

Our management team is composed of professionals who have devoted their careers to microfinance and development. Through regular training and capacity-building provided by CARD MRI, they stay equipped to meet evolving client needs while remaining true to our mission. Likewise, our Board of Directors—composed of CARD MRI pioneers and client-trustees—brings a wealth of experience and insight, ensuring that each decision supports both operational excellence and meaningful impact.

Transparency

We believe that trust is earned through consistent integrity and accountability. At CARD SME Bank, we adhere to the highest standards of financial transparency, guided by the regulatory framework of the Bangko Sentral ng Pilipinas (BSP). Through regular internal and external audits, we ensure that every aspect of our operations aligns with ethical practices and industry expectations.





Our governance structure is built for clarity and openness. Client-representatives on our board help ensure that the voices of those we serve are reflected in leadership. Through transparent policies and a commitment to accountability, we reinforce the trust that clients, staff, and partners place in us.

As we grow, we remain mindful of our broader responsibility to society. By nurturing EESG (Economic, Environmental, Social, and Governance) principles, we ensure that our growth is inclusive, sustainable, and aligned with our shared mission of poverty eradication.

Client Feedback

Our clients are at the heart of everything we do. We listen to them not just to improve our services, but to truly understand their needs, aspirations, and challenges.

Through regular center meetings, we engage with clients face-to-face, gathering their insights and building relationships grounded in trust. These interactions allow us to refine our products, reinforce credit discipline, and stay connected to the realities of those we serve. In addition, we maintain open feedback channels through grievance systems, field monitoring, and social media—making sure that we remain accessible to clients anytime, anywhere.

Listening has always been a strength of CARD SME Bank. It is how we learn, how we grow, and how we continue to serve with empathy and relevance.

The following section outlines the governance structures, policies, and practices that guide our strategic decisions. These pillars reinforce our commitment to transparency, accountability, and sustainability. By continuously strengthening these aspects, we ensure that our operations remain aligned with our mission, empowering us to serve our members effectively while laying the groundwork for long-term success.

BANK'S BRAND

Our Company

We are the premiere financial institution in South Luzon with the credibility, integrity, and capital (human/financial) to assist the countryside SME in the expansion of their existing businesses.

Our Promise

Our brand promise is to build honest, long-term, and mutually enriching relationships with our customers by being active partners in their business growth and self-development.

Our Logo



Our logo is circular due primarily to the tradition of using the shape as the main theme of CARD MRI member logos. The circle, however, also represents Eternity - for our long-term vision of eradicating poverty through principled yet sustainable business practices, and innovation - for our ability to provide business-viable products and services to a market other financial institution deem as high-risk and low-ROI.

The central image is a silhouette of people, joined together to appear like rich foliage. First, this depicts agriculture, a generally accepted theme representative of rural-based SMEs in South Luzon. Second, it represents the life-long and mutually enriching partnerships between the bank and its clients. Lastly, the image highlights the very backbone of our group CARD MRI, which is the synergy between individuals and groups that make long-term economic growth through the alleviation of lower-income sectors of society, a reality.

Our logo's central image is wrapped around by an iconic letter C, signifying the first letter of CARD. The wraparound concept also indicates how CARD MRI is the prime-mover behind the central image's representation of the SMEs, long-term partnerships, and community-based synergy towards poverty alleviation.

Our Tagline

"Kaakbay sa Pag-unlad" communicates our dedication and passion for partnerships that aim to boost our clients' entrepreneurial mindset by assisting in the growth of their enterprises.

TRANSITIONING OF GOOD AND PRIME CLIENT OF CARD, INC. (A MICROFINANCE NGO)

The CARD SME Bank's target market remains closely intertwined with CARD Inc., CARD Bank, and CARD MRI Rizal Bank being all members of CARD MRI. Hence, the target market of the entire CARD MRI can be described in a ladderized and three-legged approach as follows:



As one of the members of CARD MRI group, CARD SME Bank's target market is also synchronized and deeply thought about to ensure that all the member-institutions reinforced each other in the attainment of the mission and vision of ultimately empowering the poor by upholding the core values of competence, family spirit, integrity, stewardship, humility, culture of excellence, and simplicity.

As a methodology, transitioning of matured CARD, Inc. clients/borrowers to CARD SME Bank will be its mainstream. Transitioning of clients means that the CARD, Inc. clients with good/prime credit standing may avail of the microfinance, small and medium (MSME) facility/services from CARD SME Bank resulting to more loans and deposit products to borrowers/members. This business strategy encourages the borrowers/members to further comply with the repayment discipline required for them to qualify in the transitioning. Upon transitioning of the clients, clients are continuously provided with financial and non-financial services by CARD SME Bank, leading to enriching and empowering them through continuous access to financial resource as well as through training and supervision by the CARD SME Bank staff. CARD SME Bank completes the loop of developing and empowering the poor to become experts in small and medium enterprises who do not just generate profits for the family but also employment opportunities for their communities.

CARD SME Bank's overall strategy involves developing the clients further to the next level. With this, CARD SME Bank does not stop at the provision of small microfinance loans to awaken and nurture the entrepreneurial skills of the microfinance clients, but by also providing them with bigger loans and other flexible products and services that will continuously nurture their business skills and acumen in managing various individual or family enterprises.

RISK MANAGEMENT AND CORPORATE GOVERNANCE

CARD SME Bank, Inc.'s corporate governance practice adheres to CARD MRI's seven (7) core values: Competence, Family Spirit, Integrity, Simplicity, Humility, Excellence, and Stewardship. The Bank's exemplary corporate governance is anchored by its strong corporate culture and values. It is guided with a clearly defined governance framework promoting transparency, fairness, and accountability.

The Bank advocates financial inclusivity among its clients. It assures that all board of directors, officers, and staff are aligned with the interest of its shareholders. The Bank believes that corporate governance is a necessary component of what constitute sound strategic business management and undertake every effort necessary to create awareness within the organization. It works closely with the regulators to ensure that the internal governance standards are being met by the Bank.

BOARD OF DIRECTORS

Observance of the principles of good corporate governance starts with the board of directors. It is primarily responsible in fostering long-term success of the bank and assuring sustained competitiveness in a manner consistent with its fiduciary responsibility.

The Board is responsible for approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance, and corporate values. It is also responsible in overseeing the performance of senior management in so far as managing the day-to-day affairs of the bank. It establishes a code of conduct and ethical standards in the bank and institutionalizes a system that will allow reporting of concerns or violations to an appropriate body. The board conducts itself with utmost honesty and integrity in the discharge of its duties, functions, and responsibilities.

COMPOSITION

The Board is composed of eleven (11) members pursuant to Bank's Articles of Incorporation and by-laws, where four (4) of whom are Independent Directors. All are professionals from various field of expertise such as banking, law, accounting, finance, microfinance, and social development.

QUALIFICATIONS OF THE BOARD OF DIRECTORS

Directors

The board of directors must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, Integrity/probity; physical/mental fitness; relevant education/financial literacy/training; possession of competencies relevant to the job such as knowledge and experience, skills, diligence and independence of mind; sufficiency of time to fully carry out responsibilities; and concurrent position with the same BSP supervised financial institutions and interlocking position in entities that may pose conflict of interest are considered. The Board should have at least attended a special seminar on corporate governance for board of directors conducted by the Bangko Sentral ng Pilipinas accredited training provider.

Independent Directors

The independent directors must and have not been an officer or employee of the Bank, its subsidiaries or affiliates or related interest during the past three (3) years counted from the date of the board's election. They are not a director or officer of the related companies of the institution's majority stockholders. They are not stockholders with shares of stock sufficient to elect one seat in the board of directors of the institution, or any of its related companies or of its majority corporate stockholders. They should not have a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the bank or any of its related companies. They are not acting as a nominee or representative of any director or substantial shareholder of the bank, any of its related companies or any of its substantial shareholders. They are not retained as professional adviser, consultant, agent, or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm. The independent director is also independent of management and free from any business or other relationship, and has not engaged and does not engage in any transaction with the institution or with any of its related companies or with other persons or through firm of which, he is a partner or a company of which he is a director or substantial shareholder, other than transaction which are conducted at arm's length and could no materially interfere with or influence the exercise of his judgment. An independent director may serve as such continuously for three (3) years, after which he/she may be assessed for a possible extension of terms up to a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director of the bank but may continue to serve as regular director.

Member – Board of Director

CARD SME Bank strongly believes that clients' voice contributes greatly to the success of all its endeavors. Thus, to ensure that clients are represented in the policy making body of the Bank, two (2) seats in the board of directors are allotted for the members.

A duly qualified and selected member may serve as Board of Director for a maximum of three (3) years, which can be extended for a maximum of another two (2) years subject to member's performance, and approval of the Board of Directors and Stockholders.

Interlocking Directorships and/or Officerships

As part of the Bank's governance process, the bank conducted thorough evaluation of any proposed interlocking positions, both for director and/or officer level. This is to ensure that the benefits of having directors or officers with interlocking positions with other entities are being optimized, that the concerned directors or officers devote sufficient time and attention necessary to effectively carry out their duties and responsibilities, and that excessive concentration of economic power, unfair competitive advantage, abusive practices, and conflict of interest situations are prevented.

In determining interlocking directorships, a director and his/her spouse, whether legitimate or common-law, shall be considered as one (1) and the same person.

Interlocking directorships are allowed except in cases involving banks belonging to the same category. Interlocking directorships in banks belonging to the same category shall only be allowed if the banks are part of the same banking group; or have different business models and are serving different markets or clients.

Interlocking directorships and officerships are allowed provided that the positions do not pose conflict of interests.

Other Provisions of Interlocking Directorships and Officerships:

- a. Interlocking directorships and/or officerships between banks that have directly competing business model/operations are strictly prohibited, except both belonging to CARD MRI group.
- b. A director shall be allowed to have interlocking directorships with other banks but shall only be limited to maximum of three (3) concurrent directorships.
- c. A director shall be allowed to have interlocking directorships with other entities; Provided, that it shall not pose conflict of interest and that the director involve has the capacity to fulfill his obligation as director of the bank.
- d. A director shall be allowed to have interlocking officership position with other corporate entity outside the CARD MRI group; Provided, that it will not exceed more than Two (2) officership positions with two (2) different entities. Except, however the position involves does not requires full-time management position.
- e. An officer of the bank shall be allowed to have interlocking directorship position with other entities outside CARD MRI group but shall not exceed more than two (2) entities.

CHAIRPERSON OF THE BOARD OF DIRECTORS

The Chairperson of the board of directors shall provide leadership in the board of directors. He shall ensure the effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors. As part of checks and balances, the Chairperson of the board of directors is a non-executive director. He shall

- I. ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
- II. ensure a sound decision making process;
- III. encourage and promote critical discussion;
- IV. ensure that dissenting views can be expressed and discussed within the decision-making process; ensure that members of the board of directors receives accurate, timely, and relevant information;
- V. ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors; and
- VI. ensure conduct of performance evaluation of the board of directors at least once a year.

There are eleven (11) Board of Directors elected dated May 11, 2024; four (4) of whom are Independent Directors.

Name of Director	Type of Directorship	No. of Years as Director	Percentage of Shares	Board Meeting's Attendance	
				Jan. - Dec. 2024	
Mr. Aristeo A. Dequito	Non-Executive	8 Years	1.596%	13/13	100%
Dr. Jaime Aristotle B. Alip	Non-Executive	17 Years	3.675%	13/13	100%
Ms. Mary Jane A. Perreras	Non-Executive	14 Years	1.392%	13/13	100%
Ms. Cynthia B. Baldeo	Executive	3 Year and 8 Months	1.491%	13/13	100%
Mr. Julius Adrian. Alip*	Executive	4 Months	1.377%	4/4	100%
Ms. Elma B. Valenzuela	Non-Executive	6 Year and 3 Months	4.665%	9/9	100%
Dr. Gilberto M. Llanto	Non-Executive	13 Years	0.148%	13/13	100%
Atty. Wilfredo B. Domo-ong	Non-Executive	13 Years	0.143%	13/13	100%
Ms. Chona A. Felesedario	Independent	5 Year and 10 Months	0.000%	13/13	100%
Ms. Irene D. Arroyo	Independent	3 Year and 8 Months	0.000%	13/13	100%
Ms. Abundia C. Manabes	Independent	3 Year and 8 Months	0.000%	13/13	100%
Ms. Maria Agnes J. Angeles	Independent	3 Year and 8 Months	0.000%	13/13	100%

*Elected as Board of Director effective September 1, 2024, replacing Ms. Elma Valenzuela

BOARD QUALIFICATIONS

NAME	Age & Nationality	Date Elected	Shares Held	Qualifications	
Mr. Aristeo A. Dequito <i>Chairman</i>	58, Filipino	May 11, 2024	319,278 (Direct)	<p>With more than 30 years of experience in microfinance, 24 years of which are in banking and finance.</p> <p>Educational Attainment: He earned his degree in Bachelor of Science in Business Administration, Major in Accountancy at San Pablo Colleges in 1987. He finished his Master in Entrepreneurship at the Asian Institute of Management in 2008 and Advance Management Program in Harvard Business School in 2014.</p> <p>BSP and other trainings attended: Corporate Governance and Sound Credit Risk Management System, IT Governance Seminar, Anti-Money Laundering/Combating the Financing of Terrorism (AML/CTPF), SME Lending Policy Seminar, International Seminar on Financial Inclusion, Value Chain Conference, Basic Rural Banking, Microfinance Training and Transformation Workshop, Sustainable Finance, Training Program on SAF; Exposure visit in Bandhan Bank India, AMLC/CTF Fundamentals and TFS.</p>	
	Other Current Directorship and Officership:				
	Institution		Position		
	CARD MRI RBI	Chairman			
	CARD-BDSFI	Trustee			
	CARD, INC., A MICROFINANCE NGO	Trustee and President			
	CMIT	Director			
	Mga Likha ni Inay	Trustee			
	CARD MRI PROPERTY HOLDINGS INC.	Director			
	FDS ASYA PHILIPPINES INC.	Director			
CARD MRI DEVELOPMENT INSTITUTE (CMDI)	Corporate Secretary				
PHILIPPINE RED CROSS - SAN PABLO CITY CHAPTER	DIRECTOR/ AUDITOR				

Dr. Jaime Aristotle B. Alip <i>Vice Chairperson for External Affairs</i>	67, Filipino	May 11, 2024	735,052 (Direct)	With more than 30 years of experience and expertise in the field of microfinance, banking, microinsurance and related fields Educational Attainment: BS Agriculture Major in Agricultural Economics, MS in Professional Studies, PhD in Organization Development, OPM Program in Harvard Business School BSP and other Trainings Attended: Corporate Governance for Board of Directors, Risk Management Seminar, Briefing on Updated AML Rules and Regulations, Exposure in MABS Program, Exposure in SME in BRAC Bank, Grameen Bank, ASA, Seminar in SME Banking, IT Governance Seminar, AML/CTPF; Sustainable Finance Framework; Islamic Banking Regulations and best practices and Legal Liabilities and Proceedings affecting banks
	Other Current Directorship and Officership:			
	Intstitution		Position	
	CARD Bank, Inc.		Chairperson/ Director	
	CMDI		Chairman/ Trustee/ Dean Emeritus	
	INTERNATIONAL COOPERATIVE AND MUTUAL INSURANCE FEDERATION (ICMIF)		Vice Chairperson/ Director	
	CARD Pioneer Microinsurance, Inc		Board Adviser	
	Rafael B. Buenaventura Foundation		Chairman	
	CARD, Inc. (A Microfinance NGO)		Senior Management Adviser/ Chairman Emeritus	
	RIMANSI Organization for Asia and Pacific		Chairman Emeritus	
	Rizal College of Laguna		Director	
	Union College of Laguna		Director	
	CARAGA Renewable Energy Corp.		Director	
	MICROFINANCE INFORMATION DATA SHARING, INC. (MIDAS)		Director	
	The Hunger Project		Director	
	CARD MRI Rizal Bank, Inc.		Board Adviser	
Matapat Holdings, Inc.		Director		
TOPSCORES Holdings, Inc.		Director		
Makati Business Club		Trustee		
Council for Climate and Conflict Action Asia (CCAA)		Director		
Ms. Mary Jane Pererras <i>Vice Chairperson for Administration</i>	68, Filipino	May 11, 2024	278,354 (Direct)	With more than 19 years of experience in investment and asset management, and more than Ten (10) years in microfinance and retail banking, and other related fields. Educational Attainment: BS Medical Technology in University of Sto. Tomas, and Executive MBA in Asian Institute of Management BSP and other s attended: IT Governance Principle Course, Risk Management, Corporate Governance Seminar, Anti-Money Laundering/Combating the Financing of Terrorism Training, Asset Securitization, Money Market, Trade Finance Training, AML/CTPF; Sustainable Finance Framework
	Other Current Directorship and Officership:			
	Intstitution		Position	
Chamber of Thrift Bank		Board of Trustee		
Ms. Cynthia B. Baldeo <i>Director</i>	60, Filipino	May 11, 2024	298,255 (Direct)	With more than 30 years of experience in microfinance, 23 years of which is in banking and finance. Educational Attainment: She earned her degree in Bachelor of Science in Agriculture at Laguna State Polytechnic College in 1988. She finished her Master in Business Administration in 2004 at Trinity College of Quezon City, Executive Master in Business Administration in 2010 at Asian Institute of Management and Senior Executive Leadership Program in Harvard Business School in 2021. BSP and other trainings attended: Corporate Governance, Risk Management Seminar, IT Governance Seminar, Anti-Money Laundering/Combating the Financing of Terrorism, TRAINING IN RELATED PARTY TRANSACTIONS, LOAN ADMINISTRATION AND MANAGEMENT OF MABS APPROACH, Basic Rural Banking, SME CREDIT RISK MANAGEMENT LOAN ORIGINATION, BSP SUPERVISORY ASSESSMENT FRAMEWORK, WOMENS WORLD BANKING AND CITIGROUP FINANCIAL RISK MANAGEMENT TRAINING, AML/CTPF; Sustainable Finance Framework, SAFr Training, Global Sustainable Finance Conference, Exposure in Bandhan Bank - India, AML/CTF Fundamentals.
	Other Current Directorship and Officership:			
	Intstitution		Position	
	CARD MRI INSURANCE AGENCY, INC. (CAMIA)		Director	
Bakawan Data Analytics, Inc.		Director		

Mr. Julius Adrian R. Alip <i>Director/President and CEO</i>	46, Filipino	July 13, 2024	275,343 (Direct)	<p>With more than 10 years of experience in microfinance, five (5) years of which is in banking and finance.</p> <p>Educational Attainment: Mr. Alip earned finish his degree in Technical Theater at De La Salle University-College of St. Benilde in 1999, finished his master's in international Community Economic Development and Public Administration in Southern New Hampshire and Harvard University, USA, in 2006 and 2014, respectively. Moreover, he also finished Executive Education for Top Management, Executive Education High Potential Leadership, Edward S. Mason Program at AIM, Philippines and Harvard Business School, USA in 2010 and 2014, respectively.</p> <p>BSP and other trainings attended: Corporate Governance, Risk Management Seminar, IT Governance Seminar, Anti-Money Laundering/Combating the Financing of Terrorism, Training on Cybersecurity and Digital Transformation, Sustainable Finance Framework, SAFr Training, Global Sustainable Finance Conference, SME Lending Operations exposures in various institution, AMLC TFS and ARRG Training.</p>
	Other Current Directorship and Officership:			
	Intstitution	Position		
	CARD LEASING AND FINANCE CORPORATION	Director		
	CARD MRI Rizal Bank, Inc., A Microfinance-Oriented Rural Bank	Director		
CARD Business Development Service Foundation, Inc.	Trustee			
Dr. Gilberto M. Llanto <i>Director</i>	74, Filipino	May 11, 2024	29,674 (Direct)	<p>A professional economist who has held various executive positions and research at the National Tax Research Center of the DoF, BSP, DAR and NEDA. An expert in banking, finance, and international trade. He has been a consultant on financial markets, microfinance, public finance, and public economics to international organizations.</p> <p>Educational Attainment: A. B. Philosophy, M.S. Economic Program, M.A. Economics, and Ph.D. Economics.</p> <p>BSP and other trainings attended: Governance for Board of Directors, Briefing on BSP Cir.706 Updated AML Rules and Regulations, Agricultural Banking, Sustainable Finance Framework, Islamic Banking Regulations</p>
	Other Current Directorship and Officership:			
	Intstitution	Position		
	CARD Bank, Inc., A Microfinance Oriented Rural Bank	Director		
	CARD MRI Development Institute (CMDI)	Trustee		
Philippine Institute for Development Studies	Trustee			
UNIVERSITY OF THE PHILIPPINES PUBLIC ADMINISTRATION RESPOND PROJECT	Team Leader			
Atty. Wilfredo B. Domo-ong <i>Director</i>	84, Filipino	May 11, 2024	28,566 (Direct)	<p>Worked with BSP for almost 30 years, he started as Examiner who then became a Director of SES II Department of the Bangko Sentral ng Pilipinas.</p> <p>Educational Attainment: Bachelor of Science in Commerce and Law Graduated at the Manuel L. Quezon University</p> <p>BSP and other trainings attended: Corporate Governance Seminar and Supervisory Training, IT Governance Seminar, Anti-Money Laundering/Combating the Financing of Terrorism and Several Mandatory Continuing Education Given by BSP, WEBINAR SERIES ON ML/TF TYPOLOGIES, SUPERVISORY ASSESSMENT FRAMEWORK, Sustainable Finance Framework, Legal Liabilities and Proceedings Affecting Banks</p>
Ms. Chona A. Felesedario <i>Independent Director</i>	55, Filipino	May 11, 2024	1 (Direct)	<p>An entrepreneur and active officer in different association in their locality.</p> <p>Educational Attainment: Bachelor of Science in Elementary Education undergraduate.</p> <p>BSP and other Trainings Attended: Basic Course on Governance for Board of Directors and Senior Management, Governance on Communities Default Task and Customer Care Training, AML/CTPF; Sustainable Finance Framework, Legal Liabilities and Proceedings Affecting Banks, and Business Continuity Planning Workshop, AMLC TFS Training.</p>

<p>Ms. Irene D. Arroyo <i>Independent Director</i></p>	67, Filipino	May 11, 2024	1 (Direct)	<p>A banker for more than 40 years. She worked with BSP for 17 years under the Treasury, Supervisory Policy and Regulations Department. Prior to joining PDIC examination department, she worked with Landbank , BDO, East West and Dao Heng Bank handling Treasury, Dealing, Liquidity and Risk Management. She also headed BAIPHIL for 5 years.</p> <p>Educational Attainment: Bachelor of Science on Commerce major in Economics at University of Sto. Tomas and Master in Business Administration at Ateneo Graduate School.</p> <p>BSP and other Trainings Attended: FX Rules and Regulation and Derivatives Seminar, AML and Corporate Governance Seminar, Investment Portfolio Management Training, Enterprise Risk Management and Conduct of Stress Test, Basel II Global Review and IFRS Based Financial Statement Seminar, Enterprise Risk Management, AML/CTPF; Sustainable Finance Framework, SAFr Training, Enhance Corporate Governance, and AMLC ARRГ and TFS Training Course.</p>				
<p>Ms. Maria Agnes J. Angeles <i>Independent Director</i></p>	68, Filipino	May 11, 2024	1 (Direct)	<p>A banker for more than 30 years. She handles MSME Operations and Marketing in various bank, and President of BAIPHIL for a year.</p> <p>Educational Attainment: Bachelor of Science in Management at Ateneo De Manila University.</p> <p>BSP and other Trainings Attended: Consumer Banking Workshop, Real Estate Licensing Brokers, Training on Development Financing, Corporate Governance, Consumer Finance and Sales Management Training, Bank Fraud and IFRS Financial Evaluation Training, Sustainable Finance Framework, Risk Management; Legal Liabilities and Proceedings Affecting Banks, Data Privacy Issues Affecting the Operations of Banks, AMLC TFS and ARRГ Training, and AI in Governance and Leadership Training.</p>				
<p>Other Current Directorship and Officership:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Intstitution</th> <th style="width: 50%;">Position</th> </tr> </thead> <tbody> <tr> <td>PERLA MANSION CONDO ASSOCIATION</td> <td>VP/TREASURER</td> </tr> </tbody> </table>					Intstitution	Position	PERLA MANSION CONDO ASSOCIATION	VP/TREASURER
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PERLA MANSION CONDO ASSOCIATION	VP/TREASURER							
<p>Ms. Abundia C. Manabes <i>Independent Director</i></p>	65, Filipino	May 11, 2024	1 (Direct)	<p>A Health Worker and Community Organizer for 17 years. Prior to her Presidency with CARD MBA, she was an MBA Coordinator, Trustee and Vice President.</p> <p>Educational Attainment: A graduate of Midwifery at Luzon Colleges School of Nursing and Midwifery.</p> <p>BSP and other Trainings Attended: Basic Course on Corporate Governance, Risk Management for Banks, Leadership Training Workshop, Life Skills for Effective MI-MBA Governance, and Governance and AMLA Workshop for MI-MBAs, Basic Course for Corporate Governance for Banks, Risk Management Sustainable Finance Framework, Legal Liabilities and Proceedings Affecting Banks, Business Continuity Planning Workshop, AML/CTF Fundamentals and Anti-Money Laundering and Counter-Terrorism and Proliferation Financing (AML/CTPF) Course for Board of Directors (BOD) and Senior Management (SM).</p>				

BOARD COMMITTEES

The Board is supported by different committees with their respective functions and responsibilities as follows:

A. Corporate Governance Committee

Committee Member	Attendance		Position
Ms. Irene D. Arroyo	12/12	100%	Chairperson
Mr. Aristeo A. Dequito*	8/8	100%	Vice-Chairperson
Ms. Mary Jane Pererras	4/4	100%	Vice-Chairperson
Ms. Abundia C. Manabes	12/12	100%	Member

*Replaced by Ms. Pererras effective September 2025

The Corporate Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities by promoting a healthy development and functioning of the Board, its committees, and individual members. The Committee is composed of three (3) members of the Board who are all non-executive directors and majority are Independent Directors, including the chairperson. The committee regularly meets every 2nd Saturday of the month or as the need arises.

The committee's tasks include, but are not limited to, the following:

- a. Oversees the nomination process for members of the Board of Directors and for positions appointed by the Board of Directors.
- b. Oversees the continuing education program for the Board of Directors.
- c. Oversees the performance evaluation process.
- d. Oversees the design and operation of the remuneration and other incentives policy.

Assists the Board carry out its due diligence duty in reviewing and revising the Board-level committees' job descriptions and/or structural changes, every two years, or as needed to ensure that the Board is in compliance with its legal and fiduciary duties.

B. Risk Oversight Committee

Committee Member	Attendance		Position
Ms. Maria Agnes J. Angeles	12/12	100%	Chairperson
Ms. Irene D. Arroyo	12/12	100%	Vice-Chairperson
Atty. Wilfredo B. Domo-ong	12/12	100%	Member

The Risk Oversight Committee advises the board of directors on the Bank's overall current and future risk appetite, oversees Senior Management's adherence to the risk appetite statement, and reports on the state of risk culture of the Bank. The creation of a risk oversight committee plays vital role as the bank's success is largely dependent on the ability of its directors and officers in managing risks. The committee is composed of three (3) members of the Board of Directors, majority of whom are independent directors including the Chairperson. The committee regularly meets every 2nd Saturday of the month or as the need arises.

The committee's tasks include, but are not limited to, the following:

- a. Oversee the risk management framework.
- b. Oversee adherence to risk appetite.
- c. Oversee the risk management function and the bank's Risk Management Group

C. Audit Committee

Committee Member	Attendance		Position
Ms. Chona A. Felesedario	12/12	100%	Chairperson
Dr. Gilberto M. Llanto	11/12	92%	Vice-Chairperson
Ms. Maria Agnes J. Angeles	12/12	100%	Member

The audit committee is responsible for overseeing senior management in establishing and maintaining an adequate, effective, and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets. The committee is composed of three (3) members of the board, all are non-executive director, and majority are independent director, who have knowledge of financial reporting and internal controls. The committee has regularly met every 2nd d Saturday of the month or as the need arises.

The Audit Committee's tasks include, but are not limited to, the following:

- a. Oversee the financial reporting framework.
- b. Monitor and evaluate the adequacy and effectiveness of the internal control system.
- c. Oversee the internal audit function.
- d. Oversee the external audit function.

- e. Oversee implementation of corrective actions.
- f. Investigate significant issues/ concerns raised.
- g. Establish whistleblowing mechanism.

D. Related Party Transactions (RPT) Committee

Committee Member	Attendance		Position
Ms. Abundia C. Manabes	12/12	100%	Chairperson
Ms. Chona A. Felesedario	12/12	100%	Vice-Chairperson
Atty. Wilfredo B. Domo-ong	12/12	100%	Member

Transactions between and among Directors, Officers, Stockholders and their Related Interest, subsidiaries, and Affiliates (DOSRI) including transactions with related parties may provide financial, commercial and economic benefits to the bank as well as to the group. The Board ensures that dealings of a bank with any of its DOSRI, subsidiaries and affiliates shall be in the regular course of business and upon terms not less favorable to the bank than those offered to others to avoid insider abuses and unfair competitive advantage.

The RPT committee shall assist the bank in handling transactions with related parties. It shall review and evaluate each transaction to assess its fairness. The committee is composed of three (3) members of the board of directors, two (2) of whom are independent directors, including the chairperson. Committee members are entirely composed of non-executive directors, with independent directors comprising the majority. In case a member has conflict of interest in a particular RPT, he/she refrain from evaluating such particular transaction. Independent unit such as Chief Compliance Officer and the Head of Audit sit as resource person of the committee. The committee regularly met every Friday prior to 2nd Saturday of the month or as the need arises.

The Related Party Transactions (RPT) Committee’s tasks includes the following:

- a. Evaluate on an ongoing basis existing relation between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTS are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.
2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.
3. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank’s RPT exposure, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the bank’s affiliation or transactions with other related parties.
4. Endorse for board confirmation and/or approval all RPTs that are considered material based on bank’s internal policies.
5. Report to the board on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties, if any.
6. Ensure that transactions with related parties, including write-off of exposures are subject to periodic independent review or audit process.
7. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

Other committees that include the Board and Management level as follows:

E. Compliance Committee

Committee Member	Attendance		Position
Atty. Wilfredo B. Domo-ong	12/12	100%	Chairperson
Ms. Mary Jane A. Perreras	12/12	100%	Vice-Chairperson
Mr. Benedict A. Ame	12/12	100%	Member
Ms. Gina L. Panelo	12/12	100%	Member

The Compliance Committee is composed of at least two (2) members of the Board of Directors including the head of Internal Audit and Head of Compliance function as regular resource persons. Members possess a range of expertise as well as adequate knowledge on business risks. The Committee is chaired by a non-executive member of the Board. The Chief Compliance Officer (CCO) regularly prepares and submit Compliance and AML Reports to the Compliance Committee containing the results of the Compliance and AML Testing and Monitoring conducted by the Compliance and AML units. The CCO updates the committee members on the new regulatory issuances. The committee, through its Committee Chairperson, reports to the Board during monthly regular Board of Directors meeting any updates, agreements, and policy recommendation discussed by the members of the committee during monthly Compliance Committee meeting.

Compliance Committee regularly met once a month held every Friday before the 2nd Saturday of the month or as the need arises. This is to ensure that committee are updated on the status of the implementation of the compliance program and board through the Compliance Committee are updated on the new relevant Philippine laws, rules, and regulations, and pertinent BSP Circulars governing the operations of the banks.

The tasks of the Compliance Committee include the following:

1. Ensuring the compliance system of the Bank is defined, established and updated to facilitate an effective management of compliance with Bank policies and regulatory requirements.
2. Ensuring the updated compliance program is approved by the Board, and that it oversees and promotes the effective implementation of the program.
3. Ensure compliance issues encountered by the Bank are immediately resolved and acted upon.
4. Ensuring the duties and responsibilities of the Board of Directors provided under Section 132 of the MORB - Powers/responsibilities and duties of directors are done.
5. Ensuring it provides oversight on AML policy development and execution such that AML policies and procedures established by the senior management, led by the compliance office, are adequate and are kept updated/remain relevant to best react on the changing AML regulatory scenarios and conditions.
6. Reviews and acts, as necessary, on AML related reports coming from the Bank’s compliance office.
7. Oversees and ensures the effective performance of the AML/TF functions of the Bank’s Compliance Office.
8. Approves institutional risk assessment, AML/CTF related policies, manuals, and guidelines, including the design and implementation of the MTPP of the Bank.
9. Promotes a sound AML/CTF compliance culture across the Bank, and oversees the efforts of all concerned personnel in the prevention of money laundering, counter terrorism, and proliferation financing activities.
10. Reviews the completeness of the processes in reporting compliance of identified ML/TF/PF breaches, including review of findings of the Bangko Sentral ng Pilipinas (BSP), and the Anti-Money Laundering Council (AMLC).
11. Deliberates and/or acts on significant regulatory AML/CTPF matters, such as new initiatives, BSP/AMLC supervisory mandates, directives, inquiry and/or investigation, and ML/TF/PF observations raised by compliance and internal audit functions.
12. Deliberates and approves the filing of suspicious transaction reports to the AMLC.

F. Treasury Oversight Committee

Committee Member	Attendance		Position
Ms. Irene D. Arroyo	12/12	100%	Chairperson
Ms. Mary Jane Perreras	12/12	100%	Vice-Chairperson
Ms. Lorenza dT. Banez	12/12	100%	Member
Ms. Jeannie T. La Rosa	11/12	92%	Member

Treasury Oversight Committee assist the Board of Directors in overseeing and advising on the Bank’s cash, investment, borrowings strategies interest rate and other financial risks to sustain the liquidity and profitability of the entire organization.

The committee is composed of at least three (3) Board of Directors, with the Corporate Treasurer, and the Head of Finance as regular resource persons. The Committee Chairperson, Vice-Chairperson, and Members shall be appointed every year during the Board of Directors Meeting every after the Annual Stockholders Meeting.

The duties and responsibilities of the committee are as follows:

- I. The Committee will, at least annually, review the Bank's policies regarding proposed placement of investments, availing of borrowings, and review of interest rates.
- II. The Committee will review Management's proposals regarding the Bank's financing arrangements, including borrowings, investments, and capital markets transactions, and will make recommendations to the Board regarding such matters;
- III. The Committee will review and approve the Bank's strategic policies on cash management, investment placement and borrowings including its interest rate, and Treasury Transaction limits.

G. Asset and Liability Committee

Name of Director/Officer	Attendance		Position
Ms. Jeannie T. La Rosa	12/12	100%	Chairperson
Ms. Cynthia B. Baldeo*	08/08	100%	Vice-Chairperson
Mr. Julius Adrian R. Alip	04/04	100%	Vice-Chairperson
Ms. Cherry A. Boncajes	12/12	100%	Member
Ms. Anita F. Rapera	12/12	100%	Member
Ms. Mildred B. Matienzo	12/12	100%	Member

*Replaced by Mr. Julius Adrian Alip as Vice Chairperson, and an Invited Attendees Effective September 2024.

The assets and liabilities of CARD SME Bank, Inc. are managed properly to maximize shareholder's value, to enhance profitability and increase capital, to serve customer and community needs, and to protect the institution from any disastrous financial consequences arising from changes in interest rate risk. These objectives are pursued within the framework of written loan, capital, and investment policies. The Board of Directors believes that accepting some level of interest rate risk is necessary to achieve realistic profit goals. The responsibility of managing the asset/liability management procedures is directed by the Asset/Liability Committee (ALCO).

The Asset and Liability Committee (ALCO) is comprised of senior management who are responsible for carrying out Financial Risk Management (FRM) responsibilities. The ALCO Committee meets regularly once a month and held every Monday before the 2nd Saturday of the month. The ALCO Chairperson updates during Risk Management Committee any risk identifies concerning financial management of the bank.

The Asset and Liability Committee's tasks include, but are not limited to, the following:

1. Monitor the liquidity position of the Bank, and liquidity management activities undertaken by the Bank, including wholesale funding activities, contingency funding, and any other relevant liquidity measurements the ALCO deems advisable or appropriate.
2. Monitor the management of interest rate or pricing activities and the sensitivity of the Bank's earnings under varying interest rate or pricing scenarios and potential changes in market interest rates.
3. Monitor trends in the economy in general and interest rates (plus exchange rates) with a view toward limiting any potential adverse impact on the Bank's earnings and capital.
4. Approve interest rate or price tolerances by reviewing how movements in interest rates or prices may adversely affect the Bank's earnings and capital using the Bank's projected earnings and capital as benchmark.
5. Monitor management's investment activities such as purchase, sale, exchange, and other disposition of the investments of the Bank, including review of management reports concerning current equity and debt security investment positions.
6. Review the status of the securities (and foreign currency position, if any) including performance, appreciation or depreciation, quality, maturity profile and any actions taken by management with respect thereto.
7. Review and determine whether to recommend to the Senior Management Committee the holdings of investment securities.
8. Review significant financial risk exposures facing the Bank generally, and in its investment and other market risk portfolios, and the steps management is taking to monitor and control such exposures.
9. Discuss courses of actions related to management action triggers relating to price, interest rate, liquidity, and capital levels.

H. Remittance Committee

Name of Director/Officer	Attendance		Position
Ms. Chona A. Felesedario	4/4	100%	Chairperson
Mr. Manolo M. Martinez	4/4	100%	Member
Ms. Mildred B. Matienzo	4/4	100%	Member

The Savings and Remittance Committee serves as a formalized group that is responsible for ensuring that all matters related to savings portfolio and remittance facility are monitored. The committee is also responsible in advising the board on the current and future savings and remittance issues and initiatives and submits recommendations to the Board. The committee met every quarter, Friday prior to 2nd Saturday of the month and is composed One (1) Board of Director, Two (2) Senior Officers.

The Savings and Remittance Committee's tasks include, but are not limited to, the following:

- a. Monitoring of movement of savings portfolio including performance of Savings Officers.
- b. Monitoring of remittance transactions and recommend strategic initiatives to increase volume of transactions.
- c. Recommending savings promos and campaigns to increase deposit portfolio.
- d. Reviewing of sales promos and campaigns proposed by the Marketing Unit.
- e. Identifying applicable trainings for Savings Officers
- f. Act as sponsor for marketing proposals for savings mobilization.
- g. Define project success measures.
- h. Follow progress on on-going marketing promotions.

I. Real and Other Properties Acquired (ROPA) Committee

Name of Director/Officer	Attendance		Position
Ms. Milagros C. Rojas	5/5	100%	Chairperson
Ms. Lourdes A. Marasigan	5/5	100%	Member
Mr. Peter Robin C. Pasia	5/5	100%	Member

The Real and Other Properties Acquired (ROPA) Committee serves as a formalized group that is responsible for ensuring that all matters related to the real and other properties acquired are monitored through regular meetings. The committee is also responsible in advising the Board on the current and future issues and initiatives on the bank ROPA assets and submits recommendations to the Board.

The ROPA committee is composed of at least Board of Director/Corporate Officer who serves as the committee chair, the Credit Risk Management Unit Officer and Legal Officer. The committee meets every quarter, held every Friday prior to 2nd Saturday of the month.

The ROPA Committee's tasks include, but are not limited to, the following:

- a. Monitoring of movement of real and other properties acquired including disposal.
- b. Review and assess request for acquisitions or disposals proposed by management.
- c. Formulate ideas and suggestions to help safeguard the bank properties.
- d. Make recommendations to help management for the disposal of properties.
- e. Review with management the valuation of properties acquired and result summary shall be reported to the Board.
- f. Perform other duties and responsibilities as authorized by the board of directors

J. Member Board and Observer Committee

The Member Board and Observer Committee assists the Board of Directors to have direct access into the issues and concern of the members and to develop an appropriate policies and The Member-Board Committee assists the Board of Directors to have direct access into the issues and concern of the members and to develop an appropriate policies and guidelines that helps improved the bank's services to the members. The Board annually appoints a Member-Board Committee member comprised of Member-Board of Directors and Observers representing Luzon, Visayas, and Mindanao.

The Committee meets quarterly scheduled on the Friday before the 2nd Saturday of the month. The Committee holds no less than four regular meetings each calendar year. In addition to the committee members and advisers, the appropriate representatives from Senior Management of the bank are invited to attend upon the request of the Committee.

Name of Director/Officer	Attendance		Position
Ms. Abundia C. Manabes	4/4	100%	Chairperson
Ms. Chona A. Felesedario	4/4	100%	Member
Ms. Imelda Espanola	4/4	100%	Member
Ms. Rosalyn Espenorio	4/4	100%	Member

K. IT Steering Committee

The Board is ultimately responsible for the Bank’s overall Technology upgrade strategy, IT investments and successful execution. To ensure that these are properly aligned with the Bank’s strategic plans for continuous value creation; and consistent with the goal of digital financial inclusion as promoted by the Bangko Sentral ng Pilipinas (BSP).

The IT Steering Committee serves as a formalized group that is responsible for ensuring the IT Risk Management, Monitoring and Control is implemented and maintained through regular meetings. The ITSC is responsible for assisting the Board in fulfilling its corporate governance and oversight responsibility for the Bank’s investments, strategy and implementation in relation to Information Technology and Digitalization. The committee is also responsible in updating the board on the current and future IT-related issues and initiatives and submits recommendations.

Name of Director/Officer	Attendance		Position
Ms. Cynthia B. Baldeo*	1/1	100%	Chairperson
Mr. Julius Adrian R. Alip	5/5	100%	Chairperson
Ms. Cherry A. Boncajes	5/5	100%	Vice-Chairperson
Ms. Mary Jane Perreras	5/5	100%	Member
Ms. Anita F. Rapera	5/5	100%	Member
Ms. Jeannie T. La Rosa	5/5	100%	Member
Mr. Allan D. Dimaano	5/5	100%	Member
Ms. Julian Salcedo	5/5	100%	Member
Ms. Aireen Eseo	5/5	100%	Member

**Replaced by Mr. Julius Adrian Alip as Vice Chairperson, and an Invited Attendees Effective September 2024.*

L. Core and Senior Management Committee

The Core Management Committee is primarily responsible on the over-all oversight function of the outsourcing and strategic business operations of the bank. The committee is primarily responsible in updating the Board on the current and future outsourcing engagement and status of implementation of strategic programs of the Bank.

The objectives of monitoring and evaluating the outsourcing engagement of the Bank is to achieve the following;

1. Reducing cost such as employee compensation cost, office space expenses and other associated cost of doing the outsourced activities.
2. Giving more focus on the bank in dealing on their expertise and core business.
3. Improving the quality of services being offered.
4. Improving customer satisfaction.
5. Improving operational efficiency.

The Core Management Committee shall meet every month or as the need arise. The Committee shall be composed of the following:

1. President and CEO (Committee Chairperson)
2. Executive Vice President (Member)
3. Head of Finance and Accounting (Member)
4. Head of IT Unit (Member)
5. Vice President for Operations (Member)
6. Head of Human Resource Department (Member)
7. Head of Information Security (Regular Invitation)
8. Non-Executive Board of Director (Regular Invitation)
9. Head of Risk Unit (Resource Person)
10. Head of Compliance Unit (Resource Persons)
11. Head of Audit Unit (Resource Person)

a. Outsourcing Oversight Function

The Committee will be responsible for the following:

1. Define operational, technical, and financial objectives, the service levels and the desired outcomes of the process to be outsourced;
2. Establish the effect to the bank of such outsourcing transaction such as loss of skills;
3. Monitor the service provider's expertise, size, financial health, operational capability and experience levels to ensure that the bank's service requirements are met;
4. Establish tool and policies in evaluating the quality of service delivered to keep abreast of the changing business needs, regulations, policies, standards and priorities;
5. Review and approve key aspects of the bank's security control program and process, such as the development and maintenance of security control policies and infrastructure that properly safeguard systems and data from both internal and external threats;
6. Manage risks associated with increased complexity of and increasing reliance on outsourcing relationships and third-party dependencies to perform critical functions;
7. Regularly manage, monitor and review performance of the service providers;
8. Review and finalize vendor accreditation and dis-accreditation process.
9. Secure regular monthly report of the activities;

The Senior Management Committee shall be composed of the bank's core management team and officers (Regional Director level and up) and representatives from the bank's support units. Other bank personnel may be invited to attend in the meeting whenever necessary. The Committee shall be chaired by the President/CEO. The Committee shall meet every month or as the need arises.

The Committee's performance shall be evaluated by the bank's independent units on a yearly basis to ensure that it functions effectively.

a. Mandate and Organizational Structure

- i. Senior management has pertinent authorities from the Board delegating the responsibility for implementing policies and practices to effectively manage the affairs of the institution;
- ii. Senior management's organizational structure is appropriate in the context of the nature, scope, complexity and risk profile of the institution;
- iii. The management structure establish accountability and allow for effective control and communication;
- iv. Senior management's scope of authority covers strategic management, risk management, liquidity and funding management, internal control environment and ethical business conduct;
- v. The mandate of the senior management is widely communicated throughout the organization.
- vi. Senior management ensures that functional heads/department heads/unit heads, appointees have adequate authority, independence and resources to carry out their duties and responsibilities.
- vii. Senior management receives the following reports, among others, to ensure effective management of the affairs of the institution:
 - Brief daily statement of condition;
 - Daily liquidity report;
 - Listing of assets subject to quality limitations at least monthly;
 - Earning statement on a comparative basis at least monthly.

- viii. Senior Management shall be responsible in ensuring that the credit-risk taking activities are aligned to the duly approved credit risk strategy.
- ix. Development and implementation of credit policies and procedures.

The Core and Senior Management Committee meets every month or as the need arise. The Committee is composed of the following:

Committee Members	Attendance		Position
President and CEO	12/12	100%	Chairperson
Executive Vice President	08/08	100%	Member
Senior Vice President	12/12	100%	Member
Head of Finance and Accounting	12/12	100%	Member
Head of IT Unit	12/12	100%	Member
Vice Presidents for Operations	12/12	100%	Member
Head of Human Resource Department	12/12	100%	Member
Head of Legal Department	12/12	100%	Member
Non-Executive Board of Director	12/12	100%	Member

The Senior Management is composed of the bank's core management team and officers (Regional Director level and up) and representatives from the bank's support Units. Other bank personnel may be invited in the meeting whenever necessary.

Committee Members	Attendance		Position
President and CEO	10/10	100%	Chairperson
Executive Vice President	08/08	100%	Member
Senior Vice Presidents	10/10	100%	Member
Vice Presidents	10/10	100%	Member
Asst. Vice Presidents	10/10	100%	Member
Regional Directors	10/10	100%	Member
Department/Unit Heads	10/10	100%	Member

L. Credit Committee

Committee Members	Attendance	
Board of Directors	12/12	100%
President and CEO	52/52	100%
Vice President for Operation	100/100	100%
Assistant Vice President for Operation	100/100	100%
Regional Directors	123/123	100%
CRMU Head	106/106	100%
Cluster Manager	106/106	100%
Loan Manager	106/106	100%
Credit Analyst	106/106	100%

The Credit Committee serves as a formalized group that is responsible in the review and approval of credit proposals based on the bank's existing codified signing and approving authority. The committee also assist the bank senior management and Board of Directors in fulfilling their responsibilities relating to the identification, assessment and measurement of credit risk in every loan proposal prior to approval. The committee shall meet as frequently as necessary.

The committee is composed of at least two (2) Board of Directors, the President/CEO, Vice President, AVP for Operations, CRMU Head, Regional Directors, Cluster Manager, Loan Manager and Credit Risk Analyst.

- a. Board of Directors – credit proposals above ten million up to fifteen million shall be approved by at least two (2) Board of Directors. Moreover, loans above fifteen million shall be approved by majority of the Board of Directors.
- b. President and CEO – review and approved credit proposals above seven million five hundred thousand pesos up to ten million pesos and recommend loans that are for approval of the board of directors.
- c. Vice President – review and approved credit proposal above five million up to seven million five hundred thousand pesos and recommend credit proposals for approval of the President/CEO and/or the board of directors.
- d. AVP for Operations – review and approve SME credit proposals above three million pesos up to five million pesos, and recommend credit proposals to the Vice President and/or President/CEO. Moreover, AVP for Microfinance Operations review and approved credit proposal above five hundred thousand up to one million pesos.
- e. CRMU Head – review and approve credit proposals above one million pesos up to three million pesos, and recommend credit proposals to the AVP/ Vice President and/or President/CEO.
- f. Regional Directors – review and approve credit proposal above PHP300,000 up to PHP500,000. The Regional Director shall recommend credit proposals for approval of the AVP for operations.
- g. Cluster Manager – recommend credit proposal for approval.
- h. Loan Manager – recommend credit proposal for approval.
- i. Credit Analyst – conduct review, analysis and assessment of credit proposal and identify potential/perceived risk.

Should there be deviations in the credit proposals based on the bank's existing policy, credit proposal shall be escalated and approved by the next higher approving authority.

INDEPENDENT CHECKS AND BALANCES

To ensure robust and exemplary banking operations, CARD SME Bank, Inc. implements the following independent functions:

Internal Control System

The internal control framework of the Bank is consistent with the increased emphasis of banking supervisors (e.g. BSP) on the review of a banking organization's risk management and internal control processes. The effective internal control system is a critical component of CARD SME Bank, Inc. management and a foundation for the safe and sound operation. A strong internal control system helps ensure the achievement of goals and objectives of the bank, achieve long-term profitability targets, and maintain reliable financial and managerial reports.

The Bank's internal control consists of five (5) interrelated elements:

1. Management oversight and the control culture;
2. Risk recognition and assessment;
3. Control activities and segregation of duties;
4. Information and communication; and
5. Monitoring activities and correcting deficiencies.

Board of Directors and Senior Management are responsible for promoting high ethical and integrity standards; establishing the appropriate culture that emphasizes, demonstrates and promotes the importance of internal control; and designing and implementing processes for the prevention and detection of fraud.

The overall effectiveness of the Bank's internal controls were monitored on an ongoing basis. Monitoring of key risks were part of the daily activities of the bank as well as periodic evaluations by the business lines and internal audit.

Internal Audit

The objective of the internal audit unit is to assist all members of management in the effective discharge of their responsibilities, by furnishing them with analyses, appraisal recommendations, and pertinent comments concerning the activities reviewed. The Internal Audit Unit has the management complementary role of ensuring that the internal control systems are operating efficiently thereby giving the management assurance that the systems can be relied upon for the recording of transactions relating to all operations and also for the preparation of the financial statements.

Under the direct supervision of the Board of Audit Committee, the Internal Audit evaluates and ensures the adequacy and effectiveness of the internal controls of the Bank. The Internal Audit Department is mandated to conduct financial audit, compliance audit, operations audit, management audit, and information system audit. It also holds full, free, and unrestricted access rights to all activities, information, records, properties, and personnel relevant to the internal audit activity.

The Head of Audit reports directly to the Audit Committee on its regular monthly meeting which composed of at least three (3) members of the board, all are non-executive director, and majority shall be independent director, who have knowledge of financial reporting and internal controls. Likewise, the audit operative work plan for the following year is being prepared at the end of the year and presented to the board for approval. The audit unit accomplishment status was being assessed and presented to the audit committee on a quarterly basis.

To monitor the effectiveness of implementation of the internal control system, the internal audit unit has implemented an audit rating system that measures the vulnerability of risk exposures due to lack of internal control of branches and other offices during branch/office audit activities. Directory of all findings were also established to monitor the status of branch compliance.

External Auditor

Sycip Gorres Velayo & Co. (SGV) is the authorized External Auditors of the Bank. It presents an audit plan to the Board of Audit Committee and performs audit risk assessment. It also reviewed the internal audit report and compliance with accounting standards and regulatory requirements.

Compliance System

The Bank's compliance system was designed to identify and mitigate business risks, which may erode the franchise value of the bank. Business risks, include but not limited to the following:

- a. Risks to reputation that arise from internal decisions that may damage a bank's market standing;
- b. Risks to reputation that arise from internal decision and practices that ultimately impinge on the public trust of a bank;
- c. Risks from the action of a bank that are contrary to the existing regulations and identified best practices and reflect weaknesses in the implementation of codes of conduct and standard of good practice; and
- d. Legal risks to the extent that changes in the interpretation or provisions of regulations directly affect bank's business model.

The authority and independence of the compliance take into consideration the ability to cross departmental lines, access to all areas of the institution's operations and ability to effect corrective action when deficiencies or violations are detected. The mandates of the compliance are widely communicated throughout the organization.

1. The Bank's compliance function has a formal status within the organization. Its charter was approved by the board of directors which defines the compliance function's standing, authority and independence.
2. Compliance office have the right to obtain access to information necessary to carry out its responsibilities, conduct investigations of possible breaches of the compliance policy. The compliance is directly reporting to and have direct access to the Board of Directors or Compliance Committee.

The Compliance unit/department is responsible for ensuring that the Bank complies with the requirements, policies, circulars, and guidelines issued by BSP, PDIC, SEC, NPC, BIR, LGUs, and other government agencies. Compliance unit through the Chief Compliance Officer reports directly to the Compliance Committee in its monthly regular meetings.

The mission, objectives, scope, authority, and accountability of the compliance unit and its staff are clearly defined in the Compliance Program duly approved by the Board of Directors. Likewise, the compliance unit work plan for the following year is being prepared at the end of the year and presented to the board for approval. The compliance unit accomplishment status was being assessed and presented to the compliance unit on a semi-annual basis.

To monitor the effectiveness of implementation of the compliance system, the compliance unit has implemented a compliance rating system that measures the compliance risk exposures system of branches and other offices during compliance monitoring and testing.

Compliance Risk Management

The compliance risk management system of the bank is designed to specifically identify and mitigate risks that may erode the franchise value of the bank such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation, that bank may suffer as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to its activities.

This compliance risk management will also mitigate risk arising from failure to manage conflict of interest, treat customers fairly, or effectively manage risks arising from money laundering and terrorist financing activities.

Compliance risk management is not solely the responsibility of the compliance unit, but instead the responsibility and shared accountability of all personnel, officers and Board of Directors. This has been an integral part of the culture and risk governance of the institution.

Money Laundering and Terrorist Financing Prevention Program (MTPP)

The Bank adopted the Updated Anti-Money Laundering Rules and Regulations of the Bangko Sentral ng Pilipinas (BSP) - a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MTPP) that promotes high ethical and professional standards of the Bank and ensures that it is not being used for money laundering and terrorist financing activities. It supports governments, law enforcement agencies, and international bodies such as the Financial Action Task Force in their efforts to combat the use of the financial system for the laundering of the proceeds crime and terrorism.

Further, this program aims to (a) protect the integrity and confidentiality of bank accounts and ensure that the Philippines, in general, and the covered persons, in particular, shall not be used, respectively, as a money laundering site and conduit for the proceeds of an unlawful activity as herein defined; and (b) to protect life, liberty, and property from acts of terrorism and to condemn terrorism and those who support and finance it and reinforce the fight against terrorism by criminalizing the financing of terrorism and related offenses. The program intends to ensure high standards in the following areas:

- Ensure that bank has conform with high ethical standards in protecting the safety, soundness, and integrity of the national banking and financial system
- Ensure that identity of customer is established at all times along with ensuring that financially and socially disadvantaged are not denied access to financial services.
- Ensure that suspicious individuals or entity are denied from opening or maintaining an account or transacting with the bank.
- Adopting and implementing this MTPP risk management system to identify, assess, monitor, and control risks associated with money laundering and terrorist financing.
- Ensure that full compliance with the rules and existing laws by regularly ensuring that all officers and employees are informed on their responsibilities in combating money laundering and terrorist financing.
- Ensure full cooperation with the Anti-Money Laundering Council (AMLC) and Bangko Sentral ng Pilipinas for the effective implementation and enforcement of these regulations.

MTPP Risk Management

To ensure that risks associated with money-laundering such as counterparty, reputational, operational, and compliance risks are identified, assessed, monitored, and mitigated, the following measures and processes were adopted.

a. Board and Senior Management Oversight

Bank's Board of Directors have the ultimate duties and responsibilities to ensure full compliance with money laundering and terrorist financing prevention program. As such, board of directors through the Compliance Office and Internal Audit are regularly updated on the matters related to Anti-Money Laundering and terrorist financing compliance and risk management.

The Senior management has overseen the day-to-day management of the bank, ensure the effective implementation of AML/CFT policies approved by the board and the alignment of activities with the strategic objectives, risk profile and corporate values as set by the board. Senior management has established a management structure that promotes accountability and transparency and upholds checks and balances. In order to ensure consistent and full compliance with money laundering and terrorist financing prevention program, Regional Head is also designated as the liaison officer of the compliance office in their respective branches. Regional Head is responsible in ensuring that all ALM polices, laws, and regulations are being implemented in the branch and all matters needing assistance are reported to the ALM Compliance Officer in Head Office.

b. Compliance Office

The Compliance office through the AML Compliance Officer primary responsible in the management of the implementation of the MTPP of the bank including its subsidiaries and affiliates. This includes achieving the bank's goals through planning, organizing, leading, and controlling. Compliance office is independent and has direct reporting line to the board of directors or any board-level or approved committee on all matters related to AML and TF compliance and their risk management. AML Compliance Officer is designated to handle the implementation of the MTPP program. He will be the liaison between Bank, the BSP, and the AMLC in matters relating to Bank's AML/CFT compliance. He is assisted by an Assistant AML Compliance Officer in monitoring the implementation of this MTPP program to all branches and other offices.

c. Group-wide Money Laundering and Terrorist Financing Prevention

CARD MRI group has established CARD MRI Compliance Committee. The committee was established to oversee the compliance and anti-money laundering requirement and implementation of the entire CARD MRI group. Further, the CARD MRI group has regular coordination meeting of compliance, audit and risk officers to discussed matters that affect the organization as a whole.

d. Internal Audit

Simultaneous with operations and financial audit, compliance with Anti-Money Laundering Regulations is also being checked by Internal Auditors. The Internal Audit function associated with money laundering and terrorist financing is being conducted by qualified personnel who are independent of the Branch/Unit being audited. Internal Auditors have a direct reporting line to the Audit Committee. Result of audit is also promptly communicated to the Compliance Office for its appropriate corrective action. The Compliance Office regularly submits reports to the Board to inform them of management's action to address deficiencies noted in the audit.

e. Risk Assessment

As part of the banks' risk-based approach, it has ensured that risk exposure to ML/TF was identified, understand, and assess when dealing with its customers, based on geographical areas of operations and customer, products and services being offered, including delivery channels used to carry out the transactions. The institutional risk assessment shall:

- i. consider all relevant risk factors, including the results of national and sectoral risk assessments;
- ii. adequately document results and findings; and
- iii. be updated periodically or as necessary..

DATA PRIVACY STATEMENT

GENERAL STATEMENT

CARD SME Bank, Inc. (CARD SME Bank), including its affiliates and subsidiaries and all members of the CARD Mutually Reinforcing Institutions (CARD MRI), values the confidentiality of personal data and committed in maintaining the privacy of its customers. This Data Privacy Statement (Statement), details how CARD SME Bank uses and protects personal data for the purpose of obtaining the consent of data subject in accordance with the Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012, and its implementing rules and regulations (DPA). This Statement also covers the privacy practices for our customers who apply for and obtain products and services from us, such as, but not limited to, deposits, loans, investments, insurance, remittances, and other such products and services that CARD SME Bank may offer from time to time.

OUR PRIVACY PRACTICES

The privacy practices described in this Statement are primarily intended for individuals in the Philippines and are designed to comply with the provisions of the DPA. When accessing our websites and/or availing of our services through our branches, you acknowledge and agree that your information may be collected, processed, and transferred within the Philippines following legal and regulatory standards for data protection that may differ from your current or home jurisdictions.

WHAT DATA DO WE COLLECT FROM YOU

To provide the client with CARD SME Bank's banking/financial products and services and/or to implement client-requested transactions, CARD SME Bank shall collect personal information from the client which may include, but are not limited to:

- Name, age, Date/Place of Birth, Gender, Civil Status, Nationality
- Address and Contact Details (Home/Business)
- Educational Background
- Employment History
- Financial Information (such as income, expenses, balances, investments, tax, insurance, financial and transaction history, etc.)
- Specimen Signature
- Permits, Licenses & Registrations
- Status of Pending Civil/Criminal Cases (if any)
- Telephone conversation recordings through our Customer Service Representative
- CCTV footage for security purposes
- Religion
- Health/Disability
- Regulatory Numbers (HDMF/SSS/TIN)
- Housewife/Husband Information (Name/Occupation)
- Valid ID & Photos
- Mother's Maiden Name

HOW WE USE YOUR INFORMATION

CARD SME Bank uses your personal information to provide the services and products that you have availed or intend to avail from CARD SME Bank, including and together with following purposes:

- Opening, maintaining, and/or terminations of accounts;
- Ease of contacting/communicating with clients;
- Evaluate, approve, provide, or manage applications, financial products and services, and other transactions that the client has requested;
- Comply with know-your-customer (KYC) information requirements as specified under the Manual of Regulations for Banks and other applicable regulations;
- Conduct of credit and background information checks and verification;
- Evaluate client's eligibility for CARD SME Bank's products and services, such as loan inventory and loan validation;

- Perform risk profile and risk assessment;
- Perform Loan Utilization Check (LUC);
- Provide extensive and quality support to the client;
- For internal purposes, such as administrative, operational, audit, credit and risk management;
- Provide location-based services such as finding the ATM or branch nearest to you;
- Offering and processing of inclusive micro products of CARD Mutual Benefit Association, CARD Pioneer Microinsurance, Micro Health Care and other insurance companies of CARD MRI.
- Comply with legal and regulatory requirements such as submission of data to credit bureaus, credit information companies, the Credit Information Corporation (CIC), CISA, responding to court orders and other instructions and requests from any local or foreign authorities including regulatory, governmental, tax, and law enforcement authorities or other similar authorities; and
- Perform other such activities permitted by law or with your consent.

WHEN DO WE COLLECT YOUR PERSONAL INFORMATION

CARD SME Bank collects personal information through, but not limited to, any of the following:

1. Face-to-face and/or telephone conversation with CARD SME Bank Customer Service Representative;
2. Accomplishment and/or signing of forms/documents (e.g. loan proposal, New Accounts Form, Inclusive Micro Products Application Forms, Employment application and contracts and Client Information Form);
3. Registration through electronic banking channels and services (e.g. mobile banking application-konek2CARD, Ottokonek, HCIS); and
4. Conducting Background and credit investigation and Loan Utilization Check
5. Inquiries and submission to the Credit Bureau such as CIC, NFIS, MIDAS, etc.

RECIPIENTS OF INFORMATION

We may share your personal information with our subsidiaries, affiliates and third parties, including members of CARD MRI, for the purposes above and with an obligation of confidentiality. Your personal information may similarly be disclosed to government agencies, supervisory bodies, tax authorities, or courts of competent jurisdictions for purposes of complying with banking regulations, which CARD SME Bank may be subject to such as Republic Act No. 9160 otherwise known as the Anti-Money Laundering Act of 2001 or Republic Act No. 9510 otherwise known as the Credit Information System Act (“CISA”), among others.

If necessary, for the efficient delivery of CARD SME Bank’s products and services, we may also outsource processing of your personal information to third-party service providers or CARD MRI, consistent with the terms of this Statement and the provisions of the DPA.

HOW WE SAFEGUARD YOUR PERSONAL INFORMATION

In accordance with the provisions of the DPA, Republic Act No. 1405 otherwise known as the Bank Secrecy Law, Republic Act No. 8791 otherwise known as the General Banking Law of 2000, BSP Circular No. 808, Series of 2013 otherwise known as the Guidelines on Information Technology Risk Management for All Banks and other Supervised Institutions, and BSP Circular No. 982, Series of 2017 otherwise known as the Enhanced Guidelines on Information Security Management, CARD SME Bank, its employees, agents and representatives, shall handle personal information with utmost care and adhere to the implemented organizational, physical, and technical security measures to maintain the confidentiality, integrity, security, and availability of all personal information under its custody.

HOW LONG DO WE KEEP YOUR INFORMATION

Documents containing your personal information will be retained in the records and systems of CARD SME Bank for a period no longer than five years from the date of the termination of your account or of the specific transaction with CARD SME Bank, unless CARD SME Bank is required by law to retain the information for a longer period.

YOUR RIGHTS AS DATA SUBJECT

CARD SME Bank respects your rights to:

1. Be informed;
2. object to the processing of your personal data;
3. have reasonable access to your personal data under the custody of CARD SME Bank;
4. require immediate correction of inaccurate or erroneous personal data under the custody of CARD SME Bank;
5. suspend, withdraw, or order the blocking, removal or destruction of your personal data from CARD SME Bank's records and/or system; and
6. be indemnified in case of violation of your rights as data subject.

You may reach us for any questions, concerns, or requests you may have on your personal data and exercising the above rights.

HOW TO CONTACT US

Should you need to get in touch with us for any data privacy concerns or requests or should you have any questions or clarifications regarding the Statement, CARD SME Bank has adopted a Customer Assistance Management System (CAMS). This is an organized system where customer feedback, inquiries, and complaints are carefully handled and processed. Through this channel, a Customer Service Officer, who serves as the representative of the Data Protection Officer shall initially assist you and raise such concerns to CARD SME Bank.

You may also visit the Customer Service Desk at any of CARD SME Bank's branches or call the Customer Service Hotlines at the following numbers:

+6349- 539-5421

+63939-726-7550

+63927-429-6574

You may also e-mail us at card.sme@cardmri.com or cardsme.atmoperations@cardmri.com or visit our website www.cardmri.com/cardsme

Alternatively, for any pressing concerns, you may reach our data protection officer at the following contact information:

Email: dpo.cardsme@cardmri.com

Telephone Number: (049) 503-2671 or 72

Address: 120 M. Paulino corner Burgos Streets, San Pablo City, Laguna

CHANGES TO OUR PRIVACY STATEMENT

We may amend or modify the terms of this Statement from time to time to ensure relevance with the relevant laws and regulations applicable to CARD SME Bank. Any relevant modification will be posted on our website and distributed to all CARD SME Bank Branches and Branch Lite Units.

SENIOR MANAGEMENT PROFILE

NAME	PROFILE
MR. JULIUS ADRIAN R. ALIP President and Chief Executive Officer Age: 46 Nationality: Filipino	Mr. Alip was appointed as President and CEO effective September 1, 2024. Prior to his appointment, he serves as Executive Vice President of CARD SME Bank for more than three (3) years, moreover, he handles CARD Leasing and Finance Corporation, Mga Likha ni Inay and CARD Business Development Services as President and CEO from 2011 to 2021. He is a graduate of AB Technical Theater in De la Salle College of Saint Benilde in 1999, finished his Master of Science in International Community, and Public Administration, in New Hampshire University and Harvard University, in 2006 and 2014, respectively. Moreover, he also finished the Top Management and Leadership Programs in Asian Institute of the Philippines, and Harvard University from 2009 to 2014.

<p>MS. CHERRY B. BONCAJES Senior Vice President for Operation</p> <p>Age: 48 Nationality: Filipino</p>	<p>Ms. Boncajes has been with microfinance and SME banking operations for more than 19 years. Prior to joining CARD SME Bank, she has been with CARD Bank, Inc. for eight (8) years. She graduated at the University of the Philippines Los Baños Campus with the degree of Bachelor of Science in Forestry in 1998 and finished her Master of Arts in Organizational Development in Southeast Asia Interdisciplinary Development Institute in 2010.</p>
<p>MS. ANITA F. RAPER A Senior Vice President for Operation</p> <p>Age: 56 Nationality: Filipino</p>	<p>Prior to joining CARD SME Bank, Ms. Rapera worked with CARD, Inc. (A Microfinance NGO) from April 1995 to June 2012 and handled microfinance operation as Account Officer, Unit Manager, Area Manager, and Regional Director. She joined CARD SME Bank as Regional Director from July 2012 to January 2017. After which she was promoted as AVP for Operation. She finished her Bachelor's degree in Accountancy from Masbate Colleges in 1994 and her Master of Arts in Organizational Development in Southeast Asia Interdisciplinary Development Institute in 2011.</p>
<p>MR. MANOLO C. MARTINEZ Vice President for Product Development/Innovative Solution</p> <p>Age: 56 Nationality: Filipino</p>	<p>Mr. Martinez was formerly a Business Manager of UNIONBANK, Sale Executive of Petron Corporation, and Corporate Sales Manager of BANKARD, Inc. He completed his degree in Bachelor of Science in Business Administration from the University of Sto. Tomas in 1992. He also attended Basic Strategic Management at John Gokongwei School of Management of Ateneo de Manila University in 2018 and completed his Management Executive Education Program in Mastering Design Thinking at Massachusetts Institute of Technology, Sloan School of Management in December 2022.</p>
<p>MS. JEANNIE T. LA ROSA Vice President for Finance and Accounting</p> <p>Age: 45 Nationality: Filipino</p>	<p>Ms. La Rosa has been with CARD MRI for more than Twenty (20) years. Prior to joining CARD SME Bank, she has been with CARD Bank, Inc. Finance and Accounting for almost 12 years. She finished her Bachelor's degree in Commerce major in Banking and Finance from Divine World College of Calapan in 1996, Master of Arts in Organizational Development in Southeast Asia Interdisciplinary Development Institute in 2013, and Management Accountant Program from the Institute of Certified Management Accountants in December 2021.</p>
<p>MR. MICHAEL ROBERT L. MENDOZA Vice President for SME Lending Operations</p> <p>Age: 50 Nationality: Filipino</p>	<p>Mr. Mendoza is a graduate of Business Administration Major in Marketing from Colegio De San Juan De Letran has been a banker for more than eighteen (18) years. He rose through the ranks and handles various positions from Account Management, Marketing Head, Vice President through Division Head for Commercial Lending Operations.</p>
<p>MS. JOY PALOMIQUE Vice President for SME Lending Operations - OIC</p> <p>Age: 46 Nationality: Filipino</p>	<p>Ms. Palomique finished her Bachelor's Degree in Agri Business at Laguna State Polytechnique University in 1998, Master of Arts in Organizational Development in Southeast Asia Interdisciplinary Development Institute in 2012 and Basic Strategic Management at John Gokongwei School of Management of Ateneo de Manila University in 2019. Prior to handling SME lending operations of CARD SME Bank in 2010, she has been working with CARD Inc., microfinance operations for almost nine (9) years.</p>
<p>MS. FLORENCE C. CASTILLO Assistant Vice President for Operation</p> <p>Age: 46 Nationality: Filipino</p>	<p>Ms. Castillo has been with CARD SME Bank since February 2016. Prior to joining CARD SME Bank, she has been with CARD, Inc. (A Microfinance NGO) accounting and finance from August 1997 to June 1998. CARD Bank, Inc., accounting and finance from July 1998 to September 2005, and CARD, Inc. Operation from October 2005 to January 2016. She earned her Bachelor's degree in Commerce major in Management from Colegio Dela Milagrosa in 1997 and finished her Master in Productivity and Quality Management at the Development Academy of the Philippines. She also finished Management Development Program at the Asian Institute of Management in 2016 and Leadership and Diversity for Innovation Program at Wharton University of Pennsylvania 2020.</p>
<p>MR. RODEL T. BOMBASE Assistant Vice President for Operation</p> <p>Age: 46 Nationality: Filipino</p>	<p>Mr. Bombase is a homegrown Officer of CARD. He has been in the field of microfinance for more than sixteen years. Prior to joining CARD SME Bank, he was a Technical Officer, Branch Manager, Area Manager, and Regional Director of CARD, Inc. (A Microfinance NGO). He finished his Bachelor of Science in Agricultural Economics in Camarines Sur State Agricultural College, Master in Productivity and Quality Management at Development Academy of the Philippines, and completed his Leadership Development Program in John Clements Leadership Institute last January 2023.</p>
<p>MS. LEONIDA GUTIERREZ Assistant Vice President for Operation</p> <p>Age: 49 Nationality: Filipino</p>	<p>Ms. Gutierrez finished her Degree in Economics at San Pablo Colleges in 1995 and Master of Arts in Organizational Development in Southeast Asia Interdisciplinary Development Institute in 2015. She has been with CARD MRI microfinance operations for more than twenty three (23) years, of which eleven years is dedicated with CARD SME Bank.</p>
<p>MS. PATRICIA SABALLO Assistant Vice President for Operation</p> <p>Age: 49 Nationality: Filipino</p>	<p>Ms. Saballo finished her Degree in Business Administration major in Microfinance at Saint Francis De Assisi in 2012 and Master in Productivity and Quality Management at Development Academy of the Philippines in 2017. She is working with CARD MRI microfinance operations for more than twenty (20) years and has been with CARD SME Bank for thirteen years. She completed her Leadership Development Program in John Clements Leadership Institute last January 2023.</p>
<p>MR. ALLAN D. DIMAANO Chief Information Officer</p> <p>Age: 50 Nationality: Filipino</p>	<p>Mr. Dimaano has been a banker for almost 19 years. Prior to joining CARD SME Bank, he was a Teller, Unit Manager, Remittance Officer, and Area Manager of CARD Bank, Inc. from 1999 to 2009. He joined CARD SME Bank since 2010 as Bank Manager and Senior Program Manager from 2013 to 2016. He finished Marine Engineering from Technological Institute of the Philippines in 1997, earned his Master in Productivity and Quality Management from Development Academy of the Philippines in 2013, and completed his Leadership Development Program in John Clements Leadership Institute last January 2023.</p>
<p>MR. BENEDICT A. AME Chief Compliance Officer</p> <p>Age: 44 Nationality: Filipino</p>	<p>Prior to joining CARD SME Bank, Mr. Ame was with CARD Bank for more than 10 years. Four years in the operation, accounting, and finance and more than six years in the Compliance Unit. He earned his Bachelor's degree in Commerce, major in Management from Quezon Colleges of the North in 2002. He finished his Master in Productivity and Quality Management at Development Academy of Philippines in 2017.</p>

MR. JERRY V. MONTEJO Head of Risk Management Age: 49 Nationality: Filipino	Mr. Montejo has been with CARD SME Bank operations as Loan Officer, Loan Manager, Bank Manager, Account Manager, and Regional Director for more than nine years. Prior to joining CARD SME Bank, he worked with CARD, Inc. (A Microfinance NGO) as Account Officer and Unit Manager. He earned his degree, Bachelor of Science in Business Administration, major in Management in 2002, finished his Master in Productivity and Quality Management at the Development Academy of the Philippines in 2017, and Management Development Program at the Asian Institute of Management in 2019.
MS. GINA PANELO Head of Internal Audit Age: 43 Nationality: Filipino	Prior to joining CARD SME Bank, Ms. Panelo was with the Internal Audit Unit of CARD, Inc., CARD Bank and CARD MRI Rizal Bank for almost fourteen (14) years as Internal Auditor, Audit Manager and Deputy Director for Audit, respectively. She finished her Bachelor of Science in Accountancy at Occidental Mindoro State College. She also finished the certification on Fraud Examination and Forensic Accounting from SENECA College of Canada.

List of Major Stockholders of CARD SME Bank, Inc. (with more than 10% Equity Shares)

Name of Stockholder	Nationality	Type of Shares	Percentage of Stockholdings	Voting Status
Center for Agriculture and Rural Development (CARD), Inc. (A Microfinance NGO)	Filipino	Common	36.752%	Voting
CARD Employees Multipurpose Cooperative (EMPC)	Filipino	Common	22.045%	Voting

DIVIDEND POLICY

The Bank's dividend policy is an integral component of its capital management policy rather than a stand-alone process. Its fundamental and overriding policy is sustainability.

Dividends are declared and paid out of unrestricted retained earnings of the Bank at such intervals as the Board of Directors may determine and in accordance with the provisions of the law and the regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC).

The payment of dividends in the future will depend on the Bank's earnings, cash flow, financial condition, regulatory requirements for capital and other factors. Circumstances which could restrict the payment of cash dividends include, but not limited to, when the Bank undertakes major projects and developments requiring substantial cash expenditures. The Board of Directors may, at any time, modify the Bank's dividend payout ratio depending on the results of operations and future projects and plans of the Bank. The Bank also consider the Bank's internally set limits on Capital Adequacy Ratio, and the Liquidity Ratio before and after dividends declaration.

At the time of dividends declaration, the bank ensures that it is compliance with the requirements on the declaration of dividends under Section 124 of the Manual of Regulation for Bank of the Bangko Sentral ng Pilipinas (BSP), as follows:

- Clearing account with the BSP is not overdrawn;
- Minimum liquidity, capitalization requirement, and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
- Has not committed any unsafe or unsound banking practice and/or major acts or omissions as may be determined by the Bangko Sentral ng Pilipinas; and
- Has complied with the provisions of Section 42 (Power to declare dividends) of The Corporation Code of the Philippines (Batas Pambansa Blg. 68), as may be applicable.

ORIENTATION, SEMINARS, AND EDUCATION FOR BOARD AND SENIOR MANAGEMENT

Board composition and dynamics are critical to bank's operation. Within the framework of positive board culture, the board will leverage their diverse skills set to excellent advantage. With this, Board of Directors training programs help build the skills for driving positive board culture - especially if undertaken as a team.

As the governing body of the Bank, Boards of Directors provide the leadership and accountability that determine the success of the institution. The board recognizes the importance of training and development of individual directors and the board as a whole. It was recognized as an important investment for the bank as it intends to operate at its greatest effectiveness.

All directors and Senior Management of the Bank have attended Corporate Governance Seminar conducted by accredited private institutions prior to, or at least immediately after, assumption of office. All elected Board of Directors undergone orientation on their duties and responsibilities as board of directors including the general operating procedures of the Bank. Prior to his election as member of the Board of Directors, candidates were invited to seat as observers in the meeting of the Bank's committee and board of directors to get familiar with the banking operations.

As part of the capacity program of the bank, the board, senior management, officers and staff continuously attend seminars, training and orientations provided by the external and in-house training providers such as BAIPHIL, ABCOMP, CTB, CMDI and the Compliance Unit. Cybersecurity Trainings and Awareness, Supervisory Assessment Framework (SAFr), Sustainable Finance Framework, Anti-Money Laundering (AML)/ Combating the Terrorist and Proliferation Financing (CTPF) webinar was attended by the board and senior management, Back-to-basic Training was continuously implemented to address operational lapses of officers and staff at the branch level, a refresher training for Account Officers, Unit Managers and Area Managers, Loan Managers, Cluster Managers, Regional Directors and AVP for Operations, and AMLA, Data Privacy and Compliance Orientation was also conducted to the majority of the bank personnel. The Compliance Unit also attended Anti-Money Laundering & Combating the Financing of Terrorism webinars, Managing Compliance Risk, Financial Consumer Protection, Data Privacy, Correspondent Banking, Trade Based Money Laundering, Cybersecurity and Fraud, and Sustainability in Banking, Institutional Risk Assessment and Updated Anti-Money Laundering/Countering Terrorism and Proliferation Financing (AML/CTPF) Rules and Regulations (UARR), ICCO Certificate in AML/CFT, Fraud Risk Management, and Basics of Compliance Management, AML/CTF Fundamentals, AMLC Registration and Reporting Guidelines, and Anti-Money Laundering Act (AMLA) Updates Training was attended. The Information Security Officer also conducted cybersecurity test, phishing simulation, orientation and exam to all Officers and Staff of CARD SME Bank.

The Microfinance and Health Awareness Unit also conducted Mental Health and various illness webinars series thru CARD E-Doctor to the bank's officers, staff and to the public to ensure minimum health standards are efficiently implemented in all CARD SME Bank Offices and Staff Houses.

BOARD AND SENIOR MANAGEMENT SELECTION PROCESS

Board Selection Process

To ensure that clients are represented on the policy making body of the Bank, seat/(s) in the board are allotted for the member-board of directors. To ensure, however, that the board passed the required qualifications, selection process is needed.

1. The Selection Committee is informed through the Governance Committee of the need to conduct selection/nomination at least one year before the position will be vacated or replaced.
2. Invitation will be sent to the members through the operations staff (from Regional Head to Unit Manager). It must be clear that nomination will directly come from the members and not as endorsed or selected by the Account Officer.
3. Nomination will be forwarded to the HR personnel who then will forward to the Selection Committee.
4. Personal interview will be conducted by the Selection Committee at the place where the nominees are residing. Selection committee shall consist of two (2) Board of Directors and an HR.
5. Selection Committee prepares reports and conduct deliberation based on the selection criteria as to who shall be the shortlist nominees.

The nomination selection criteria for the committee member/board member are as follows:

- a. Membership record performance (repayment, attendance, and length of membership with CARD)
 - b. Business potential to support the family needs as well as other family activities or engagement: on-going business, at least college graduate or have at least 5 years' experience in business, legality of the business.
 - c. Achievements and development work involvement: in CARD, in family, and in the community.
 - d. Personal attributes: Self-confidence, communication skills, values and principle in life, and good grooming.
 - e. Reputation in the community, family background and how the family is regarded in the community
6. Result of the deliberation shall be submitted to the Governance Committee for review and approval for further endorsement to the Board.
 7. As part of the process, shortlisted nominees are invited to become board member observer to the board meeting for three (3) consecutive months, one at a time (while first priority nominee attends for three consecutive meetings, record/profile/background of the next nominee is also evaluated/ revalidated prior to her turn to take the place as the next board member observer). This is to give ample time to further evaluate them and see their fitness to the position.

8. The finalist/top selected nominees are then endorsed to the Governance committee for further endorsement to the board.
9. The final selected nominees attend the board meeting as a regular observer.
10. While her status remains as a regular member observer to the board, she is also invited to join the board committee (usually in the Remittance and Savings Mobilization Committee).
11. While attending as regular member observer to the board, she is also given opportunity to share and report based on the center visit she conducted during the month.
12. When available position in the board opens, regular member observer to the board is further endorsed to the board for confirmation.
13. Once confirmed by the board, submission of the profile/bio-data to the BSP is done.
14. Selected Board Member is also required to attend the Corporate Governance and Risk Management Seminar.

Senior Management Selection Process

Senior management is filled from within the ranks prioritizing them for opportunities on growth and career development. This is without prejudice to recruitment outside of the institution, except when certain special qualifications, experience, and training are required for the job. In offering this opportunity, it is the policy of the CARD SME Bank, Inc., to likewise provide equal chances among all qualified employees across CARD MRI.

PERFORMANCE ASSESSMENT

Board of Directors

Consistent with the principles of good corporate governance, the corporate governance committee is responsible in ensuring the effectiveness and due observance of the board on the principles and guidelines stated in the Corporate Governance manual. It includes overseeing periodic performance evaluation of the board and its committees including executive management. An annual performance assessment was conducted to measure director's effectiveness and if adequately carrying out their duties as director, and their contribution and performance (e.g. duty of care, duty of loyalty, duty of obedience, management accountability, strategic planning, and policy setting). Committee's performance was also evaluated based on their respective duties and responsibilities.

The result of the evaluation should be forwarded to the committee who will be responsible in deciding whether each director has been adequately carrying out his duties using the criteria stated in the evaluation form. The result of the evaluation shall be the basis of the committee in recommending continuing education of directors and succession plan for the board members and senior officers

Senior Management

CARD SME Bank, Inc. follow a standard performance evaluation process for all regular employees (Senior Management, Officers and Staff) annually covering the twelve months period. All employee accomplished the standard Performance Evaluation form which result serve as the annual performance report of the employee. Performance evaluation considers both quantitative and qualitative performance of the employee.

A special performance evaluation was also conducted depending on specific needs such as but not limited to promotion, transfer of assignment, or lateral transfer among others. Any personnel action related to the conduct of performance appraisal should be acted on time. It is the responsibility of the management to ensure that report on individual performance is properly documented and submitted to corresponding offices. Performance evaluation was conducted by the immediate supervisor and approved by the next level higher authority. For members of the Senior Management, approval of the performance evaluation report is thru the office of the President and CEO. Except for the members of the executive committee and head of the audit, risk and compliance unit whose performance evaluation approval is thru their respective committee chairperson or thru the office of the Chairman or Vice-Chairperson for Administration

REMUNERATION POLICY

Board of Directors

Consistent with the section 29 of the Corporation Code of the Philippines and as provided in the By-Laws of the Bank, Directors shall not receive any compensation, except for reasonable per diems. In which no case shall the total yearly compensation of directors exceed ten percent (10%) of the net income before income tax of the bank during preceding year. Further, only expenses deemed necessary for them to attend the meetings and discharge their official duties shall be allowed for reimbursement.

Senior Management

CARD SME BANK, INC. has adopted a standardized salary grading system applicable for all level of position with a corresponding rates of pay that are fair and equitable in relation to the job requirements in terms of complexity, responsibility, skills and qualifications. The Bank maintains a salary and benefits structure competitive with the prevailing rates/system of similar agencies and organizations compatible with the financial condition and objectives of the institution. This remuneration policies of the bank is duly approved by the Board of Directors. There will be a provision on annual increase and performance assessment measures.

All Officer and employees of the bank are entitled for all regulatory benefits mandated by law, including other institutional benefits such as but not limited to retirement benefits, life and health insurance, further studies locally and abroad, international exposures, performance bonus and salary appraisal.”

Retirement, Succession Planning, and Development Program

Elected Directors serve for a period of one (1) year from May to April of the succeeding year and shall continue to serve until their successor is duly appointed. Members of the Board of Directors are not entitled to any retirement benefits. There is no prescribed age limit for Directors, provided, they are physically and mentally fit for the position.

As CARD SME Bank, Inc. continues to grow and expand, it is fundamental to ensure readiness of the next generation of leaders. The bank aims to sustain its core values of excellence by ensuring that next-in-line leaders are equipped with adequate knowledge and competence. This is to prepare next level officers assuming vacancies in senior management positions brought about by expansion, promotion, and retirement, among others. Through the succession program of the bank support by its capacity building program, it ensures that qualified employees are recruited and developed to fill each key role within the bank.

Under this program are as follows:

1. Succession Management program for middle to senior management officers to assume leadership position.
2. Master’s Degree Program and short-term leadership management course for middle management officers.

The mandatory retirement age for all Bank officers and staff including senior officers is 60 years old.

CONSUMER PROTECTION PRACTICES

In view of the Bangko Sentral ng Pilipinas (BSP) mandates for Financial Consumer Protection, the Bank has adopted a Consumer Protection Compliance Program to provide better protection of the interest of the consumers. This will assist the bank in achieving the following objectives towards customer’s protection.

1. Promote fair and equitable financial services practices by setting standards in dealing with customers.
2. Increase transparency in order to inform and empower consumers of financial services.
3. Provide efficient and effective mechanisms for handling consumer complaints relating to the provision of financial products and services.

Consumer Protection Risk Management System

To ensure that consumer protection risks inherent in the bank’s operations are identified, measured, monitored and controlled, the bank adopted a risk management system that is adherence to consumer protection standards and compliance with consumer protection laws, rules, and regulations.

The Board of Directors have the ultimate duties and responsibilities to ensure full compliance with the consumer protection policies and procedures. The board is responsible for the development and maintenance of a sound Customer Protection and Risk Management System for all products and services life cycle. Board and Senior Management ensure that effectiveness of this system is periodically reviewed including reporting of findings and audit mechanism in place. The Compliance unit is the designated office to monitor the implementation of this program. Simultaneous with operations and financial audit, Internal Audit unit likewise ensure that bank’s consumer protection practices have been implemented and reviewed.

Continuous education of the Bank’s personnel and customers is vital towards maintaining a sound consumer protection compliance program. As such, the bank sees to it that all bank employees and customers shall be given appropriate training on consumer protection.

1. Disclosure and Transparency

Recognizing the contribution as well as the rights of customers, the Bank in its policy promotes disclosure and transparency by providing customers with sufficient information to understand the products and services being offered. This information will enable customers to make informed financial decisions by providing them easy access to information such as terms and condition of the products and services being availed of, benefits and its associated risks.

2. Protection of customer Information

It is always the Bank's primary responsibility to ensure protection of client information. As such, the Bank ensures that policies and procedures to protect customer information and records are in place. This covers protection against any threat to security or integrity of customer's records and information and unauthorized access or use.

3. Fair Treatment

The bank ensure that customer is treated fairly, with honesty and professionally. Fair treatment of the client shall also cover dealing of the bank employee in marketing and delivering products and services.

Conflict of Interest

Members of the board, management, officers, and employees are committed to adhere to ethical business conduct and shall not enter into business transactions where conflict of interest may arise. As such, the bank ensure that the following are consistently complied into for the protection of the bank and its customer.

1. Full disclosure to the customer prior to any transaction that the bank or its staff has an interest in a direct/cross transaction with consumer.
2. Should products be marketed are issued by a related company, the bank informed the customer on the limited availability of the products being marketed.
3. Basis of the remuneration (e.g. commission, incentives, etc.) of the bank at pre-contractual stage is disclosed.
4. Regular monitoring to promptly identify issues and matters that may be detrimental to the customer is conducted.

Consumer Assistance Management System (CAMS)

To ensure that clients have accessible way of reaching the management for their queries, clarifications, and complaints on the Bank's products and services, the Bank has implemented the consumer assistance management system. The consumer assistance management system is posted within the bank's premise and website (www.cardmri.com/cardsmebank) to achieve a good communication system.

- Established a consumer service unit where a responsible officer deals with consumer concerns independently. Personnel handling customer service is equipped with the necessary knowledge and skills in the implementation of customer assistance program of the Bank.
- Several channels have been set up by the bank to ensure that customers are given option to lodge their concern as follows:

1. Customer Service Officer (CSO) in the branch for walk-in clients;
2. Customer Service Desk

Customer Service hotline numbers:

+6349- 539-5421

+63939-726-7550

+63927-429-6574

3. Bank email address:

card.sme@cardmri.com or cardsmeatmoperations@cardmri.com or visit our website www.cardmri.com/cardsme

Installation of suggestion box and incidents complaint logbooks in all Branches and Branch-Lite Unit offices.

POLICIES ON RELATED PARTY TRANSACTIONS

The Policy of CARD SME BANK on related party cover transactions or dealings of the bank with related parties as defined under the Manual of Regulations for Bank (MORB) such as bank's subsidiaries, affiliates, directors, officers, stockholders, and their related interest and other related parties as identified and approved by the board of directors regardless of whether or not the price is charged.

The Bank's Related Party Committee is composed of three (3) Board of Directors, two (2) of whom are Independent Directors, that evaluate all material related party transactions based on the approved threshold to ensure that the terms are no less favorable than the terms generally available to non-related party under the same circumstances and that no resources of the bank are misappropriated or misapplied. In case conflict of interest will arise in a particular transaction, concern committee member shall refrain from evaluating such particular transaction. Independent unit such as Compliance Head or Internal Audit Head sit as non-voting member of the committee.

In addition to prudential limits sets per regulations and on the bank business model amount of loans granted and transactions/exposures to related parties of the bank to related parties shall be subjected to the following internal limit;

Particular	Limits pre Transaction
Individual Aggregate	shall not exceed 15% of the bank's net worth
Total Aggregate RPT	shall not exceed 25% of the bank's net worth

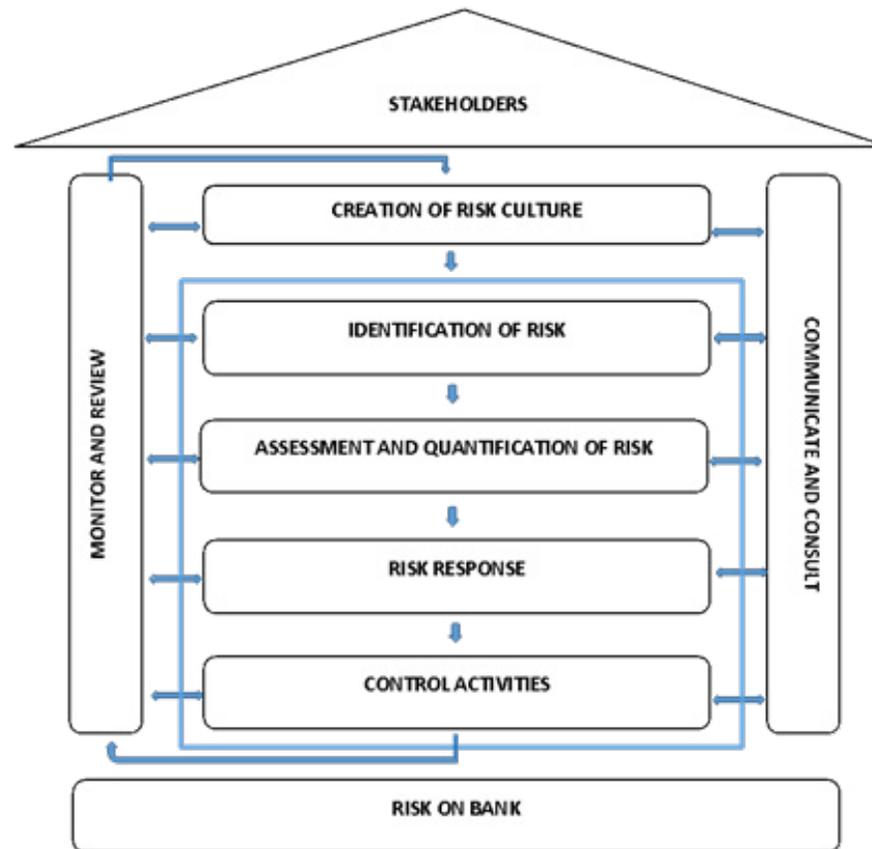
Furthermore, loans granted to DOSRI shall not exceed 15% of the bank's total equity. As of December 31, 2024, fourteen (14) loan accounts were granted to DOSRI with outstanding balance amounting to PHP75.50M which is 76 basis points of total loan outstanding of the bank as of same period. Details of the related party transactions are presented in the Note 22 of the Audited Financial Statement.

RISK MANAGEMENT FRAMEWORK

OVERALL RISK MANAGEMENT CULTURE AND PHILOSOPHY

RISK MANAGEMENT ADMINISTRATION

Risk management process is incorporated in the bank management system and all levels of operations/units involved. The respective unit head/supervisors are risk owners and are responsible in identifying risk at their levels through regular monitoring. Risks are better managed if measured consistently, accurately, and to the full extent possible. Developing risk-return consciousness is done to preserve capital and ensure adequate return on capital.



DEFINITIONS OF RISK

1. Risk is the possibility of a loss. In all its transactions, a bank faces risks – deposits, loans, trading, systems, and people. Risk is the common denominator.
2. Risk is an uncertainty of whether expected events or otherwise will have an adverse impact on the bank’s capital.
3. Risk can be controlled completely by having a good risk management system.

OBJECTIVES OF RISK MANAGEMENT

1. Risk management aims to give and to create value to stockholders’ investment in a bank.
2. Risk management is not only aimed to avoid financial losses to the bank. It is associated with the downside threats and potential losses, but there is also a proactive side to it – to optimize earnings potential. Banks do not only want to mitigate risks, but they are also looking for business opportunities that will give a higher return from their operations.
3. Risk management aims to create an internal environment wherein everyone has the awareness in assessing risks for institutional gain in every transaction.

CARD SME BANK RISK APPETITE STATEMENT (RAS)

The RAS refers to the articulation in written form of the individual and aggregate level and types of risk that a bank is willing to accept, or to avoid, in order to achieve its business objectives and considering its capability to manage risk. It includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity, and other relevant measures as appropriate.

a. Credit Risk – Significant risk area of CARD SME BANK

1. Based on the Manual of Regulations for Banks (MORB), the maximum single borrowing limit is 25%. CARD SME BANK, however, internally sets limit of 23% of the bank’s net worth or PHP100 million, whichever is higher.
2. Total Loan Portfolio to Total Asset is at least 70%
3. Credit exposure to DOSRI (Directors, Officers, Stockholders, and Related Interests): maximum of 5% of Total Loan Portfolio. The BSP’s limit is 15% of Total Loan Portfolio
4. Exposure limit to each industry or economic sector: not more than 25% of Total Loan Portfolio, maximum of 30% of TLP.

b. Liquidity Risk

1. Minimum Liquidity Ratio (MLR): 35%
2. Net Stable funding ratio: 105%

c. Capital and Earning Risk

1. Capital Adequacy Ratio (CAR): 2% above the current industry ratio
2. Return on Equity: minimum 15%
3. Administrative cost ratio: maximum of 45%

RISK GOVERNANCE STRUCTURE AND RISK MANAGEMENT PROCESS

Board and Senior Management Oversight

The Board of Directors (BOD) are responsible for:

- a. Approving strategies and policies.
- b. Understanding the risks.
- c. Ensuring that senior management takes necessary steps to identify, measure, monitor, and control the risks;
- d. Approving organization structure; and
- e. Ensuring that senior management is monitoring the continued effectiveness of the internal control system.
- f. Make the adoption of sustainability principles, including those that address E&S risk areas, institutionalized within the bank by incorporating them into its risk management and corporate governance frameworks, as well as its operations, risk strategy, and risk appetite.

RISK OVERSIGHT COMMITTEE

CARD SME BANK has a founding vision of building a sustainable financial and capacity building institution by providing environmentally compliant and socially responsible Microfinance, Small, and Medium Enterprise (MSME) loans and social development (credit with education, leadership with a heart, innovative community programs) services.

In line with this vision is the Board of Directors and management’s concern on “risk management”. Other than being compliant to BSP Circular No. 456, as amended by Circular 749 and Circular 969, the creation and approval of Risk Oversight Committee is a vital move of CARD SME BANK Board of Directors. The Bank’s success is largely dependent on the ability of its directors and officers in managing risks.

The Risk Oversight Committee is composed of three (3) Board of Directors who are all non-executive directors, two (2) of whom are Independent Directors. **Each member of the Committee shall serve for the period of three (3) years or until his/her successor has been appointed by the Board of Directors.**

Duties and responsibilities of the Risk Oversight Committee

The ROC advises the board of directors on the Bank’s overall current and future risk appetite, oversees senior management’s adherence to the risk appetite statement, and reports on the state of risk culture of the bank. The ROC shall:

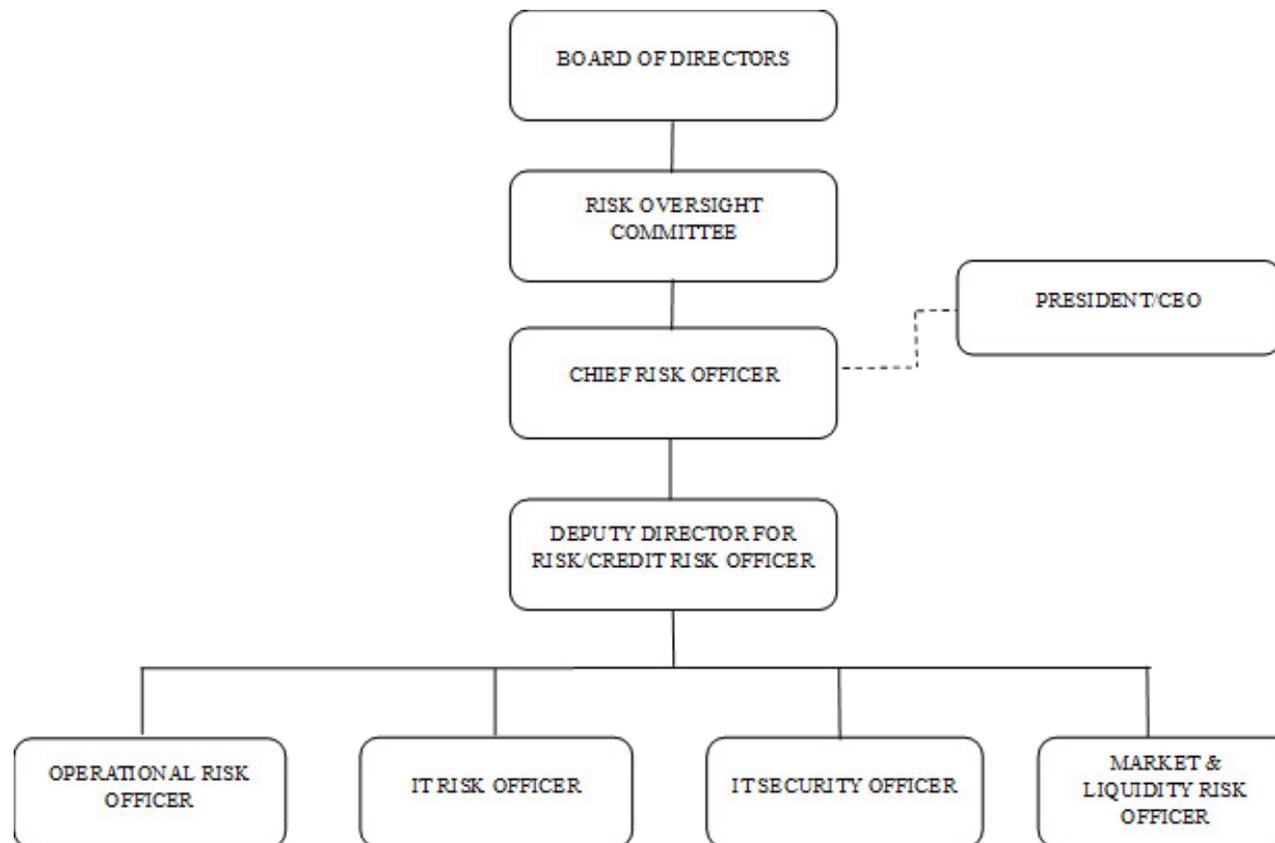
- a. Oversee the risk management framework. The Committee shall oversee the bank’s risk management/governance framework and ensure that there is periodic review of the effectiveness of the risk management systems, programs and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.
- b. Oversee adherence to risk appetite . The Committee shall ensure that the current and emerging risk exposures are consistent with the bank’s strategic direction and overall risk appetite. It shall assess the overall status of adherence to structure, policies, and procedures relating to risk management and control, and performance of management, among others.

c. Oversee the risk management function and the bank's Risk Management Group. The Committee shall be responsible for the appointment, selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function has adequate resources and effectively oversees the risk-taking activities of the bank.

The Risk Committee is provided with adequate resources and has the authority to procure the services of independent technical experts, locally and foreign, in carrying out its mandate.

The Committee, **thru its Committee Chairperson** reports the proposed risk management framework, risk appetite statement with its current risk profiles, together with all information, its respective updates or amendments, solutions to risk exposures and actual losses, as well as the action taken by the Committee thereon, to the Board for notation, and if required, for approval.

The Chief Risk Officer (CRO) is responsible for overseeing the risk management function and shall support the board of directors in the development of the risk appetite and Risk Appetite Statement (RAS) of CARD SME BANK and for translating the risk appetite into a risk limits structure. The CRO shall likewise propose enhancements to risk management policies, processes, and systems to ensure that the BSFI's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities.



SUSTAINABILITY REPORT



Formerly known as the Rural Bank of Sto. Tomas (Batangas), Inc. or RBST, CARD SME Bank, Inc. opened its doors in San Pablo City, Laguna, in 2011. As a full-fledged thrift bank, it provides products and services such as deposit products, Microfinance, consumer loans, and various business loans for SMEs.



Prior to the effectivity of the Sustainable Finance Framework or the BSP Circular Number 1085, CARD SME Bank has been supporting the unserved and underserved Filipinos through MSME Loans, scholarships, health, and livelihood program across the country towards its mission of poverty eradication. This was further strengthened following the requirements of BSP Circular Number 1085.

Sustainability Approach Framework

Sustainability Governance Structure

Economic Growth Contribution

- Digital payments and transactions using konek2CARD mobile application since 2019 (SDG 9)
- QR Ph, Instapay and Merchant Transactions using konek2CARD application (SDG9)
- Remittance transactions via CARD Sulit Padala since 2018 (SDG9)
- CARD SME Bank's network of 41 branches and 281 units, 21 ATMs, 41 DCMs, and 2,778 konek2CARD agents (SDG 9)

Social Development Initiatives

- Micro, Small, and Medium Enterprises (MSME) loans disbursed amounted to Php22.19B in 2024 (SDG 1) (SDG8)
- Permanent Filipino employees as of December 31, 2024, are 2,276, (75%) of which are female employees. (SDG5)
- Female Clients/Members 836,026 (69%) out of 1,211,882 total clients. (SDG5)
- Educational Loans availed by clients: 31,151 amounting to Php 370.15M (SDG4)
- Insurance Loans availed by Clients: 339,468 amounting to Php 636.67M (SDG3)
- Scholars supported: 3,018; 1,704 have graduated, and 1,058 are active and supported (SDG4)

Environmental Strategy

- Implemented waste segregation in offices and branches since August 2022 (SDG11 and SDG6)
- Implemented single-use plastic and bottles in offices since August 2022 (SDG11)
- Digital Payments/ Paperless transactions since 2019 (SDG11) (SDG12)
- Utilize Online/ Virtual Meetings starting 2020 (SDG11) (SDG9) (SDG12)
- Maximize the use of email and electronic platforms (scanned documents) for transmittal and signing to minimize printing and photocopying. (SDG11) (SDG9) (SDG12)
- Used the unified collaboration communities and Google Workspace as the repository of Memoranda and Circulars instead of printing (SDG11) (SDG9) (SDG12)
- Existing and ongoing partnership with Water.Org and IFC project on Climate Smart Agri (SDG17) (SDG 6) (SDG14)
- WASH Loans portfolio: Number of Accounts: 2,038 and Amount: Php 34.17M as of 2024 (SDG 6) (SDG14)
- Solar loans portfolio: Number of Accounts: 484 and Amount: Php4.09M as of 2024 (SDG7)
- Agri Loan portfolio: Number of Accounts: 17,807 and Amount: Php365.77M as of 2024 (SDG 2)
- Exclusion List for Businesses with Potential Environmental Risks (SDG1)
- Inclusion of environmental risks assessment in the SME Lending Program (E&S Checklist) since 2019. (SDG 8)
- Mapping of bank branches based on environmental risks using hazardhunter.com (SDG14)
- Eight (8) branches (Rosario, Batangas, Lipa, Pagadian, General Santos, Cagayan De Oro, Panabo and Vigan) participated in Tree Planting Activities (SDG14)
- One branch (Pagadian) participated in Seas Clean-up drive (SDG14)

References:

United Nations Sustainable Development Goals

No.	Sustainable Development Goals (SDG) Alignment	Rationale
1	No Poverty	<ul style="list-style-type: none"> End poverty in all its forms everywhere.
2	Zero Hunger	<ul style="list-style-type: none"> End hunger, achieve food security and improved nutrition, and promote sustainable agriculture
3	Good Health and Well Being	<ul style="list-style-type: none"> Ensure healthy lives and promote well-being for all at all ages
4	Quality Education	<ul style="list-style-type: none"> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
5	Gender Equality	<ul style="list-style-type: none"> Achieve gender equality and empower all women and girls.
6	Clean Water and Sanitation	<ul style="list-style-type: none"> Ensure availability and sustainable management of water and sanitation for all.
7	Affordable and Clean Energy	<ul style="list-style-type: none"> Ensure access to affordable, reliable, sustainable, and modern energy for all.
8	Decent Work and Economic Growth	<ul style="list-style-type: none"> Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.
9	Industry, Innovation, and Infrastructure	<ul style="list-style-type: none"> Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation
10	Reduced Inequalities	<ul style="list-style-type: none"> Reduce income inequality within and among countries.
11	Sustainable Cities and Communities	<ul style="list-style-type: none"> Make cities and human settlements inclusive, safe, resilient, and sustainable.
12	Responsible Consumption and Production	<ul style="list-style-type: none"> Ensure sustainable consumption and production patterns.
13	Climate Action	<ul style="list-style-type: none"> Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy.
14	Life Below Water	<ul style="list-style-type: none"> Conserve and sustainably use the oceans, seas, and marine resources for sustainable development.
15	Life on Land	<ul style="list-style-type: none"> Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
16	Peace, Justice, and Strong Institutions	<ul style="list-style-type: none"> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels.
17	Partnership for the Goals	<ul style="list-style-type: none"> Strengthen the means of implementation and revitalize the global partnership for sustainable development.



SWEAT TREATS FOR SWEET TOOTHS

Sometimes, the simplest moments plant the seeds of something extraordinary. For Maricel Neria Gonzales, a bite of yema shared by a co-worker during an ordinary work break became the beginning of a life-changing journey. From a housekeeping attendant at a golf club to the proud owner of a thriving sweets business in Lipa City, Batangas, her story is proof that courage, persistence, and purpose can turn even the smallest idea into something big.

Back then, Maricel's income helped provide for her family, but like many working mothers, she dreamed of something more—more time with her children, more security for their future, and more opportunities to grow. With no background in business or candy-making, she bravely entered unfamiliar territory, spending long nights experimenting in the kitchen. Her early trials were not easy—batches burned, mixtures hardened too quickly—but she stayed patient and kept refining her method. Slowly, she learned how to control the heat, get the timing right, and achieve the perfect consistency that would become her signature.

What began as small batches of yema sold to neighbors and co-workers quickly gained popularity. Encouraged by their feedback, she widened her reach to nearby stores and communities. As demand grew, so did her confidence. She eventually made the difficult decision to leave her job and dedicate herself fully to the business. It was a leap of faith—one that required not just hard work, but belief in herself.

Maricel did not stop at yema. She diversified her product line with graham balls and pastillas to offer more variety to her customers. She also took steps to professionalize her operations—applying for a sanitary permit, adopting cashless transactions, and promoting her products on social media. With every decision, she was building not just a business, but a legacy—something she could one day pass on to her children. Like many entrepreneurs, she encountered moments of uncertainty. One of the most challenging came when a regular buyer issued a bounced check that put her business at serious risk. The financial blow was heavy, but Maricel did not let the setback stop her. She reached out to CARD SME Bank for a loan to keep her business running. More than just funds, what she received was encouragement and partnership—someone who believed in her potential as much as she did. With renewed hope and support, she rebuilt and came back even stronger.

Today, Maricel's business is more than just a source of income. It is a community in itself, providing decent and stable employment for 20 people—each with their own families and dreams. She leads with empathy, recognizing the strengths and struggles of her team, and fostering a work environment grounded in mutual respect and care. For her, success is sweeter when it's shared with others.

Her efforts and commitment were recognized when she was awarded the Gawad Masigasig Award during CARD MRI's Pagkilala sa mga Likha ni Inay program. Along

with the honor came PHP 25,000 in support, which she used to further expand her operations. But for Maricel, the real reward has been the transformation she's seen in her life and in the lives of those around her.

With her earnings, she has achieved many things she once only dreamed of—purchasing land for a future production facility, investing in larger equipment, acquiring family properties, and securing her children's education. These milestones are not just symbols of success—they are reminders of how far she has come through hard work, faith, and the support of a community that believed in her.

Looking ahead, Maricel plans to continue growing her business with better equipment and new strategies. She's also eager to join more training and seminars to keep learning and improving. Through every step, she remains grounded in her purpose: to provide, to uplift, and to inspire.

Maricel's story is not just about candies—it's about courage. It's about seeing opportunity where others see risk, about rising after every setback, and about using success as a tool to lift others. In her story, we are reminded that even the smallest spark of an idea can lead to something meaningful—something that touches lives and changes them for the better.

I embraced digitalization, using social media for promotion and online banking for cashless transactions. She also prioritized hygiene and product quality, securing a sanitary permit from the local government to maintain high standards.

Like many entrepreneurs, she faced challenges, and one of the biggest came when a regular customer's check bounced, putting her business at financial risk. The setback was overwhelming, but she refused to give up. With a loan from CARD SME Bank, she was able to recover and continue operations. She considers the bank a vital partner in her success, helping her business regain its footing during a difficult time. Today, Maricel's business has grown beyond her expectations, now providing stable employment for 20 people. She values each employee, recognizing their individual struggles and strengths, and fosters a workplace built on fairness and genuine connections. More than just running a business, she sees her work as an opportunity to uplift others—aligning with CARD MRI's mission to create decent work and help families build a better future.

Her dedication and hard work were recognized when she received the Gawad Masigasig Award during CARD MRI's Pagkilala sa mga Likha Ni Inay program. Along with the prestigious recognition, she received PHP 25,000 to further expand her business.

With her earnings, Maricel has achieved milestones she once only dreamed of—purchasing land for a production facility, investing in larger equipment, acquiring properties, and securing her children's education. Looking ahead, she plans to upgrade her machinery to enhance efficiency and product quality while also attending seminars and workshops to deepen her business knowledge. Her journey is a testament to resilience and perseverance—proof that behind every sweet success are countless challenges, lessons, and unwavering determination.



ROOTED IN CORE VALUES, FUELED BY PASSION & MISSION



"I will reinforce the core values of CARD SME Bank, ensuring that all decisions and initiatives are rooted in service to the community, integrity, and a relentless focus on improving the lives of the underserved."

Ms. Mary Jane Perreras
Board of Director



"As we move forward with innovation, I will make sure that the core values of financial inclusion and poverty eradication stay at the heart of everything we do. It's important to me that every decision we make reflects our commitment to uplifting the lives of those we serve."

Ms. Cynthia Baldeo
Board of Director



"I'm dedicated to building stronger, more meaningful relationships with our clients. By staying connected to their needs and remaining grounded in our grassroots approach, I will ensure our services make a real difference in their lives."

Mr. Julius Adrian Alip
President and CEO



"Our team at CARD SME Bank will continue to strengthen our operations by staying engaged with our clients through center meetings and community outreach. We want to make sure our services are accessible and responsive to all, especially those who need it most."

Ms. Cherry A. Boncajes
Vice President for Operations



"I will work on streamlining our processes to make things more efficient while always ensuring that the personal care and attention our clients receive never changes. Our goal is to improve without losing the heart of what makes CARD SME Bank special."

Ms. Anita Rapera
Senior Vice President



"My focus will be on keeping our financial practices responsible and transparent. By prioritizing stability and sustainability, I'll make sure our clients and stakeholders continue to benefit from our commitment to sound financial practices."

Ms. Jeannie T. La Rosa
Vice President for Finance



"I'm committed to ensuring that we continue to meet ethical standards and regulatory requirements in everything we do. It's essential that our clients trust us, and I will work hard to protect that trust through compliance and strong ethical practices."

Mr. Benedict A. Ame
Chief Compliance Officer



"I will lead our digital transformation in a way that enhances how we connect with the communities we serve. While technology is key, I will always make sure it brings us closer to our clients, not further away."

Mr. Allan Dimaano
Chief Information Officer



"I will ensure that our SME lending programs remain a beacon of support for small businesses, providing them with the financial resources needed to foster growth, innovation, and resilience."

Ms. Joy Palomique
Vice President for SME Lending



"I will continue to enhance our risk management strategies, ensuring that we strike a balance between growth and sustainability, and safeguard the interests of both our organization and our clients."

Mr. Jerry Montejo
Assistant Vice President for Risk Management



"I will prioritize service excellence, ensuring that our offerings meet the unique needs of our clients and remain centered on driving meaningful financial and social change."

Mr. Rodel Bombase
Assistant Vice President



"I will ensure that our operations not only maintain but exceed our standards of excellence, creating an environment where accessibility, transparency, and community empowerment thrive."

Ms. Florence Castillo
Assistant Vice President



"I will work to ensure that our services are delivered with efficiency and responsiveness, always remaining true to our values of integrity and client-centered care."

Ms. Leonida Gutierrez
Assistant Vice President



"I will ensure that our operations not only maintain but exceed our standards of excellence, creating an environment where accessibility, transparency, and community empowerment thrive."

Ms. Noralyn Silvestre
Deputy Director for Savings Mobilization



Audited Financial Statements

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
CARD SME Bank, Inc., A Thrift Bank

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CARD SME Bank, Inc., A Thrift Bank (the Bank), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of income, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the 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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

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

Report on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB) and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the MORB in Note 26 and Revenue Regulations 15-2010 in Note 27 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and the Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of CARD SME Bank, Inc., A Thrift Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bryan Chrisnel M. Baes

Bryan Chrisnel M. Baes
Partner

CPA Certificate No. 128627

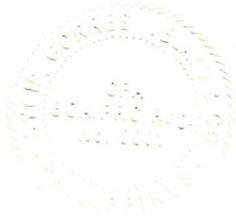
Tax Identification No. 275-229-188

BOA/PRC Reg. No. 0001, April 15, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-148-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10465262, January 2, 2025, Makati City

April 28, 2025



CARD SME BANK, INC., A THRIFT BANK
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Cash and other cash items (Note 6)	₱77,900,386	₱76,140,172
Due from Bangko Sentral ng Pilipinas (Note 6)	1,303,141,157	789,008,424
Due from other banks (Note 6)	87,449,538	58,261,044
Loans and receivables (Note 7)	9,829,653,047	8,180,827,403
Financial assets at amortized cost (Note 8)	320,655,324	341,666,157
Property and equipment (Note 9)	341,441,173	281,323,836
Investment properties (Note 10)	22,294,976	6,037,637
Intangible assets (Note 11)	30,021	2,515,884
Retirement asset (Note 20)	64,649,732	79,967,725
Deferred tax assets (Note 21)	102,579,792	91,763,081
Other assets (Note 12)	80,822,896	95,251,896
TOTAL ASSETS	₱12,230,618,042	₱10,002,763,259
LIABILITIES AND EQUITY		
Liabilities		
Deposit liabilities (Notes 13 and 22)		
Demand	₱107,566,472	₱119,627,198
Savings	7,177,066,578	6,186,504,764
	7,284,633,050	6,306,131,962
Bills payable (Note 14)	1,106,287,776	695,940,753
Deposit for stock subscription (Note 17)	-	97,815,174
Income tax payable	211,850,863	139,027,393
Accrued expenses (Note 15)	75,942,490	59,392,653
Other liabilities (Note 15)	342,083,610	248,197,753
	9,020,797,789	7,546,505,688
Equity		
Common stock (Note 17)	1,927,478,200	1,495,501,000
Surplus (Note 17)	1,298,115,773	963,045,005
Remeasurement loss on retirement plan (Note 20)	(15,773,720)	(2,288,434)
	3,209,820,253	2,456,257,571
TOTAL LIABILITIES AND EQUITY	₱12,230,618,042	₱10,002,763,259

See accompanying Notes to Financial Statements.

CARD SME BANK, INC., A THRIFT BANK
STATEMENTS OF INCOME

	Years Ended December 31	
	2024	2023
INTEREST INCOME		
Loans and receivables (Note 7)	₱3,752,239,941	₱3,100,832,698
Due from BSP and other banks (Note 6)	82,280,234	65,073,726
Financial assets at amortized cost (Note 8)	21,182,311	20,221,635
Security deposits	807,528	636,286
	3,856,510,014	3,186,764,345
INTEREST EXPENSE		
Deposit liabilities (Notes 13 and 22)	174,525,445	152,100,247
Bills payable (Note 14)	42,671,848	2,140,278
Lease liabilities (Note 23)	9,443,353	7,477,085
	226,640,646	161,717,610
NET INTEREST INCOME	3,629,869,368	3,025,046,735
OTHER INCOME (LOSS)		
Net loss on sale of fixed assets and investment properties (Notes 9 and 10)	(1,482,804)	(423,962)
Miscellaneous (Note 18)	156,046,140	128,367,771
	154,563,336	127,943,809
TOTAL OPERATING INCOME	3,784,432,704	3,152,990,544
OPERATING EXPENSES		
Compensation and fringe benefits (Note 22)	957,040,332	849,903,339
Taxes and licenses	290,567,631	242,983,277
Information technology (Note 22)	241,904,015	204,493,444
Transportation and travel	180,276,946	163,337,932
Depreciation and amortization (Notes 9, 10, and 11)	142,162,286	137,477,161
Stationery and office supplies	122,497,849	116,792,079
Employee trainings (Note 22)	117,129,925	81,090,277
Provision for credit losses (Note 7)	116,743,341	168,950,577
Occupancy and equipment-related cost (Notes 22 and 23)	82,470,532	68,618,043
Power, light and water	51,906,434	49,311,739
Security, messengerial and janitorial	38,275,732	37,044,783
Program monitoring	23,991,457	18,459,639
Professional fees	10,404,422	8,728,909
Representation and entertainment (Note 21)	4,167,285	6,136,717
Miscellaneous (Note 19)	77,162,460	78,840,857
TOTAL OPERATING EXPENSES	2,456,700,647	2,232,168,773
INCOME BEFORE INCOME TAX	1,327,732,057	920,821,771
PROVISION FOR INCOME TAX (Note 21)	332,661,289	232,422,339
NET INCOME	₱995,070,768	₱688,399,432

See accompanying Notes to Financial Statements.

CARD SME BANK, INC., A THRIFT BANK
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2024	2023
NET INCOME	₱995,070,768	₱688,399,432
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income (loss) not recycled to profit or loss in subsequent periods:</i>		
Changes in remeasurement loss on retirement plan (Note 20)	(17,980,382)	(33,662,907)
Income tax effect (Note 21)	4,495,096	8,415,727
	(13,485,286)	(25,247,180)
TOTAL COMPREHENSIVE INCOME	₱981,585,482	₱663,152,252

See accompanying Notes to Financial Statements.

CARD SME BANK, INC., A THRIFT BANK
STATEMENTS OF CHANGES IN EQUITY

	Common stock (Note 17)	Surplus	Surplus reserves (Note 7)	Remeasurement loss on retirement plan (Note 20)	Total
Balance at January 1, 2024	₱1,495,501,000	₱963,045,005	₱-	(₱2,288,434)	₱2,456,257,571
Issuance through collection of subscriptions receivable (Note 17)	127,920,600	-	-	-	127,920,600
Issuance of new shares	124,061,300	-	-	-	124,061,300
Total comprehensive income for the year	-	995,070,768	-	(13,485,286)	981,585,482
Cash dividends declared (Note 17)	-	(480,004,700)	-	-	(480,004,700)
Stock dividends declared (Note 17)	179,995,300	(179,995,300)	-	-	-
Balance at December 31, 2024	₱1,927,478,200	₱1,298,115,773	₱-	(₱15,773,720)	₱3,209,820,253
Balance at January 1, 2023	₱1,460,522,700	₱544,645,573	₱-	₱22,958,746	₱2,028,127,019
Issuance through collection of subscriptions receivable (Note 17)	34,978,300	-	-	-	34,978,300
Total comprehensive income for the year	-	688,399,432	-	(25,247,180)	663,152,252
Cash dividends declared (Note 17)	-	(270,000,000)	-	-	(270,000,000)
Balance at December 31, 2023	₱1,495,501,000	₱963,045,005	₱-	(₱2,288,434)	₱2,456,257,571

See accompanying Notes to Financial Statements.

CARD SME BANK, INC., A THRIFT BANK
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,327,732,057	₱920,821,771
Adjustments for:		
Provision for credit losses (Note 7)	116,743,341	168,950,577
Depreciation and amortization (Notes 9 and 11)	142,162,286	137,477,161
Net pension expense (Note 20)	16,430,832	9,089,790
Interest expense on lease liabilities (Note 23)	9,443,353	7,477,085
Amortization of discount on bills payable (Note 14)	7,010,845	-
Net loss on sale of fixed assets and investment properties (Notes 9 and 10)	1,482,804	423,962
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Loans and receivables	(1,765,568,986)	(1,736,942,124)
Other assets	14,429,000	(24,650,403)
Increase (decrease) in the amounts of:		
Deposit liabilities	978,501,088	234,530,061
Accrued expenses	16,549,837	(15,632,663)
Other liabilities	53,724,860	18,714,947
Net cash available (used) in operations	918,641,317	(279,739,836)
Income taxes paid	(266,159,432)	(143,605,572)
Retirement contributions (Note 20)	(19,093,221)	(15,751,988)
Net cash available (used) in operating activities	633,388,664	(439,097,396)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at amortized cost (Note 8)	(70,000,000)	-
Property and equipment (Note 9)	(68,444,392)	(32,176,855)
Investment properties (Note 10)	(20,946,587)	(1,343,964)
Proceeds from sale of:		
Financial assets at amortized cost (Note 8)	91,010,833	7,535,131
Investment properties (Note 10)	3,006,800	1,401,530
Property and equipment (Note 9)	90,692	970,861
Disposal of intangible assets	2,412,702	-
Net cash used in investing activities	(62,869,952)	(23,613,297)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of bills payable (Notes 14 and 24)	1,390,836,178	695,940,753
Settlement of bills payable (Notes 14 and 24)	(987,500,000)	-
Cash dividends paid (Note 17)	(478,893,757)	(270,091,302)
Payment of principal portion of lease liabilities (Notes 23 and 24)	(104,046,418)	(97,922,156)
Collections of subscriptions receivable (Note 17)	127,920,600	34,978,300
Issuance of new shares	124,061,300	-
Collections of deposit for future stock subscription	(97,815,174)	53,520,534
Net cash available (used) in financing activities	(25,437,271)	416,426,129

(Forward)

CARD SME BANK, INC., A THRIFT BANK
NOTES TO FINANCIAL STATEMENTS

	Years Ended December 31	
	2024	2023
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	₱545,081,441	(₱46,284,564)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	76,140,172	93,490,263
Due from Bangko Sentral ng Pilipinas	789,008,424	782,905,676
Due from other banks	58,261,044	93,298,265
	923,409,640	969,694,204
CASH AND CASH EQUIVALENTS AT END OF YEAR		
(Note 6)		
Cash and other cash items	77,900,386	76,140,172
Due from Bangko Sentral ng Pilipinas	1,303,141,157	789,008,424
Due from other banks ³	87,449,538	58,261,044
	₱1,468,491,081	₱923,409,641
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱3,835,450,780	₱3,144,575,670
Interest paid	237,532,897	185,646,411

See accompanying Notes to Financial Statements.

1. Corporate Information

CARD SME Bank, Inc., A Thrift Bank (the Bank), formerly known as Rural Bank of Sto. Tomas (Batangas), Inc., was incorporated in the Philippines on October 4, 1961. The Bank was granted the authority to operate by the Bangko Sentral ng Pilipinas (BSP) on May 10, 1962 as a rural bank with principal office in General Malvar Avenue, Sto. Tomas, Batangas. The Bank was granted by the BSP the authority to operate as a thrift bank on June 15, 2011. On July 25, 2011, the Bank formally started its operations as a thrift bank. Currently, its principal place of business is at #120 M. Paulino St., corner Burgos St., San Pablo City, Laguna. The Bank offers a wide range of products and services such as deposit and loan products mainly to the consumer market. As of December 31, 2024, the Bank has 41 branches.

In 2007, the Bank (with existing branches in Sto. Tomas and Lipa City, Batangas and Tagaytay City, Cavite) became a member of Center for Agriculture and Rural Development (CARD) - Mutually Reinforcing Institutions (MRI) when CARD, Inc. and CARD Employees Multi-Purpose Cooperative (EMPC) acquired the majority of its voting stock. The rehabilitation court and the BSP approved the sale and transfer of shares of stock on September 5, 2007 and February 7, 2008, respectively. This strategic move supports the graduating microenterprise clients of CARD-MRI, by empowering them through continuous access to financial resources and non-financial services. CARD-MRI's social mission of poverty alleviation has been folded into Bank's operation through its microfinance operation.

On May 20, 2010, the Monetary Board of the BSP approved the increase in the authorized capital stock of the Bank from ₱20.00 million to ₱500.00 million and the number of Board of Directors (BOD) from five (5) to nine (9) members. Likewise, on December 9, 2010, the Monetary Board of the BSP thru its Resolution No. 1757 approved the conversion of the operation of the Bank from rural bank category to a regular thrift bank.

The BSP and the Philippine Securities and Exchange Commission (SEC) approved on April 8, 2011 and May 11, 2011, respectively, the Bank's amended Articles of Incorporation (AOI) and new by-laws. The approved amendments to the Bank's AOI follow:

- a. Change of the corporate name from 'Rural Bank of Sto. Tomas (Batangas), Inc.' to 'CARD SME Bank, Inc., A Thrift Bank';
- b. Change of the primary and secondary purposes from that of rural banking to thrift banking; and
- c. Change of the principal office address from 'General Malvar Avenue, Sto. Tomas, Batangas' to 'San Pablo City, Laguna'.

On December 7, 2017, the BSP approved the increase in the authorized capital stock of the Bank from ₱500.00 million to ₱1.00 billion and the change of principal office address from San Pablo City, Laguna to #120 M. Paulino St., corner Burgos St., San Pablo City, Laguna. On March 16, 2018, the SEC approved the changes in the AOI.

On February 13, 2020, the BSP approved the increase in the authorized capital stock of the Bank from ₱1.00 billion to ₱1.50 billion. On August 20, 2020, the SEC approved the changes in the AOI.

On October 28, 2022, the BSP approved the increase in the authorized capital stock of the Bank from ₱1.50 billion to ₱2.00 billion. On July 10, 2024, the SEC approved the changes in the AOI.

As a thrift bank, the Bank can (1) provide short-term working capital, medium, and long-term financing, to business engaged in agricultural services, industry, and housing; (2) provide diversified financial and allied services for its chosen market and constituents especially for small and medium enterprises, microfinance, and individuals; and (3) carry on activities specified under Section 10 of Republic Act (RA) No. 7906, otherwise known as 'Thrift Banks Act of 1995'.

Based on the provisions of the Revised Corporation Code of the Philippines or RA No. 11232, the Bank has a perpetual existence.

As of December 31, 2024 and 2023, the Bank is 36.75% owned by CARD, Inc. (A Microfinance NGO) and 22.04% owned by CARD Employees Multi-Purpose Cooperative.

2. Material Accounting Policy Information

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis. The financial statements are presented in Philippine peso (₱), the Bank's functional currency, and all values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance

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

Presentation of Financial Statements

The statements of financial position of the Bank are presented in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 16.

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or Bankruptcy of the Bank and all of the counterparties.

Income and expense are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Bank. This is not generally the case with master netting agreements, where the related assets and liabilities are presented gross amounts in the statement of financial position.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Bank.

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

The amendments clarify:

- That only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- 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.

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

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Future Changes in Accounting Standards

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Bank does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Bank intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2025

- Amendments to PAS 21, *Lack of Exchangeability*

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards – Volume 11
 - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
 - Amendments to PFRS 7, *Gain or Loss on Derecognition*
 - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
 - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
 - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Material Accounting Policies

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks that are highly liquid, readily convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in 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 requirement. The components of cash and cash equivalents are shown in the statement of cash flows. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

Fair Value Measurement

The Bank measures assets and liabilities at fair value on initial recognition date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 4.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes 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 fair value of an asset or a liability is measured 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 a bid price and ask price, the price within the bid ask spread that is most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the 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 statement are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities in the absence of a principal market, in the most advantageous market for the asset or liability
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statement at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Bank does not have assets and liabilities carried at fair value as of December 31, 2024 and 2023.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as disclosed above (Note 4).

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Regular way purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market, except for derivatives, are recognized on the settlement date. Settlement date is the date on which the transaction is settled by delivery of the assets that are the subject of the agreement. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank.

'Day 1' difference

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

Classification and measurement of financial assets

As part of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g., 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. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis 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 solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at fair value through profit or loss (FVTPL).

Business model assessment

The Bank determines its business model at the level that best reflects how it manages banks of financial assets to achieve its business objective.

The Bank's business model is assessed on an instrument-by-instrument basis and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The 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
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. 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.

The solely payments of principal and interest (SPPI) test

As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test 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/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis 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 solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Financial assets at amortized cost

Debt financial assets are measured at amortized cost if both of the following conditions are met:

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

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as 'Interest income' in the statement of income. The Bank classified 'Cash and other cash items', 'Due from BSP', 'Due from other banks', 'Loans and receivables', 'Financial assets at amortized cost' and cash collateral deposits and security deposits (included under 'Other assets') as financial assets at amortized cost.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the debt financial asset been measured at amortized cost. As of December 31, 2024 and 2023, the Bank has not made such designation.

Financial Instrument – Impairment

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. A SICR is deemed present in SME loans with 1 day up to 89 days past due but does not demonstrate objective evidence of impairment as of reporting date. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

The Bank recognizes lifetime ECL on all of its non-impaired financial instruments since the Bank assessed that the expected life of its financial assets does not exceed 12 months. As a result, the Bank considers these instruments under Stage 1, regardless of whether SICR already exists since initial recognition.

The Bank uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative and qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

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 past due on its contractual payments (day 1) in case of microfinance loans and at least 90 days past due in case of SME loans and other credit exposures. 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 an unlikelihood 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 (i.e. consecutive payments from the borrowers for 180 days).

Expected Credit Loss (ECL) is a function of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default. EAD represents an estimate of the outstanding amount of credit exposure at the time a default may occur. The amount and quality of any collateral held is considered in the computation. LGD is the amount that may not be recovered in the event of default.

Write-off

Financial assets are written off in their entirety when the Bank no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to miscellaneous income.

Restructured receivables

Where possible, the Bank seeks to restructure receivables, which may involve extending the payment arrangements and the agreement of new receivable conditions. Once the terms have been renegotiated, the receivable is no longer considered past due. Management continuously reviews restructured receivables to ensure that all criteria are met and that future payments are likely to occur.

If modifications are considered by the Bank as substantial based on qualitative factors, the loan is derecognized. If a receivable 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). Modification gain or loss is recognized in 'Provision for credit losses' in the statement of income. 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 between Stages 2 and 3 are determined on a case-by-case basis.

Modification

In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges.

When the contractual terms of a financial asset are renegotiated or otherwise modified due to reasons other than impairment (i.e., statutory relief) and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank shall recalculate the gross carrying amount of the financial asset and shall recognize the net modification gain or loss in the statements of income as a deduction in interest.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- 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 risks 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 asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

The transfer of risks and rewards is evaluated by comparing the Bank's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. The Bank has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer (e.g., because the entity has sold a financial asset subject to an agreement to buy it back at a fixed price or the sole price plus a lender's return). The Bank has transferred substantially all the risks and rewards of ownership of a financial asset if its exposure to such variability is no longer significant in relation to the total variability in the present value of the future net cash flows associated with the financial asset (e.g., because the entity has sold a financial asset subject only to an option to buy it back at its fair value at the time of repurchase or has transferred fully proportionate share of the cash flows from a larger financial asset in an agreement).

Whether the Bank has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the entity has not retained control.

Financial liabilities

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

Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account consists of prepaid rentals and prepaid expenses under 'Other assets' in the statement of financial position. Prepayments are apportioned over the period covered by the payments and charged to the appropriate accounts in the statements of income when incurred.

Property and Equipment

The Bank's property and equipment consist of land, building, equipment and right-of-use assets that do not qualify as investment properties.

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The initial cost of property and equipment consists of its purchase price, including nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives (EUL) of the respective assets. Leasehold improvements are amortized over lease term and the shorter of the terms of the covering leases and EUL of the improvements.

The range of the EULs of the property and equipment follows:

Building and improvements	5 to 15 years
Furniture, fixtures, and equipment	1 to 5 years
Transportation equipment	5 to 7 years
Leasehold improvements	3 to 5 years or term of the lease, whichever is shorter
ROU assets – office space	1.5 to 10 years or term of the lease, whichever is shorter
ROU assets – vehicles	1.5 to 2 years or term of the lease, whichever is shorter

The depreciation method and the EULs are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited against profit or loss.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income under 'Net gain or loss on sale of asset' in the period the asset is derecognized.

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

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified under 'Investment properties' upon either: a) entry of judgement in case of judicial foreclosure, b) execution of sheriff's certificate of sale in case of extra-judicial foreclosure; or c) notarization of the deed of dacion in case of payment in kind (dacion en pago).

The difference between the fair value of the asset acquired and the carrying amount of the asset given up is recognized under 'Other income' in the statement of income.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation (for depreciable investment properties) and accumulated impairment losses, if any.

Depreciation on buildings and improvements is calculated on a straight-line basis over the EUL of ten years from the time of acquisition of the depreciable investment properties.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the period of retirement or disposal. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are charged against income in the period in which the costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by cessation of owner-occupation or commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property 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 acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets consist of software costs which are amortized on a straight-line basis over three years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

Impairment of Non-financial Assets

At each reporting date, the Bank assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, 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 (VIU) 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 group of assets, in which case the recoverable amount is assessed as part of the cash generating unit (CGU) to which it belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted 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.

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

Retirement Benefits

Defined benefit plan

The Bank operates a defined benefit retirement plan and a hybrid retirement plan which require contribution to be made to a separately administered fund. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expenses in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income. Retirement expense is presented under 'Compensation and fringe benefits' in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the statement of financial position with a corresponding debit or credit to 'Changes in remeasurement gain (loss) on retirement liabilities' under other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Bank, nor can they be paid directly to the Bank. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Equity

Common stock

Common stock represents the aggregate amount of paid capital stock which is determined using the nominal or par value of shares that have been issued. When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against surplus.

Subscribed common stock is recognized at subscribed amount net of subscription receivable. This will be debited upon full payment of the subscription and issuance of the shares of stock. Subscriptions receivable pertains to uncollected portion of subscribed stocks. The subscription receivable is presented as asset when it is expected to be collected within 12 months or contra-equity when it is expected to be collected for more than 12 months.

Surplus

Surplus represents the accumulated earnings, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Dividends

Dividend distributions are at the discretion of the Bank. A dividend distribution to the Bank's shareholders is accounted for as a deduction from retained earnings. A proposed cash or stock dividend is recognized as a liability in the period in which it is approved by the BOD or Stockholders.

Deposit for Future Stock Subscription

Deposit for future stock subscription (DFS) shall be classified under equity account if all of the following conditions are present as of reporting date:

- the unissued authorized capital stock of the Bank is insufficient to cover the amount of shares indicated in the contract;
- there is Stockholder approval on the proposed increase in authorized capital stock (for which a deposit was received by the Bank); and
- the application for the approval of the proposed increase has been filed with the SEC.

DFSS does not meet the foregoing provisions and is treated as a non-financial liability.

Other Comprehensive Income

OCI comprises items of income and expenses that are recognized directly in equity. OCI items are either reclassified to profit or loss or directly within equity in subsequent periods.

Revenue Recognition

Under PFRS 15, *Revenue from Contracts with Customers*, revenue is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

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

Gain (loss) on sale of assets – net

Gain or loss from exchange or sale of assets is recognized upon completion of the earning process. For disposal of nonfinancial assets, this will include whether the collectability of the consideration is reasonably assured.

Loan fees, service fees and penalties

Loan fees are recognized over the term of the credit lines granted to each borrower. Service fees are accrued when earned. Penalties are recognized only upon collection or where there is a reasonable degree of certainty as to their collectability. These items are recognized under 'Miscellaneous income' in the statement of income.

Revenue outside the scope of PFRS 15

Interest income

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

Under PFRS 9, when a financial asset becomes credit-impaired, the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Expense Recognition

Expense is recognized when it is probable that decrease in the future economic benefits related to decrease in an asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

Expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Bank. Expenses are recognized when incurred.

Interest expense

Interest expense for all interest-bearing financial liabilities is recognized in 'Interest expense' in the statement of income using the EIR of the financial liabilities to which they relate.

Taxes and licenses

This includes all other taxes, local and national, including gross receipts taxes (GRT), documentary taxes, real estate taxes, licenses and permit fees that are recognized when incurred.

Leases

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 'Property and equipment' and subjects it to impairment in line with the Bank's policy on impairment of non-financial 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 discounted using the Bank's incremental borrowing rate with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. 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.

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 bills payable and other borrowings'), 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 of office spaces and other equipment that are considered of low value (i.e., below ₱350,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense under 'Occupancy and equipment-related costs' on a straight-line basis over the lease term.

Bank as a lessor

For finance leases where the Bank transfers substantially all the risks and rewards incidental to ownership of the leased item, the Bank recognizes a lease receivable in the statement of financial position at an amount equivalent to the net investment (asset cost) in the lease. The Bank includes all income resulting from the receivable in 'Interest income on loans and receivables' in the statement of income.

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

In operating leases where the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Bank recognizes rental income on a straight-line basis over the lease terms. The Bank adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease term on the same basis. The Bank recognizes contingent rents as revenue in the period in which they are earned.

Income Taxes

Income tax on profit or loss for the year comprises current and deferred taxes. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

Current tax

Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided, using the balance sheet method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

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

Current and deferred taxes relating to items recognized directly in equity are recognized in OCI, and not in the statement of income.

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

Provisions and Contingencies

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized under 'Interest expense' in the statement of income.

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

Events After the Reporting Date

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

3. Significant Accounting Judgments and Estimates

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

(a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recognized or disclosed in the statements of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

(a) Expected credit losses on financial assets

The Bank reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the balance sheet and any changes thereto in the statement of income. In particular, judgements and estimates by management are required in determining the following:

- whether a financial asset has had a significant increase in credit risk since initial recognition;
- whether default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of default as well as the Bank's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes; and
- sufficiency and appropriateness of data used, and relationships assumed in building the components of the Bank's expected credit loss models.

The related allowance for credit losses of financial assets is disclosed in Note 7.

(b) Present value of defined benefit obligation

The cost of defined benefit retirement plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout at reporting date, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements.

The present value of the retirement liability and fair value of plan assets are disclosed in Note 20.

4. Fair Value Measurement and Fair Value Hierarchy

Fair Value Measurement

As of December 31, 2024, and 2023, except as discussed below, the carrying values of the Bank's financial assets and financial liabilities as reflected in the statements of financial position and related notes approximate their fair values.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The methods and assumptions used by the Bank in estimating fair values of financial instruments and nonfinancial asset for which fair value is disclosed are as follows:

Cash and other cash items, due from BSP, due from other banks, current portion of receivables and unquoted debt securities, accrued interest receivable, refundable deposits, current portion of deposit liabilities, bills payable and finance lease liabilities, deposits for future stock subscription, accrued other expenses, accrued interest payable, accounts payable and dividends payable

Carrying values of these financial instruments approximate their fair values in view of the short-term maturities of these instruments.

Accrued vacation leave credits

Carrying values of the accrued vacation leave credits approximate their fair values since these are recognized at discounted value.

Non-current portion of unquoted debt securities, financial assets at amortized cost, refundable deposits

Fair values of non-current portion of unquoted debt securities, financial assets at amortized cost, and refundable deposits were determined using the discounted cash flow method.

Investment properties

Fair values of the Bank's investment properties have been determined based on valuations made by independent external appraiser based on the recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made, and comparability of similar properties sold with the property being valued.

The following table summarizes the valuation techniques used and the significant unobservable inputs valuation used by the Bank:

	Valuation Techniques	Significant Unobservable inputs
Investment property – Land	Market data approach	Location, size, shape, utility/neighborhood, improvements and time element
Investment property – Building	Modified quantity survey approach	Depreciated replacement cost

	Valuation Techniques	Significant Unobservable inputs
Non-current portion of unquoted debt securities and financial assets at amortized cost	Discounted cash flow method	Interpolated Philippine zero rates ranging from 5.92% to 6.98% and from 5.08% to 6.22% in 2024 and 2023, respectively
Non-current portion of refundable deposits	Discounted cash flow method	Incremental borrowing rates ranging from 6.24% to 6.55% and from 5.93% to 7.08% in 2024 and 2023, respectively

Description of the valuation techniques, inputs and assumptions used to value the Bank's investment properties are as follows:

Valuation Techniques	Description
Market data approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale
Modified quantity survey approach	A method wherein each building component is priced based on the current cost of materials and labor and indirect costs such as contractor's profits, overhead, taxes, fees and other related expenses are then added in lump sum

Fair Value Hierarchy

The following table summarizes the carrying values and the fair values by level of the fair value hierarchy of the Bank's assets and liabilities that are carried at fair value or for which fair values is disclosed as at December 31, 2024 and 2023:

	2024				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets and liabilities for which fair values are disclosed*:					
<i>Financial assets</i>					
Loans and receivables					
SME (Small and medium-sized enterprises) loans	₱2,082,511,983	₱-	₱-	₱1,584,639,576	₱1,584,639,576
Unquoted debt securities	67,349,495	-	-	56,056,242	56,056,242
Financial assets at amortized cost	320,655,324	337,121,323	-	-	337,121,323
Investment in equity securities	1,000,000	-	-	1,000,000	1,000,000
Other asset - refundable deposits	20,903,549	-	-	20,903,549	20,903,549
<i>Non-financial assets</i>					
Investment properties	22,294,976	-	-	25,759,200	25,759,200
<i>Financial liabilities</i>					
Deposit liabilities	235,514	-	-	221,784	221,784

*Pertains to non-current assets and liabilities

	2023				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets and liabilities for which fair values are disclosed*:					
<i>Financial assets</i>					
Loans and receivables					
SME (Small and medium-sized enterprises) loans	₱1,336,031,700	₱-	₱-	₱1,021,155,830	₱1,021,155,830
Unquoted debt securities	92,980,762	-	-	74,644,870	74,644,870
Financial assets at amortized cost	341,666,157	-	-	357,565,171	357,565,171
Other asset - refundable deposits	17,771,417	-	-	17,771,417	17,771,417
<i>Non-financial assets</i>					
Investment properties	6,037,637	-	-	4,600,000	4,600,000
<i>Financial liabilities</i>					
Deposit liabilities	188,155	-	-	174,865	174,865

*Pertains to non-current assets and liabilities

As of December 31, 2024 and 2023, the Bank has no financial instruments carried at fair value.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements in 2024 and 2023.

5. Financial and Operational Risk Management Policies and Procedures

Financial Risk Management Policies and Procedures

In the course of the business cycle, the Bank has exposure to the following risks from its use of financial instruments: (a) credit risk; (b) market risk; and (c) liquidity risk.

The Bank adheres to the proactive and prudent approach of managing the business that recognizes and manages risks to continuously provide quality financial services to clients and to protect shareholders' value.

Risk management process involves setting of revenue goals, definition of risk philosophy and creating risk culture, determining opportunities that would create risk in the future, identifying and assessing the risk, evaluating and defining risk tolerance, taking actions to mitigate and control the risks through defined roles and responsibilities, close monitoring of the scenarios, reporting of risk taking performance, revalidation of risk methodologies and adjustment of the systems and policies necessary to effectively minimize risk level.

The BOD through the Risk Oversight Committee (ROC) is responsible for the development and oversight of the Bank's risk management program, identification and evaluation of risk exposures, monitoring the Bank's implementation of risk management policies and procedures, and for reviewing and evaluating the adequacy of risk management framework in relation to the risks faced by the Bank. The ROC regularly reports to the BOD the results of reviews of actual implementation of risk management policies. Risk management of the Bank is strengthened in conjunction with Audit Committee (AC) and Compliance Committee (CC). Internal Audit and Compliance Unit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the AC and CC respectively.

Credit Risk

Credit risk is the risk of financial loss to the Bank if the counterparty to a financial instrument fails to meet its contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Management of credit risk

Credit risk is being managed by instilling credit discipline both among the Bank's staff and the borrowers. The Bank's staff performs its basic strategy such as in-depth credit evaluation and approval process, and close monitoring of accounts throughout the borrowing period; hence, on-time service delivery motivates the borrowers to fulfill their financial obligation to the highest standards. Borrowers are well-oriented on the credit repayment design they undertake.

For microfinance loans, loan portfolio is diversified in different economic activities or projects. There is geographical diversification to spread the risk brought about by natural calamities. Proper target, market selection, rigorous character and background investigation, members' or borrowers' education or training on credit discipline in microfinance and validation of utilization of loan proceeds are applied. Intensive monitoring of all units and branches is conducted by the Branch Head (BH), Area Manager (AM), Regional Director (RD), Assistant Vice President (AVP), Vice President (VP), and Executive Vice President (EVP). Staff skills and competencies are regularly updated. Strategies are identified to manage competitors. Development of new client or market-oriented loan or deposit products and enhancement of product design systems and procedures, monitoring of members without loans and motivating qualified members to borrow are regularly done. Stewardship is implemented aligned with its core values to achieve profitability. Financial ratios and evaluation of compliance with BSP standards are regularly monitored.

Furthermore, the Bank has a preventive delinquency management approach through proper and strict credit delivery, monitoring and collection. Close monitoring through conduct of weekly center meetings is being implemented allowing the early determination of early warning signals on each borrower-member. A daily monitoring of the number of defaulted members and intensive follow-up areas are strictly implemented. Various remedial measures are likewise being implemented to allow rehabilitation of defaulted borrowers. Defaulted borrowers which failed to cooperate despite remedial efforts are referred to the Bank's legal counsel for collection or filing of appropriate legal action.

In general, borrowers are also perpetual savers. Consequently, their Pledge Savings accounts are pledged and serve as guarantee to their loans, which increases their borrowing capacity. Each business unit has a Unit Manager who reports on all credit-related matters to the local management consisting of the AM, RD, AVP, VP and EVP.

Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio. Regular audits and compliance testing of business units and credit processes are undertaken by Internal Auditors and Compliance Officers.

All past due or impaired accounts are reported on a daily, weekly, and monthly basis to the management and to the BOD, respectively. Consistent monitoring for this group of accounts is established by competent and diligent staff to maximize recovery. Incentives have been established and subjected to review and assessment periodically. These are given to staff to recover from the accounts and to fully instill credit discipline to borrowers. Restructuring of loan payments are done after full compliance of approved policies and procedures. Writing-off bad accounts is approved by the BOD and reported to the BSP in compliance with the Manual of Regulations for Banks.

Maximum exposure to credit risk

The tables below provide the analysis of the maximum exposure to credit risk of the Bank's financial instruments, excluding those where the carrying values as reflected in the statements of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancements.

	2024			
	Maximum Exposure to Credit Risk*	Fair Value of Collateral and Credit Enhancements	Financial Effect of Collateral or Credit Enhancements	Net Exposure to Credit Risk
Loans and receivables:				
Microfinance loans	₱7,703,943,023	₱1,894,956,999	₱1,669,411,043	₱6,034,531,980
SME loans	2,472,709,359	1,024,954,546	1,024,954,546	1,447,754,813
	₱10,176,652,382	₱2,919,911,545	₱2,694,365,589	₱7,482,286,793

*Includes accrued interest receivable and net of unearned discount and allowance for credit losses.

	2023			
	Maximum Exposure to Credit Risk*	Fair Value of Collateral and Credit Enhancements	Financial Effect of Collateral or Credit Enhancements	Net Exposure to Credit Risk
Loans and receivables:				
Microfinance loans	₱6,757,581,018	₱1,598,866,407	₱1,377,727,577	₱5,379,853,441
SME loans	1,730,954,490	350,150,751	257,033,488	1,473,921,002
	₱8,488,535,508	₱1,949,017,158	₱1,634,761,065	₱6,853,774,443

*Includes accrued interest receivable and net of unearned discount and allowance for credit losses.

Credit enhancement for microfinance loans pertains to deposit hold-out from Pledge savings equivalent to 15.00% of the loaned amount of the member as of December 31, 2024 and 2023. For SME loans, collateral includes real estate and chattel mortgages while credit enhancement consists of deposit hold-out equivalent to 5.00% to 10.00% of the loaned amount or the related actual savings account balance in excess of the minimum maintaining balance, whichever is lower.

As of December 31, 2024 and 2023, the Bank has no financial assets with rights to offset in accordance with Amendments to PAS 32, *Financial Instruments - Offsetting Financial Assets and Financial Liabilities*. There are also no financial instruments that are subject to an enforceable master netting arrangements or similar agreements which require disclosure in the financial statements in accordance with PFRS Accounting Standards.

Additionally, the tables below show the distribution of maximum credit exposure by industry sector of the Bank as of December 31, 2024 and 2023:

	2024				
	Due from BSP and other banks	Loans and receivables	Financial assets at amortized cost	Refundable deposits*	Total
Other community, social, and personal service activities	₱-	₱2,942,265,709	₱-	₱-	₱2,942,265,709
Restaurant and hotels	-	1,886,644,133	-	-	1,886,644,133
Wholesale and retail trade repair of motor vehicles, motorcycles, and personal and household goods	-	1,879,383,668	-	-	1,879,383,668
Government	1,303,141,157	6,439,413	-	-	1,309,580,570
Agriculture	-	1,177,509,715	-	-	1,177,509,715
Construction	-	860,632,068	-	-	860,632,068

(Forward)

	Due from BSP and other banks	Loans and receivables	Financial assets at amortized cost	Refundable deposits*	Total
Manufacturing	P-	P779,405,827	P-	P-	P779,405,827
Financial intermediation	87,449,538	71,151,008	320,655,324	-	479,255,870
Health and social work	-	292,750,622	-	-	292,750,622
Real estate, renting and business activities	-	161,090,005	-	17,703,549	178,793,554
Education	-	148,510,367	-	-	148,510,367
Transport, storage, and communication	-	78,814,284	-	-	78,814,284
Water and electricity	-	8,782,630	-	-	8,782,630
	1,390,590,695	10,293,379,449	320,655,324	17,703,549	12,022,329,017
Allowance for credit losses	-	(450,102,406)	-	-	(450,102,406)
Unearned interest and discount	-	(13,623,996)	-	-	(13,623,996)
Total	P1,390,590,695	P9,829,653,047	P320,655,324	P17,703,549	P11,558,602,615

*Included under 'Other assets' (Note 12)

	2023				
	Due from BSP and other banks	Loans and receivables	Financial assets at amortized cost	Refundable deposits*	Total
Wholesale trade and retail trade repair of motor vehicles, motorcycles, and personal and household goods	P-	P3,342,886,577	P-	P-	P3,342,886,577
Government	789,008,424	181,623	-	-	789,190,048
Financial intermediation	58,261,044	100,519,634	341,666,157	-	500,446,834
Real estate, renting and business activities	-	147,918,122	-	17,771,417	165,689,539
Restaurant and hotels	-	717,444,611	-	-	717,444,611
Agriculture	-	1,196,018,159	-	-	1,196,018,159
Manufacturing	-	328,841,616	-	-	328,841,616
Transport, storage, and communication	-	95,433,367	-	-	95,433,367
Education	-	131,462,480	-	-	131,462,480
Construction	-	660,738,286	-	-	660,738,286
Health and social work Construction	-	274,888,904	-	-	274,888,904
Water and electricity	-	6,951,261	-	-	6,951,261
Other community, social, and personal service activities Other community, social, and personal service activities	-	1,607,481,508	-	-	1,607,481,508
	847,269,468	8,610,766,148	341,666,157	17,771,417	9,817,473,190
Allowance for credit losses	-	(421,178,620)	-	-	(421,178,620)
Unearned interest and discount	-	(8,760,125)	-	-	(8,760,125)
Total	P847,269,468	P8,180,827,403	P341,666,157	P17,771,417	9,387,534,445

*Included under 'Other assets' (Note 12)

Credit quality per class of financial assets

In compliance to Section 143 of the Manual of Regulations for Banks (MORB), the Bank is implementing and continually reviews and calibrates its internal risk rating system for credit exposures aimed at uniformly assessing its credit portfolio in terms of risk profile. Where appropriate, it obtains security and limit the duration of exposures to maintain and even further enhance the quality of the Bank's credit exposures.

The credit quality of financial assets is monitored and managed using internal ratings.

For SME loan exposures, the credit quality is generally monitored using its internal borrower risk rating system. It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates management to focus on major potential risk and the comparison of credit exposures across all lines of business, demographics, and products. The rating system is supported by a variety of financial analytics, combined with assessment of qualitative factors such as management and market information to provide the main inputs for the measurement of credit or counterparty risk. All PD ratings are tailored with various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated every time client will avail of loans.

The Bank uses PD Ratings to classify the credit quality of its portfolio. This is currently undergoing an upgrade to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment. The description of the loan grades used by the Bank for SME loan receivables from customers are as follows:

The Bank has five (5) SME loan types, differentiated according to the purpose of loans. All loan types produce a 6-grade scale with each grade having a corresponding probability of default (PD).

High grade (PD rating of 0 to 1)

Accounts in this category have a low probability of defaulting on their obligations over the next 12 months. A comfortable degree of stability and diversity can be found in these borrowers.

Medium grade (PD rating of 2 to 3)

The probability of default (PD) of accounts in this category is slightly higher than high grade borrowers. Accounts whose financial ratios exhibit an amount of buffer though somewhat limited. These accounts can withstand minor economic weaknesses but may suffer if conditions deteriorate in a significant way and therefore, default risk is present under such adverse conditions. Repayment ability is more or less assured if economic and industry conditions remain stable.

Low grade (PD rating of 4 to 5)

Accounts for which default risk are very much present and those that have defaulted already are included in this category.

It is the Bank's policy to dispose repossessed properties in an orderly transaction. The proceeds are used to reduce or repay the outstanding claims. In general, the Bank does not occupy repossessed properties for business use. The Bank has a program of disposal of its investment properties to reduce the nonperforming assets in its books. Investment properties may be disposed through redemption, negotiated sale, or lease purchase.

For microfinance loan and other loan exposures, the credit rating for this type is still being developed, however continuous and extensive monitoring of past-due is being practiced by the management to ensure that past due rate will not exceed the 2.50% minimum threshold. However, PD ratings are already tailored depending on the days past due of Microfinance loan.

Loans and receivables rated as high and standard grades refer to those accounts that do not have greater than normal risk or have potential weaknesses only.

The following tables illustrate the Bank's credit exposures as at December 31, 2024 and 2023:

Microfinance Loans	2024			Total
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Neither past due nor impaired				
High grade	P-	P-	P-	P-
Standard grade	7,338,208,927	-	-	7,338,208,927
Past due but not impaired	-	-	-	-
Past due and impaired	-	-	194,946,223	194,946,223
	P7,338,208,927	P-	P194,946,223	P7,533,155,150

	2023				Total
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
Microfinance Loans					
Neither past due nor impaired					
High grade	P-	P-	P-		P-
Standard grade	6,401,857,031	-	-		6,401,857,031
Past due but not impaired	-	-	-		-
Past due and impaired	-	-	159,208,813		159,208,813
	P6,401,857,031	P-	P159,208,813		P6,561,065,844

	2024				Total
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
SME Loans					
Neither past due nor impaired					
High grade	P-	P-	P-		P-
Standard grade	2,336,341,214	-	-		2,336,341,214
Past due but not impaired	-	13,902,683	-		13,902,683
Past due and impaired	-	-	93,608,240		93,608,240
	P2,336,341,214	P13,902,683	P93,608,240		P2,443,852,137

	2023				Total
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
SME Loans					
Neither past due nor impaired					
High grade	P-	P-	P-		P-
Standard grade	1,575,312,491	-	-		1,575,312,491
Past due but not impaired	-	22,361,581	-		22,361,581
Past due and impaired	-	-	106,500,515		106,500,515
	P1,575,312,491	P22,361,581	P106,500,515		P1,704,174,587

The tables below show the credit quality per class of financial assets (gross of allowance for credit losses and unearned interest income) as of December 31, 2024 and 2023:

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Due from BSP (Note 6)	₱1,303,141,157	P-	P-	₱1,303,141,157
Due from other banks (Note 6)	87,449,538	-	-	87,449,538
Loans and receivables (Note 7):				
Loans and discounts:				
Microfinance	7,338,208,927	-	194,946,223	7,533,155,150
SME	2,336,341,214	13,902,683	93,608,240	2,443,852,137
Unquoted debt securities	71,151,008	-	-	71,151,008
Other receivables:				
Accrued interest receivable	206,084,507	-	-	206,084,507
Accounts receivable	26,605,486	5,098,056	5,649,840	37,353,382
Sales contract receivable	-	-	1,783,265	1,783,265
Financial assets at amortized cost (Note 8)	320,655,324	-	-	320,655,324
Investment in equity securities	1,000,000	-	-	1,000,000
Other assets – refundable deposits (Note 12)	17,703,549	-	-	17,703,549
	₱11,708,340,710	₱19,000,739	₱295,987,568	₱12,023,329,017

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Due from BSP (Note 6)	₱789,008,424	P-	P-	₱789,008,424
Due from other banks (Note 6)	58,261,044	-	-	58,261,044
Loans and receivables:				
Loans and discounts:				
Microfinance	6,401,857,031	-	159,208,813	6,561,065,844
SME	1,575,312,491	22,361,581	106,500,515	1,704,174,587
Unquoted debt securities	96,782,275	-	-	96,782,275
Other receivables:				
Accrued interest receivable	227,213,948	-	-	227,213,948
Accounts receivable	19,736,229	-	-	19,736,229
Sales contract receivable	1,793,265	-	-	1,793,265
Financial assets at amortized cost (Note 8)	341,666,157	-	-	341,666,157
Other assets – refundable deposits (Note 12)	17,771,417	-	-	17,771,417
	₱9,529,402,281	₱22,361,581	₱265,709,328	₱9,817,473,190

Liquidity Risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Asset-Liability Management Committee is responsible in formulating the Bank's liquidity risk management policies. Liquidity management is among the most important activities conducted within the Bank. The Bank manages its liquidity risk through analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning.

Liquidity risk is managed by the Bank through holding sufficient liquid assets and appropriate assessment to ensure short-term funding requirements are met and by ensuring the high collection performance at all times.

The Fund Management Group uses liquidity forecast models that estimate the Bank's cash flow needs based on the Bank's actual contractual obligations and under normal circumstances and extraordinary circumstances.

Analysis of financial assets and financial liabilities by remaining maturities

The table below shows the maturity profile of the Bank's financial assets and financial liabilities based on contractual undiscounted cash flows as of December 31, 2024 and 2023:

	2024				
	On demand and up to 1 month	More than 1 month to 6 months	More than 6 months to 1 year	Beyond 1 year	Total
Financial Assets					
Cash and other cash items	₱77,900,386	P-	P-	P-	₱77,900,386
Due from BSP*	1,105,448,725	199,805,180	-	-	1,305,253,905
Due from other banks	87,449,538	-	-	-	87,449,538
Loans and receivables:					
Loans and discounts*	306,489,487	4,673,461,566	3,673,796,720	3,145,489,159	11,799,236,932
Unquoted debt securities*	434,490	5,574,075	3,539,730	70,105,515	79,653,810
Other receivables:					
Accounts receivable	37,353,382	-	-	-	37,353,382
Sales contract receivable	-	-	-	1,783,265	1,783,265
Financial assets at amortized cost*	-	101,145,139	50,828,016	204,125,896	356,099,051
Investment in equity securities	-	-	-	1,000,000	1,000,000
Other assets - refundable	-	-	-	20,903,549	20,903,549
	1,615,076,008	4,979,985,960	3,728,164,466	3,443,407,384	13,766,633,818

(Forward)

	2024					Total
	On demand and up to 1 month	More than 1 month to 6 months	More than 6 months to 1 year	Beyond 1 year		
Financial Liabilities						
Deposit liabilities:						
Demand	₱107,566,472	₱-	₱-	₱-		₱107,566,472
Savings* / **	4,059,991,418	2,243,515,233	717,485,345	316,639,110		7,337,631,106
Bills payable	150,002,044	408,004,172	164,452,226	475,069,915		1,197,528,357
Accrued expenses and other liabilities:						
Lease liabilities	9,574,729	43,845,670	43,345,056	125,917,833		222,683,288
Accrual for vacation leave credits	-	-	-	20,817,280		20,817,280
Accounts payable	67,394,732	-	-	-		67,394,732
Dividends payable	1,351,695	-	-	-		1,351,695
Accrued other expenses	-	17,692,176	-	-		17,692,176
	4,395,881,090	2,713,057,251	925,282,627	938,444,138		8,972,665,106
Net undiscounted financial assets (liabilities)	(₱2,780,805,082)	₱2,266,928,709	₱2,802,881,839	₱2,504,963,246		₱4,793,968,712

* Includes future interest

** Based on behavioral expectations

	2023					Total
	On demand and up to 1 month	More than 1 month to 6 months	More than 6 months to 1 year	Beyond 1 year		
Financial Assets						
Cash and other cash items (Note 6)	₱76,140,172	₱-	₱-	₱-		₱76,140,172
Due from BSP (Note 6)*	789,190,048	-	-	-		789,190,048
Due from other Banks (Note 6)	58,261,044	-	-	-		58,261,044
Loans and receivables:						
Loans and discounts*	303,002,094	4,277,148,301	3,033,210,244	2,086,698,013		9,700,058,652
Unquoted debt securities*	127,883	406,374	1,015,146	110,981,470		112,530,873
Other receivables:						
Accounts receivable	19,736,229	-	-	-		19,736,229
Sales contract receivable	-	-	-	1,793,265		1,793,265
Financial assets at amortized cost*	-	91,194,921	-	272,375,224		363,570,145
Other assets - refundable	-	-	-	17,771,417		17,771,417
	1,246,457,470	4,368,749,596	3,034,225,390	2,489,619,389		11,139,051,845
Financial Liabilities						
Deposit liabilities:						
Demand	₱119,627,198	₱-	₱-	₱-		₱119,627,198
Savings* / **	3,915,628,853	1,430,318,037	584,827,960	284,686,642		6,215,461,492
Bills payable	-	306,838,889	418,833,333	-		725,672,222
Accrued expenses and other liabilities:						
Lease liabilities	8,053,259	36,364,179	33,544,802	83,842,481		161,804,721
Accrual for vacation leave credits	-	-	-	16,478,378		16,478,378
Accounts payable	33,260,979	-	-	-		33,260,979
Dividends payable	240,752	-	-	-		240,752
Accrued other expenses	-	18,517,791	-	-		18,517,791
	4,076,811,041	1,792,038,896	1,037,206,095	385,007,501		7,291,063,533
Net undiscounted financial assets (liabilities)	(₱2,830,353,571)	₱2,576,710,700	₱1,997,019,295	₱2,104,611,888		₱3,847,988,312

* Includes future interest

** Based on behavioral expectations

As of December 31, 2024 and 2023, the Bank had a total of ₱1.90 billion credit lines with local banks, out of which, ₱1.11 billion and ₱700.00 million had been drawn as of December 31, 2024 and 2023, respectively.

Market Risk

Market risk is the risk of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates. The financial instruments of the Bank have fixed interest rates, and therefore are not subject to any interest rate risk.

Interest rate risk

The Bank's nominal interest rate for Microfinance loans earn nominal interest rates ranging from 0.64% to 54.00% with equivalent effective interest rates ranging from 11.95% to 69.41% per annum in 2024 and 2023. For SME loans, interest rate charged to a borrower depends on the credit risk rating classification, the deposit level of the client as a percentage of the loan, and the internal basic interest rate.

As of December 31, 2024 and 2023, repricing debt instrument only comprise 2.00% of total loan, thus the effect of interest repricing on loans is immaterial to the Bank.

The Bank's savings deposit liabilities include compulsory and voluntary savings that earn 0.50% to 3.00% interest per annum in 2024 and 2023. Special savings deposits earn 3.00% to 6.75% and 2.75% to 5.40% interest per annum in 2024 and 2023, respectively. These special savings deposits are concentrated on 10 days to one year maturity.

The Bank pays fixed interest rates on bills payable from 4.95% to 6.50% and from 5.00% to 6.50% in 2024 and 2023, respectively.

In order to manage its interest rate risk, the Bank places its excess funds in high yield investments and other short-term time deposits and treasury notes. It also matches its interest rate and maturity to avoid negative gaps between the sources and applications.

Foreign currency risk

The Bank has no foreign currency-denominated transactions; thus, it has no exposure to changes in foreign exchange rates.

Operational Risk Management Policies and Procedures

Operational risk is the probability of risk to capital or earnings, or potential loss arising from fraud, unauthorized activities, errors, omissions, system failures or from external events. This is the broadest risk type encompassing product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.

Operational risk management is considered a critical element in the Bank's commitment to sound management and corporate governance. Under the Bank's operational risk management framework and operational risk manual, a risk-based approach is used in mapping operational risks along critical/key business processes, addressing any deficiencies/weaknesses through the proactive process of identifying, assessing and limiting impact of risk in every business/operational area.

Bank policies on internal control, information security, and other operational risk aspects have been established. Key risk indicators and risk assessment guidelines have been implemented and disseminated to different sectors of the Bank to provide alerts for operational risk vulnerabilities. The Bank has instituted a risk and control assessment process, as well as an issue escalation procedure to ensure that issues or incidents where lapses in controls occur are captured, evaluated and elevated for correction. The bank has established a business continuity plan to ensure continued bank operations in the face of potential disruptions to operations as well as fraud management framework for the prevention, detection, investigation and recovery strategies to manage fraud, both internal and external.

6. Cash and Cash Equivalents

The composition of this account follows:

	2024	2023
Cash and other cash items	₱77,900,386	₱76,140,172
Due from BSP	1,303,141,157	789,008,424
Due from other banks	87,449,538	58,261,044
	₱1,468,491,081	₱923,409,640

Cash and other cash items includes cash in vault, in automated teller machines, and in digital cash machines.

Due from BSP

Due from BSP consists of:

	2024	2023
Securities facility	₱571,086,264	₱-
Time deposit facility	350,000,000	-
Overnight reverse repurchase facility	142,000,000	571,153,087
Settlement account	115,827,889	72,241,989
Overnight deposit facility	82,000,000	73,000,000
Demand deposit	42,227,004	72,613,348
	₱1,303,141,157	₱789,008,424

Due from BSP includes the aggregate balance of non-interest-bearing peso savings and demand deposit accounts which the Bank maintains in compliance with the BSP requirements to meet regular and liquidity reserves on deposits. As of December 31, 2024 and 2023, the Bank is compliant with the applicable reserve requirements (Note 13).

Overnight reverse repurchase facility is a placement made by the Bank to BSP. The reverse purchase facility of the BSP is an overnight facility where BSP acts as a seller of government securities. The securities are offered using a fixed-rate and full-allotment method, where individual bidders are awarded a portion of the total offer depending in their bid size. Overnight reverse repurchase facility earn an interest ranging from 5.70% to 6.55% and from 5.50% to 6.50% in 2024 and 2023, respectively, with a maturity of one day.

Overnight deposit facility is a standing liquidity window that absorbs residual or leftover liquidity from BSP operations. Overnight deposit facilities earn an interest ranging from 5.25% to 6.00% and 5.00% to 6.00% in 2024 and 2023, respectively, with a maturity of one day.

Securities facility is one of BSP's liquidity mopping tool to manage inflation which is offered only under a 28-day tenor. Securities facility earns interests ranging from 5.75% to 6.15% and from 6.00% to 6.82% in 2024 and 2023, respectively, with a maturity of 28 to 56 days.

Time deposit facility is a key liquidity absorption facility used by the BSP for active liquidity management. Time deposit facilities earn interests ranging from 6.00% to 6.64% and from 6.24% to 6.67% in 2024 and 2023, respectively, with maturities ranging from 7 to 14 days.

Interest income on BSP placements amounted to ₱82.19 million and ₱64.96 million in 2024 and 2023, respectively.

Due from other Banks

Due from other banks consists of:

	2024	2023
Demand deposit	₱81,517,513	₱55,571,560
Savings deposit	5,932,025	2,689,484
	₱87,449,538	₱58,261,044

Due from other banks consist of funds deposited in domestic banks which are used as part of the Bank's working capital. Demand and savings deposits bear annual interest rates ranging from 0.05% to 1.00% for the years ended December 31, 2024 and 2023.

Interest income on due from other banks amounted to ₱0.09 million and ₱0.11 million in 2024 and 2023, respectively.

7. Loans and Receivables

This account consists of:

	2024	2023
Loans and discounts:		
Microfinance	₱7,533,155,150	₱6,561,065,844
SME	2,443,852,137	1,704,174,587
	9,977,007,287	8,265,240,431
Unquoted debt securities	71,151,008	96,782,275
	10,048,158,295	8,362,022,706
Unearned interest income	(13,623,996)	(8,760,125)
	10,034,534,299	8,353,262,581
Other receivables:		
Accrued interest receivable	206,084,507	227,213,948
Accounts receivable (Note 22)	37,353,382	19,736,229
Sales contract receivable	1,783,265	1,793,265
	10,279,755,453	8,602,006,023
Less allowance for credit and impairment losses	450,102,406	421,178,620
	₱9,829,653,047	₱8,180,827,403

Loans and discounts earn the following interest rates:

	2024	2023
Loans and discounts:		
Microfinance	12.00% - 51.00%	12.00% - 51.00%
SME	2.67% - 43.39%	2.67% - 43.39%

Unquoted debt securities include Micro, Small and Medium Enterprise Notes and Agrarian Reform Bonds with maturities ranging from one to ten years and interest ranging from 3.79% to 6.68% in 2024 and 2023.

The following table shows the interest income per class of loans and receivables:

	2024	2023
Loans and discounts:		
Microfinance	₱3,543,855,120	₱2,932,590,621
SME	199,651,899	161,643,515
Service fee on loans	8,732,922	6,598,562
	₱3,752,239,941	₱3,100,832,698

The following table shows the breakdown of the allowance for credit and impairment losses:

	2024	2023
Loans and discounts plus accrued interest receivable		
Microfinance	₱343,603,076	₱258,769,627
SME	94,439,848	154,362,187
Accounts receivable	6,474,704	2,452,029
Sales contract receivable	1,783,265	1,793,264
Unquoted debt securities	3,801,513	3,801,513
	₱450,102,406	₱421,178,620

The tables below illustrate the movements of the allowance for credit losses on microfinance loans during the year (effect of movements in ECL due to transfers between stages are shown in the total column):

	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2024	₱142,512,547	₱-	₱116,257,080	₱258,769,627
Movements with P&L impact				
New financial assets originated or purchased	282,183,162	-	-	282,183,162
Transfers:				
Transfer from Stage 1 to Stage 3	(85,690,485)	-	85,690,485	-
Changes in PDs/LGDs/EADs	(1,500,658)	-	21,522,908	20,022,250
Financial assets derecognized during the period	(137,794,551)	-	(9,464,488)	(147,259,039)
Total net P&L charge during the period	57,197,468	-	97,748,905	154,946,373
Other movements without P&L impact				
Write-offs, foreclosures and other movements	-	-	(70,112,922)	(70,112,922)
Total movements without P&L impact	-	-	(70,112,922)	(70,112,922)
Loss allowance at December 31, 2024	₱199,710,015	₱-	₱143,893,063	₱343,603,078

	2023			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2023	₱28,413,872	₱-	₱83,026,851	₱111,440,723
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 3	(67,802,999)	-	67,802,999	-
Transfer from Stage 3 to Stage 1	-	-	-	-
New financial assets originated or purchased	208,657,810	-	-	208,657,810
Changes in PDs/LGDs/EADs	36,274,063	-	73,266,381	109,540,444
Financial assets derecognized during the period	(63,028,234)	-	(4,997,181)	(68,025,415)
Total net P&L charge during the period	114,100,640	-	136,072,999	250,172,839
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(1,965)	-	(36,696,621)	(36,698,586)
Total movements without P&L impact	(1,965)	-	(36,696,621)	(36,698,586)
Loss allowance at December 31, 2023	₱142,512,547	₱-	₱182,402,429	₱324,914,976

The tables below illustrate the movements of the allowance for credit losses of SME loans during the year (effect of movements in ECL due to transfers between stages are shown in the total column):

	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2024	₱94,890,014	₱863,207	₱58,608,966	₱154,362,187
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(653,628)	653,628	-	-
Transfer from Stage 1 to Stage 3	(3,763,704)	-	3,763,704	-
Transfer from Stage 2 to Stage 1	97,664	(97,664)	-	-
Transfer from Stage 2 to Stage 3	-	(351,379)	351,379	-
Transfer from Stage 3 to Stage 2	-	32,385	(32,385)	-
Transfer from Stage 3 to Stage 1	-	-	-	-
New financial assets originated or purchased	39,161,743	-	-	39,161,743
Changes in PDs/LGDs/EADs	(60,070,260)	(672,595)	(6,947,898)	(67,690,753)
Financial assets derecognized during the period	(16,502,564)	(71,015)	(8,209,779)	(24,783,358)
Total net P&L charge during the period	(41,730,749)	(506,640)	(11,074,979)	(53,312,368)
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(7,624)	-	(6,602,349)	(6,609,973)
Total movements without P&L impact	(7,624)	-	(6,602,349)	(6,609,973)
Loss allowance at December 31, 2024	₱53,151,641	₱356,567	₱40,931,638	₱94,439,846

	2023			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2023	₱202,289,024	₱4,081,788	₱72,737,529	₱279,108,341
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(2,228,180)	2,228,180	-	-
Transfer from Stage 1 to Stage 3	(13,463,342)	-	13,463,342	-
Transfer from Stage 2 to Stage 1	533,293	(533,293)	-	-
Transfer from Stage 2 to Stage 3	-	(2,449,453)	2,449,453	-
Transfer from Stage 3 to Stage 2	-	3,044,821	(3,044,821)	-
Transfer from Stage 3 to Stage 1	4,474,732	-	(4,474,732)	-
New financial assets originated or purchased	79,143,940	-	-	79,143,940
Changes in PDs/LGDs/EADs	(156,040,446)	(4,693,811)	11,577,870	(149,156,387)
Financial assets derecognized during the period	(19,768,040)	(765,478)	(7,711,199)	(28,244,717)
Total net P&L charge during the period	(107,348,043)	(3,169,034)	12,259,913	(98,257,164)
Other movements without P&L impact				
Write-offs, foreclosures and other movements	(50,967)	(49,547)	(26,388,476)	(26,488,990)
Total movements without P&L impact	(50,967)	(49,547)	(26,388,476)	(26,488,990)
Loss allowance at December 31, 2023	₱94,890,014	₱863,207	₱58,608,966	₱154,362,187

The movements in microfinance loans (gross of allowance for credit losses) and corresponding accrued interest receivable between stages follow:

	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount and accrued interest receivables as at January 1, 2024	₱6,598,372,093	₱-	₱159,208,813	₱6,757,580,906
New financial assets originated or purchased	7,601,760,012	-	-	7,601,760,012
Transfers:				
Transfer from Stage 1 to Stage 3	(196,404,139)	-	196,404,139	-
Collections of principal and interest	(22,558,421)	-	(49,957,681)	(72,516,102)
Financial assets derecognized during the period	(6,472,172,745)	-	(15,120,308)	(6,487,293,053)
Financial assets written-off during the period	-	-	(95,588,740)	(95,588,740)
Gross carrying amount and accrued interest receivables as at December 31, 2024	₱7,508,996,800	₱-	₱194,946,223	₱7,703,943,023

	2023			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount and accrued interest receivables as at January 1, 2023	₱5,393,444,441	₱-	₱203,278,242	₱5,596,722,683
Transfers:				
Transfer from Stage 1 to Stage 3	(165,954,246)	-	165,954,246	-
Transfer from Stage 3 to Stage 1	-	-	-	-
New financial assets originated or purchased	6,686,249,060	-	-	6,686,249,060
Collections of principal and interest	(2,384,891)	-	(47,645,441)	(50,030,332)
Financial assets derecognized during the period	(5,312,976,423)	-	(32,537,290)	(5,345,513,713)
Financial assets written-off during the period	(5,848)	-	(129,840,944)	(129,846,792)
Gross carrying amount and accrued interest receivables as at December 31, 2023	₱6,598,372,093	₱-	₱159,208,813	₱6,757,580,906

The movements in SME loans (gross of allowance for credit losses) and corresponding accrued interest receivable between stages follow:

	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount and accrued interest receivables as at January 1, 2024	₱1,602,092,394	₱22,361,581	₱106,500,515	₱1,730,954,490
New financial assets originated or purchased	1,489,803,327	-	-	1,489,803,327
Transfers:				
Transfer from Stage 1 to Stage 2	(15,867,658)	15,867,658	-	-
Transfer from Stage 1 to Stage 3	(31,612,658)	-	31,612,658	-
Transfer from Stage 2 to Stage 1	3,413,851	(3,413,851)	-	-
Transfer from Stage 2 to Stage 3	-	(9,684,516)	9,684,516	-
Transfer from Stage 3 to Stage 2	-	319,043	(319,043)	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Collections of principal and interest	(352,995,378)	(6,326,878)	(19,586,700)	(378,908,956)
Financial assets derecognized during the period	(329,635,444)	(5,220,354)	(23,244,798)	(358,100,595)
Financial assets written-off during the period	-	-	(11,038,908)	(11,038,908)
Gross carrying amount and accrued interest receivables as at December 31, 2024	₱2,365,198,434	₱13,902,683	₱93,608,240	₱2,472,709,357

	2023			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount and accrued interest receivables as at January 1, 2023	₱1,138,483,822	₱11,690,531	₱121,718,492	₱1,271,892,845
Transfers:				
Transfer from Stage 1 to Stage 2	(23,585,476)	23,585,476	-	-
Transfer from Stage 1 to Stage 3	(62,970,176)	-	62,970,176	-
Transfer from Stage 2 to Stage 1	2,705,267	(2,705,267)	-	-
Transfer from Stage 2 to Stage 3	-	(6,578,971)	6,578,971	-
Transfer from Stage 3 to Stage 2	-	4,517,350	(4,517,350)	-
Transfer from Stage 3 to Stage 1	6,671,235	-	(6,671,235)	-
New financial assets originated or purchased	1,068,481,100	-	-	1,068,481,100
Collections of principal and interest	(288,744,004)	(5,741,245)	(19,987,876)	(314,473,125)
Financial assets derecognized during the period	(237,867,951)	(2,289,627)	(12,326,627)	(252,484,205)
Financial assets written-off during the period	(1,081,423)	(116,666)	(41,264,036)	(42,462,125)
Gross carrying amount and accrued interest receivables as at December 31, 2023	₱1,602,092,394	₱22,361,581	₱106,500,515	₱1,730,954,490

While the Bank recognizes in the statements of income the movements in the expected credit losses computed using the models, the Bank also complies with BSP's regulatory requirement to appropriate a portion of its surplus at an amount necessary to bring at least the allowance for credit losses to 1.00% of all outstanding Stage 1 loan accounts. In 2024 and 2023, the amount of surplus reserve for this purpose is nil.

8. Financial Assets at Amortized Cost

As of December 31, 2024 and 2023, financial assets at amortized cost have an outstanding balance amounting to ₱320.66 million and ₱341.67 million, respectively. This account represents investments in government securities acquired through Land Bank of the Philippines and Bank of the Philippine Islands, bearing coupon rates and effective rates ranging from 2.77% to 6.25% with terms of three (3) to five (5) years and from 2.13% to 6.25% with terms of three (3) to five (5) years in 2024 and 2023, respectively. Additionally, the Bank invested in corporate bonds acquired from Ayala Land and San Miguel Corporation, bearing coupon rates ranging from 6.13% to 6.93% with terms of ten (10) years in 2024. The Bank's purpose for the investment is for compliance with the 20.00% minimum liquidity ratio requirement by the BSP (see Note 17).

Financial assets at amortized cost earned interest income amounting to ₱21.18 million and ₱20.22 million in 2024 and 2023, respectively.

9. Property and Equipment

The composition of and movements in this account follow:

2024									
	Land	Building and improvements	Leasehold improvements	Furniture, fixtures and equipment	Transportation equipment	Construction in progress	ROU assets - Office space	ROU assets - Vehicles and IT equipment	Total
Cost									
Balance at beginning of year	₱46,915,616	₱54,464,165	₱114,679,380	₱142,643,394	₱18,484,808	₱8,668,192	₱287,644,828	₱8,870,313	₱682,370,696
Additions	-	-	20,272,022	28,431,834	5,357,566	14,382,970	133,137,581	16,033,110	217,615,083
Disposals/Derecognition	-	-	-	(745,262)	(213,100)	-	(102,872,983)	(7,875,631)	(111,706,976)
Transfers	-	-	-	-	-	(13,747,538)	-	-	(13,747,538)
Balance at end of year	46,915,616	54,464,165	134,951,402	170,329,966	23,629,274	9,303,624	317,909,426	17,027,792	774,531,265
Accumulated depreciation									
Balance at beginning of year	-	43,449,154	91,222,947	101,839,374	9,809,873	-	149,297,455	5,428,057	401,046,860
Depreciation	-	4,884,647	12,892,309	21,702,888	3,558,632	-	89,202,935	9,648,071	141,889,482
Disposals/Derecognition	-	-	-	(744,062)	(123,608)	-	(101,102,949)	(7,875,631)	(109,846,250)
Balance at end of year	-	48,333,801	104,115,256	122,798,200	13,244,897	-	137,397,441	7,200,497	433,090,092
Net book value	₱46,915,616	₱6,130,364	₱30,836,146	₱47,531,766	₱10,384,377	₱9,303,624	₱180,511,985	₱9,827,295	₱341,441,173
2023									
	Land	Building and improvements	Leasehold improvements	Furniture, fixtures and equipment	Transportation equipment	Construction in progress	ROU assets - Office space	ROU assets - Vehicles and IT equipment	Total
Cost									
Balance at beginning of year	₱46,915,616	₱54,464,165	₱112,825,525	₱125,705,182	₱16,546,783	₱-	₱280,695,702	₱14,639,771	₱651,792,744
Additions	-	-	1,884,431	17,093,207	4,531,025	8,668,192	76,601,015	5,764,125	114,541,995
Disposals/Derecognition	-	-	(30,576)	(154,995)	(1,160,000)	-	(69,651,889)	(11,533,583)	(82,531,043)
Transfers	-	-	-	-	(1,433,000)	-	-	-	(1,433,000)
Balance at end of year	46,915,616	54,464,165	114,679,380	142,643,394	18,484,808	8,668,192	287,644,828	8,870,313	682,370,696
Accumulated depreciation									
Balance at beginning of year	-	38,429,082	78,458,040	82,975,096	7,147,449	-	133,175,251	7,433,764	347,618,682
Depreciation	-	5,020,072	12,764,907	18,963,002	2,859,811	-	84,734,943	8,234,380	132,577,115
Disposals/Derecognition	-	-	-	(98,724)	(197,387)	-	(68,612,739)	(10,240,087)	(79,148,937)
Balance at end of year	-	43,449,154	91,222,947	101,839,374	9,809,873	-	149,297,455	5,428,057	401,046,860
Net book value	₱46,915,616	₱11,015,011	₱23,456,433	₱40,804,020	₱8,674,935	₱8,668,192	₱138,347,373	₱3,442,256	₱281,323,836

Depreciation and amortization charged to the statements of income is presented under 'Depreciation and amortization' which consists of:

	2024	2023
Property and equipment	₱141,889,482	₱132,577,115
Investment properties (Note 10)	199,644	-
Intangible assets (Note 11)	73,160	4,900,046
	₱142,162,286	₱137,477,161

Construction in progress represents the cost of materials, labor, and other capitalizable expenditures incurred in connection with leasehold improvements of bank premises under establishment or renovation. Ongoing construction during 2023 were completed in 2024.

Disposal of property and equipment resulted in a loss of nil and ₱0.08 million in 2024 and 2023, respectively. This is included under other income – net gain (loss) on sale of fixed assets and investment properties.

10. Investment Properties

The composition of and movements in this account follow:

	2024				Total
	Land	Building	Asset Held by SPV	Transportation Vehicle	
Cost					
Balance at beginning of year	₱3,102,941	₱231,001	₱376,625	₱2,558,070	₱6,268,637
Additions	13,316,500	4,791,467	-	2,838,620	20,946,587
Disposals	(840,915)	-	-	(3,648,689)	(4,489,604)
Balance at end of year	15,578,526	5,022,468	376,625	1,748,001	22,725,620
Accumulated depreciation	-	430,644	-	-	430,644
Net book value	₱15,578,526	₱4,591,824	₱376,625	₱1,748,001	₱22,294,976
	2023				Total
	Land	Building	Asset Held by SPV	Transportation Vehicle	
Cost					
Balance at beginning of year	₱3,501,799	₱231,001	₱376,625	₱-	₱4,109,425
Additions	1,343,964	-	-	-	1,343,964
Disposals	(1,742,822)	-	-	-	(1,742,822)
Transfers (Note 9)	-	-	-	2,558,070	2,558,070
Balance at end of year	3,102,941	231,001	376,625	2,558,070	6,268,637
Accumulated depreciation	-	231,000	-	-	231,000
Net book value	₱3,102,941	₱1	₱376,625	₱2,558,070	₱6,037,637

Direct operating expenses on investment properties amounting to ₱0.40 million and ₱0.33 million in 2024 and 2023 are included under 'Taxes and licenses'. In 2024 and 2023, all of the Bank's investment properties are non-revenue-generating. The fair values of investment properties are disclosed in Note 4.

The Bank received ₱3.01 million and ₱1.40 million in 2024 and 2023, respectively, for the sale of investment properties which resulted in a loss of ₱1.48 million and ₱0.34 million in 2024 and 2023, respectively. It is included under other income - net gain (loss) on sale of fixed and investment properties.

Assets held by a Special Purpose Vehicle

Assets held by a Special Purpose Vehicle (SPV) represent foreclosed properties (land) which have been specifically identified for sale under a sale and purchase agreement (SPA) with an SPV.

Under RA No. 9182, *The Special Purpose Vehicle Act of 2002*, the sale of assets to the SPV under the SPA is a true sale, as approved by the BSP. However, under PFRSs, the assets sold remain to be recognized by the Bank since the risks and rewards of ownership over the assets are not yet transferred to the SPV.

Major provisions of the SPA follow:

- The proceeds of the sale shall be paid by the buyer to the Bank and the payment shall not be subject to any interest;
- The buyer covenants and undertakes that any and all proceeds from any subsequent sale, disposition or settlement of any asset shall be earmarked for the payment of the purchase price; and
- If on the due date, the amount of the net proceeds is less than the purchase price, the difference between the net proceeds and purchase price shall be applied against the unpaid balance.

11. Intangible Assets

The composition of and movements in this account follow:

	2024	2023
Cost		
Balance at beginning of year	₱37,704,869	₱37,704,869
Disposal	(19,301,617)	-
Balance at end of year	18,403,252	37,704,869
Accumulated amortization		
Balance at beginning of year	35,188,985	30,288,939
Amortization (Note 9)	73,160	4,900,046
Disposal	(16,888,914)	-
Balance at end of year	18,373,231	35,188,985
Net book value	₱30,021	₱2,515,884

The account consists of software costs such as Microsoft license and system customization.

12. Other Assets

This account consists of

	2024	2023
Financial assets		
Refundable deposits	₱17,703,549	₱17,771,417
Application subscriptions and cash bonds	3,200,000	4,208,000
Investment in equity securities	1,000,000	–
	₱21,903,549	₱21,979,417
Non-financial assets		
Prepaid expenses (Note 22)	33,755,055	48,549,324
Stationaries and supplies	25,014,292	24,573,155
Cash bonds	150,000	150,000
	58,919,347	73,272,479
	₱80,822,896	₱95,251,896

Prepaid expenses include vehicle insurance, and the annual fee paid for Temenos and FDS solutions.

Application subscriptions are membership fees to the Philippine Clearing House Corporation and Bayad Center, while cash bonds are with Bancnet for its ATM operations.

Investment in equity securities pertains to investment in Bakawan Data Analytics.

13. Deposit Liabilities

The Bank's deposit liabilities follow:

	2024	2023
Savings deposit (Note 22)		
Regular savings	₱1,737,475,252	₱1,506,896,692
Special savings	1,647,704,857	1,169,713,760
Basic deposit account	3,791,886,469	3,509,894,312
Demand deposit	107,566,472	119,627,198
	₱7,284,633,050	₱6,306,131,962

Regular savings deposit liabilities include the aggregate pledge savings of ₱50.00 per week collected from each microfinance member in 2024 and 2023. Under an assignment agreement, the pledge savings earn annual interest of 2.50% and 2.00% in 2024 and 2023, respectively. Pledge savings equivalent to 15.00% of the principal loan amount serves as guarantee fund of outstanding receivables from members (Note 7).

Basic deposit liabilities refer to an interest- or non-interest-bearing account designed to promote financial inclusion. This account will enable clients, especially the unserved and underserved, to receive and make payments and have a facility for a store of value. It has basic functionalities that characterize ease, accessibility, convenience, and reasonable cost for both banks and customers. A Pledge Savings Account with a maximum monthly average daily balance not exceeding ₱50,000.00 computed every week shall be classified as a basic deposit account.

Demand deposit liabilities are non-interest-earning deposit account.

Savings deposits include regular and special savings deposits. Regular savings deposits earn annual interest ranging from 0.50% to 3.00% in 2024 and 2023. Special savings deposits earn interest ranging from 3.00% to 6.75% and from 2.75% to 5.40% in 2024 and 2023, respectively.

Details of interest expense on deposit liabilities follow:

	2024	2023
Regular savings	₱103,659,663	₱88,667,787
Special savings	70,865,782	63,432,460
	₱174,525,445	₱152,100,247

BSP requires 1.00% and 2.00% reserve requirement for thrift banks for 2024 and 2023, respectively. Available reserves as of December 31, 2024 and 2023 amounted to ₱158.05 million and ₱144.85 million, respectively (Note 6). As of December 31, 2024 and 2023, the Bank is compliant with the applicable reserve requirements.

14. Bills Payable

The composition of and movements in this account follow:

	2024	2023
Face value		
Balance at beginning of year	₱700,000,000	₱–
Availments	1,400,000,000	700,000,000
Principal payments	(987,500,000)	–
Balance at end of year	1,112,500,000	700,000,000
Unamortized transaction cost		
Balance at beginning of year	4,059,247	–
Availments	9,163,822	4,059,247
Amortization	(7,010,845)	–
Balance at end of year	6,212,224	4,059,247
Carrying value	₱1,106,287,776	₱695,940,753

Local Banks

These are promissory notes from various local banks with terms of one month to five years obtained for working capital requirement of the Bank with annual interest rates ranging from 4.95% to 6.50% in 2024.

Receivables from borrowers, particularly microfinance loans amounting to ₱1.50 billion and ₱1.25 billion, secure the above borrowings as at December 31, 2024 and 2023, respectively.

Interest expense on bills payable in 2024 and 2023 amounted to ₱42.67 million and ₱2.14 million, respectively. Amortization of unamortized transaction costs amounted to ₱ 7.01 million and nil in 2024 and 2023, respectively.

15. Accrued Expenses and Other Liabilities

Accrued Expenses

Accrued expenses include:

	2024	2023
Financial liabilities		
Accrued interest payable	₱37,433,034	₱24,396,484
Accrued other expenses	17,692,176	18,517,791
	55,125,210	42,914,275
Non-financial liabilities		
Accrual for vacation leave credits	20,817,280	16,478,378
	₱75,942,490	₱59,392,653

Accrued other expenses include employee benefits, professional service engagements, and semi-annual assessment of Philippine Deposit Insurance Corporation pursuant to Regulatory Issuance No. 2017-01.

Other Liabilities

Other liabilities include:

	2024	2023
Financial liabilities		
Lease liabilities (Note 23)	₱193,428,410	₱145,541,820
Accounts payable (Note 22)	67,394,732	33,260,979
Dividends payable	1,351,695	240,752
	262,174,837	179,043,551
Non-financial liabilities		
Gross receipts tax	53,604,016	45,147,661
Withholding taxes	14,709,175	14,184,121
Others	11,595,582	9,822,420
	79,908,773	69,154,202
	₱342,083,610	₱248,197,753

Non-financial liabilities - others pertain to obligations arising from statutory payments on employee benefits which include Social Security System, Home Development Mutual Fund and Philippine Health Insurance Corporation.

16. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond from reporting date:

	2024			2023		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	₱77,900,386	₱-	₱77,900,386	₱76,140,172	₱-	₱76,140,172
Due from BSP	1,303,141,157	-	1,303,141,157	789,008,424	-	789,008,424
Due from other banks	87,449,538	-	87,449,538	58,261,044	-	58,261,044
Loans and receivables - gross	7,838,803,448	2,454,576,001	10,293,379,449	6,807,609,353	1,803,156,795	8,610,766,148
Financial assets at amortized cost	150,011,167	170,644,157	320,655,324	-	341,666,157	341,666,157
Investment in equity security	-	1,000,000	1,000,000	-	-	-
Other assets - refundable deposits	-	17,703,549	17,703,549	-	17,771,417	17,771,417
	9,457,305,696	2,643,923,707	12,101,229,403	7,731,018,993	2,162,594,369	9,893,613,362
Nonfinancial Assets						
Property and equipment - gross	-	774,531,265	774,531,265	-	682,370,696	682,370,696
Investment properties - gross	-	22,725,620	22,725,620	-	6,268,637	6,268,637
Intangible assets - gross	-	18,403,252	18,403,252	-	37,704,869	37,704,869
Retirement asset	-	64,649,732	64,649,732	-	79,967,725	79,967,725
Deferred tax asset	-	102,579,792	102,579,792	-	91,763,081	91,763,081
Other assets	58,769,347	3,350,000	62,119,347	73,122,479	4,358,000	77,480,479
	58,769,347	986,239,661	1,045,009,008	73,122,479	902,433,008	975,555,487
	₱9,516,075,043	₱3,630,163,368	13,146,238,411	₱7,804,141,472	₱3,065,027,377	10,869,168,849
Less: Allowance for credit and impairment losses			450,102,406			421,178,620
Accumulated depreciation and amortization			451,893,967			436,466,845
Unearned interest			13,623,996			8,760,125
			₱12,230,618,042			₱10,002,763,259
Financial Liabilities						
Deposit liabilities						
Demand	₱107,566,472	₱-	₱107,566,472	₱119,627,198	₱-	₱119,627,198
Savings	6,660,339,658	516,726,920	7,177,066,578	5,975,160,442	211,344,322	6,186,504,764
Bills payable	706,234,626	400,053,150	1,106,287,776	695,940,753	-	695,940,753
Accrued expenses and other liabilities						
Lease liabilities	81,016,302	112,412,108	193,428,410	70,125,956	75,415,864	145,541,820
Accrued interest payable	37,433,034	-	37,433,034	24,396,484	-	24,396,484
Accrued expenses	17,692,176	-	17,692,176	18,517,791	-	18,517,791
Accrued vacation leave credits	-	20,817,280	20,817,280	-	16,478,378	16,478,378
Accounts payable	67,394,732	-	67,394,732	33,260,979	-	33,260,979
Deposit for stock subscription	-	-	-	97,815,174	-	97,815,174
Dividends payable	1,351,695	-	1,351,695	240,752	-	240,752
	7,679,028,695	1,050,009,458	8,729,038,153	7,035,085,529	303,238,564	7,338,324,093
Nonfinancial Liabilities						
Income tax payable	211,850,863	-	211,850,863	139,027,393	-	139,027,393
Other liabilities						
Accrued taxes	68,313,191	-	68,313,191	59,331,782	-	59,331,782
Others	11,595,582	-	11,595,582	9,822,420	-	9,822,420
	291,759,636	-	291,759,636	208,181,595	-	208,181,595
	₱7,970,788,331	₱1,050,009,458	₱9,020,797,789	₱7,243,267,124	₱303,238,564	₱7,546,505,688

17. Equity

Capital Stock

As of December 31, 2024 and 2023, the Bank's capital stock consists of:

	2024		2023	
	Shares	Amount	Shares	Amount
Par value – ₱100.00 per share				
Authorized	20,000,000	₱2,000,000,000	15,000,000	₱1,500,000,000
Issued and outstanding				
Beginning balance	14,955,010	₱1,495,501,000	14,605,227	₱1,460,522,700
Issuance of capital stock from settlement of subscriptions receivable	2,519,819	251,981,900	349,783	34,978,300
Issuance of stock dividends	1,799,953	179,995,300	-	-
	19,274,782	₱1,927,478,200	14,955,010	₱1,495,501,000

Deposit for Future Stock Subscription

Deposit for future stock (DFS) subscription pertains to total consideration received in excess of the authorized capital of the Bank with the purpose of applying the same as payment for future issuance of shares.

Financial Reporting Bulletin No. 6, dated January 24, 2013, provides that a bank shall classify a contract to deliver its own equity instruments under equity as a separate account from capital stock if and only if, all of the following elements are present as of the reporting period:

1. The unissued authorized capital of the Bank is insufficient to cover the amount of shares indicated in the contract;
2. There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the Bank);
3. There is stockholders' approval of the said proposed increase; and
4. The application for the approval of the proposed increase has been filed with the SEC.

Dividends

Dividends declared by the Bank in 2024 and 2023 are the following:

Date of declaration	Type of Dividends	Per share	Total amount	Record date
November 9, 2024	Cash dividends	₱12.00	₱180.00 million	November 19, 2024
August 10, 2024	Stock dividends	12.00	180.00 million	August 15, 2024
April 13, 2024	Cash dividends	20.00	300.00 million	May 2, 2024
September 9, 2023	Cash dividends	8.00	120.00 million	September 15, 2023

Capital Management

The Bank's capital management aims to ensure that it complies with regulatory capital requirements, and it maintains strong credit ratings and healthy capital ratios in order to support and sustain its business growth towards maximizing the shareholders' value.

The Bank manages its capital structure and appropriately effect adjustment according to the changes in economic conditions and the risk level it recognizes at every point of time in the course of its business operations. In order to maintain or adjust for good capital structure, the Bank carefully measures the amount of dividend payment to shareholders, call payment due from the capital subscribers or issue capital securities as necessary. No changes were made in the objectives, policies, and processes from the previous years.

Regulatory Qualifying Capital

Under the existing BSP regulations, the determination of the Bank's compliance with the regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies which differ from PFRSs in some respects. The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

Under current Banking regulations, the combined capital accounts of each Bank should not be less than an amount equal to ten percent (10.00%) of its risk assets. Risk assets consist of total assets after exclusion of 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.

The CAR of the Bank as of December 31, 2024 and 2023, as reported to the BSP, is shown in the table below:

	2024	2023
Common Equity Tier 1 (CET1)	₱3,116,030,315	₱2,395,983,516
Tier 1	3,116,030,315	2,395,983,516
Tier 2	90,833,171	75,125,281
Total qualifying capital	3,206,863,486	2,471,108,797
Risk-weighted assets	₱12,880,337,464	₱10,528,112,191
CET1	24.19%	22.76%
Tier 1 capital ratio	24.19%	22.76%
Tier 2 capital ratio	0.71%	0.71%
CAR	24.90%	23.47%

As of December 31, 2024 and 2023, the Bank's CAR and capital are in compliance with the regulatory capital requirements.

As of December 31, 2024 and 2023, the Bank's minimum liquidity ratio is 32.41% and 27.84%, respectively. The Bank is compliant with the applicable BSP requirement.

The Bank has no contingencies and commitments arising from off-balance sheet items as of December 31, 2024 and 2023.

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios adopted by the BSP in supervising the Bank.

18. Miscellaneous Income

This account consists of:

	2024	2023
Fees from remittances	₱105,065,501	₱76,853,412
Recoveries from written-off accounts	29,442,706	39,950,332
Loan-related fees and other charges	8,997,458	5,605,841
Deposit-related fees and other charges	3,255,563	2,218,834
Overages	160,429	412,034
Others	9,124,483	3,327,318
	₱156,046,140	₱128,367,771

Others include appraisal and processing fees, gain from disposal of supplies, income from ATM replacement and rental income.

19. Miscellaneous Expenses

This account consists of:

	2024	2023
Insurance	₱18,377,100	₱18,308,013
Donations and charitable institutions	14,538,500	9,230,033
Honorarium and director's fees	12,395,406	9,734,913
Advertising and publicity	6,887,479	3,046,657
Periodicals and magazines	3,264,852	1,634,655
Supervision and examination fee	2,656,057	2,366,310
Health and medical expenses	2,641,022	2,865,975
Waived client penalties	2,257,389	309,920
Write-off collection expense	1,927,763	2,181,949
Membership fees and dues	1,489,742	808,807
Litigation expense	1,254,173	771,200
Community development	657,566	207,235
Fines, penalties, and other charges	28,000	7,776,206
Others	8,787,411	19,598,984
	₱77,162,460	₱78,840,857

Others include expenses related to overtime meals, scholarship allowance, visitor accommodation expenses and subdivision dues.

20. Retirement Benefits

The Bank, CARD MRI Development Institute, Inc., CARD Mutual Benefit Association, Inc., CARD Bank, Inc., CARD MRI Insurance Agency, Inc., CARD Business Development Service Foundation, Inc., CARD MRI Information Technology, Inc., CARD Employees Multi-Purpose Cooperative, BotiCARD, Inc., CARD Leasing and Finance Corporation, CARD MRI Rizal Bank, Inc., CARD, Inc., FDS Asya Philippines, Inc., CARD MRI Property Management, Inc. CARD MRI Hijos Tours, Inc., CARD MRI Publishing House, Inc., CARD MRI Astro Laboratories Inc. and Mga Likha ni Inay, Inc., maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-

Employer Retirement Plan (MERP) - covering all of their regular employees and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2017. MERP is valued using the projected unit cost method and is financed solely by the Bank and its related parties.

MERP and Hybrid Plan comply with the requirements of RA No. 7641 (Retirement Law). MERP provides lump sum benefits equivalent to up to 120.00% of final salary for every year of credited service, a fraction of at least six months being considered as one whole year, upon retirement, death, total and permanent disability, or voluntary separation after completion of at least one year of service with the participating companies.

Hybrid Plan provides a retirement benefit equal to 100.00% of the member's employer accumulated value (the Bank's contributions of 8.00% plan salary to Fund A plus credited earnings) and 100.00% of the Member's Employee accumulated value (member's own contributions up to 10.00% of plan salary to Fund B plus credited earnings), if any. Provided that in no case shall 100.00% of the Employee Accumulated Value in Fund A be less than 100.00% of plan salary for every year of credited service. Total retirement expense in 2024 and 2023 related to Hybrid Plan amounted to ₱16.43 million and ₱9.09 million, respectively. The latest actuarial valuation report covers reporting period as of December 31, 2024.

Changes in retirement asset are as follows:

	2024														
	Net benefit cost recognized in the statement of income					Remeasurements in other comprehensive income (loss)							Subtotal	Contribution by employer	December 31
	January 1	Current service cost	Net interest	Net pension expense*	Benefits paid	Transfer from plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in experience	Changes in the effect of limiting net defined benefit asset to the asset ceiling				
Fair value of plan assets	₱364,097,480	₱-	₱ 22,491,497	₱22,491,497	(₱13,153,894)	₱881,941	(₱6,065,720)	₱-	₱-	₱-	₱-	(₱6,065,720)	₱ 19,093,221	₱387,344,525	
Present value of defined benefit obligation	(271,181,751)	(21,533,588)	(16,596,323)	(38,129,911)	13,153,894	(881,941)	-	2,313,118	(999,161)	(19,271,028)	-	(17,957,071)	-	(314,996,780)	
Effect of asset ceiling	(12,948,004)	-	(792,418)	(792,418)	-	-	-	-	-	-	6,042,409	6,042,409	-	(7,698,013)	
Net defined benefit asset	₱79,967,725	(₱21,533,588)	₱5,102,756	(₱16,430,832)	₱-	₱-	(₱6,065,720)	₱ 2,313,118	(₱999,161)	(₱19,271,028)	₱6,042,409	(₱17,980,382)	₱19,093,221	₱64,649,732	

* Included in Compensation and fringe benefits' in the statements of income.

	2023														
	Net benefit cost recognized in the statement of income					Remeasurements in other comprehensive income (loss)							Subtotal	Contribution by employer	December 31
	January 1	Current service cost	Net interest	Net pension expense*	Benefits paid	Transfer from plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in experience	Changes in the effect of limiting net defined benefit asset to the asset ceiling				
Fair value of plan assets	₱344,760,636	₱-	₱25,400,627	₱25,400,627	(₱8,074,123)	(₱1,291,561)	(₱12,450,087)	₱-	₱-	₱-	₱-	(₱12,450,087)	₱15,751,988	₱364,097,480	
Present value of defined benefit obligation	(201,512,052)	(17,131,586)	(14,710,380)	(31,841,966)	8,074,123	1,291,561	-	348,628	(30,308,242)	(17,233,803)	-	(47,193,417)	-	(271,181,751)	
Effect of asset ceiling	(36,280,150)	-	(2,648,451)	(2,648,451)	-	-	-	-	-	-	25,980,597	25,980,597	-	(12,948,004)	
Net defined benefit asset	₱106,968,434	(₱17,131,586)	₱8,041,796	(₱9,089,790)	₱-	₱-	(₱12,450,087)	₱348,628	(₱30,308,242)	(₱17,233,803)	₱25,980,597	(₱33,662,907)	₱15,751,988	₱79,967,725	

* Included in Compensation and fringe benefits' in the statements of income.

Transfer from (to) plan assets represent transfer of obligation and plan assets to the respective CARD-MRI entity as a result of movements in employees among the CARD-MRI entities.

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

	2024	2023
Cash and cash equivalents	₱46,326,405	₱42,817,864
Receivables	91,064,698	54,250,525
Investments		
Government securities	230,237,586	247,367,828
Private bonds	15,455,047	15,619,782
Others	4,260,789	4,041,481
Fair value of plan assets	₱387,344,525	₱364,097,480

All plan assets do not have quoted prices in an active market except for government securities. Cash and cash equivalents are deposited in reputable financial institutions and related parties and are deemed to be standard grade. Accrued interest receivables pertain to accruals of interest from time deposits and debt securities.

The plan assets have diverse investments and do not have any concentration risk other than those in government securities which are of low risk.

The overall investment policy and strategy of the Bank's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans.

The cost of defined retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	2024	2023
Discount rates		
January 1	6.12%	7.30%
December 31	6.09%	6.12%
Future salary increases		
January 1	5.00%	5.00%
December 31	5.00%	5.00%

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 all other assumptions were held constant:

	2024		2023	
	+100bps	-100bps	+100bps	-100bps
Discount rates	(₱30,815,202)	₱36,334,109	(₱26,049,907)	₱30,764,155
Salary rates	36,367,596	(31,385,182)	30,802,035	(26,538,296)

As of December 31, 2024 and 2023, the average duration of the defined benefit obligation is 10.70 years and 10.50 years, respectively.

The Bank plans to contribute ₱21.66 million to the defined benefit retirement plan in 2025.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2024	2023
Less than one year	₱24,573,987	₱26,925,635
More than 1 year to 5 years	109,953,673	97,645,801
More than 5 years to 10 years	154,363,342	132,536,541
More than 10 years to 15 years	265,940,644	209,157,160
More than 15 years to 20 years	332,312,590	250,342,911
More than 20 years to 25 years	334,289,269	275,562,081
More than 25 years	480,208,581	443,277,233

21. Income Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid consist principally of GRT and documentary stamp taxes presented as 'Taxes and licenses' in the statement of income.

Income taxes include final income tax which is paid at the rate of 20.00%. This is generally withheld on gross interest income from government securities and other deposit substitutes.

Tax regulations provide that RCIT rate shall be 25.00% in 2024 and 2023 and MCIT rate of 2.00% and 1.50% in 2024 and 2023, respectively. It further states that nondeductible interest expense shall likewise be reduced to 20.00% of interest income subjected to final tax in 2024 and 2023, respectively.

The excess of the MCIT over the RCIT can be carried over and applied against the RCIT liability for the next three years.

CREATE Act provides that the MCIT and net operating loss carryover (NOLCO) may be applied against the Bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception. However, on September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover as One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Tax regulations also provide for the ceiling on the amount of entertainment, amusement and representation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Bank is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. EAR expenses of the Bank amounted to ₱4.17 million and ₱6.14 million in 2024 and 2023, respectively.

Provision for (benefit from) income tax consists of:

	2024	2023
RCIT	₱318,697,762	₱218,983,455
Final tax	20,285,142	17,153,524
	338,982,904	236,136,979
Deferred	(6,321,615)	(3,714,640)
	₱332,661,289	₱232,422,339

Deferred tax recognized in other comprehensive income amounted to ₱4.50 million ₱8.42 million expense for the years ended December 31, 2024 and 2023, respectively.

Components of deferred tax assets - net are as follows:

	2024	2023
Deferred tax assets on:		
Allowance for credit and impairment losses	₱112,525,602	₱105,294,655
Accrued vacation leave credits	5,204,320	4,119,594
Unamortized past service cost	1,012,304	2,340,763
	118,742,226	111,755,012
Deferred tax liabilities on:		
Retirement asset	16,162,434	19,991,931
	₱102,579,792	₱91,763,081

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

	2024	2023
Statutory income tax	₱331,933,014	₱230,205,443
Income tax effects of:		
Non-deductible operating expenses	6,267,573	5,923,815
Interest income subject to final tax	(5,580,496)	(4,170,316)
Unrealized foreign exchange gain	(16,664)	-
Movements in unrecognized deferred tax asset	57,860	463,397
Provision for income tax	₱332,661,289	₱232,422,339

22. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Bank's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- post-employment benefit plans for the benefit of the Bank's employees; and
- entities under common significant influence (CARD-MRI entities).

The Bank has several business relationships with related parties. Transactions with such parties 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. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Transactions with Retirement Plans

Under PFRSs, certain post-employment benefit plans are considered as related parties. CARD-MRI's MERP is a stand-alone entity assigned to facilitate the contributions to retirement starting 2015. The plan assets are mostly invested in time deposits and special savings of related party banks and government bonds (Note 20). As of December 31, 2024 and 2023, the retirement funds do not hold or trade the Bank's shares of stock.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the BOD and senior management to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*.

The compensation of key management personnel included under 'Compensation and fringe benefits' in the statement of income follows:

	2024	2023
Short-term employee benefits	₱21,667,385	₱11,824,672
Post-employment benefits	16,770,848	9,777,939
	₱38,438,233	₱21,602,611

The Bank also provides banking services to directors and other key management personnel and persons connected to them.

Other Related Party Transactions

Transactions between the Bank and its key management personnel meet the definition of related party transactions. Transactions between the Bank and its affiliates within the CARD-MRI, also qualify as related party transactions and will be settled in cash.

Deposit liabilities, accounts receivable and accounts payable

The table below shows deposit liabilities, accounts receivable and accounts payable held by the Bank for key management personnel and affiliates as of December 31, 2024 and 2023:

Category	December 31, 2024		Nature, Terms and Conditions
	Amount/Volume	Outstanding Balance	
Key Management Personnel			
Deposit liabilities		₱22,539,387	
Deposits	₱101,599,374		These are savings accounts with annual interest rates ranging from 0.50% to 6.75%.
Withdrawals	95,376,418		
Shareholders			
Deposit liabilities		932,088,226	
Deposits	5,730,509,361		These are savings accounts with annual interest rates ranging from 0.50% to 3.00%.
Withdrawals	5,652,835,710		
Interest expense/payable		28,138,028	Pertains to interest on deposit liabilities.
Accounts receivable		-	Share on expenses of transferred staff.
Charges	139,938		
Collections	(139,938)		

December 31, 2024			
Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
Accounts payable		₱-	Pertains to share on various expenses.
Charges	₱139,668,399		
Payments	(139,668,399)		
Information technology		83,879,379	This pertains to the CMIT's rendered services in relation to the system maintenance agreement.
Employee trainings		54,512,605	These training and development costs for the members and employees are conducted by CMDI. Related seminars and training expenses incurred are shown as part of 'Staff training and development' and 'Members training and development' in the statement of comprehensive income.
Occupancy and equipment-related cost		7,698,495	These are cost of rental of office premises to CARD Inc.

December 31, 2023			
Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
Key Management Personnel			
Deposit liabilities		₱8,041,380	These are savings accounts with annual interest rates ranging from 0.50% to 3.00%.
Deposits	₱50,560,940		
Withdrawals	58,776,775		
Shareholders			
Deposit liabilities		393,079,815	These are savings accounts with annual interest rates ranging from 0.50% to 3.00%.
Deposits	2,596,853,708		
Withdrawals	2,555,424,187		
Interest expense/payable		23,596,680	Pertains to interest on deposit liabilities.
Accounts receivable		-	Share on expenses of transferred staff.
Charges	558,515		These are expected to be collected on January 2024.
Collections	(560,490)		
Accounts payable	110,295,460		Pertains to share on various expenses.
Charges	-		
Payments	(110,295,460)		
Information technology		75,139,712	This pertains to the CMIT's rendered services in relation to the system maintenance agreement.
Employee trainings		29,833,029	These training and development costs for the members and employees are conducted by CMDI. Related seminars and training expenses incurred are shown as part of 'Staff training and development' and 'Members training and development' in the statement of comprehensive income.
Occupancy and equipment-related cost		519,172	These are cost of rental of office premises to CARD Inc.

Below is the percentage of total exposures to related parties as against capital:

Category	2024		2023	
	Net exposure	Ratio	Net exposure	Ratio
Key management personnel	₱22,539,387	0.70%	₱8,041,380	0.54%
Shareholders	932,088,226	29.04%	393,079,815	26.28%

23. Lease Contracts

The Bank leases the premises occupied by some of its branches in which lease payments are subjected to escalation clauses ranging from 3.80% to 13.91%. The lease contracts are for the periods ranging from one to ten years and are renewable upon mutual agreement between the Bank and the lessors such as CARD, Inc., CARD MRI Property Holdings, CARD MBA and third-party lessors.

The following are the amounts recognized in statements of income:

	2024	2023
Depreciation expense of ROU assets included in property and equipment (Note 9)	₱98,851,006	₱92,969,323
Lease payments relating to short-term leases and leases with low value assets	51,237,751	52,764,735
Interest expense on lease liabilities	9,443,353	7,477,085
Total amount recognized in the statements of income	₱159,532,110	₱153,211,143

Rent expense in 2024 and 2023 pertains to expenses from short-term leases and leases of low-value assets. As of December 31, 2024 and 2023, the Bank has no contingent rent payable.

As of December 31, 2024 and 2023, the carrying amounts of 'Lease liabilities' are as follows:

	2024	2023
Balance at beginning of year	₱145,541,820	₱156,518,360
Additions	142,489,655	79,468,531
Interest expense	9,443,353	7,477,085
Payments	(104,046,418)	(97,922,156)
Balance at end of year	₱193,428,410	₱145,541,820

Shown below is the maturity analysis of the undiscounted lease payments:

	2024	2023
Within one year	₱96,765,455	₱77,962,241
Beyond one year	125,917,833	83,842,480
Total	₱222,683,288	₱161,804,721

24. Notes to Statements of Cash Flows

Non-cash investing activities of the Bank consist of the following:

	2024	2023
Additions to property and equipment through lease contracts (Note 9)	₱149,170,691	₱82,365,140

The following table shows the reconciliation analysis of liabilities arising from financing activities for the year ended December 31, 2024 and 2023.

	2024				
	Bills payable (Note 14)	Lease liabilities (Notes 15 and 23)	Deposit for future stock subscription (Note 17)	Dividends payable (Notes 15 and 17)	Total liabilities from financing activities
Beginning balances as at					
January 1, 2024	₱695,940,753	₱145,541,820	₱97,815,174	₱240,752	₱939,538,499
Cash inflows	1,390,836,178	–	154,166,726	–	1,545,002,904
Cash outflows	(987,500,000)	(104,046,418)	–	(478,893,757)	(1,570,440,175)
Net cash flows	1,099,276,931	41,495,402	251,981,900	(478,653,005)	914,101,228
Non-cash items					
Amortization of transaction cost	7,010,845	–	–	–	7,010,845
New lease contracts entered during the year	–	142,489,655	–	–	142,489,655
Accretion of interest expenses of lease liabilities	–	9,443,353	–	–	9,443,353
Issuance of stocks	–	–	(251,981,900)	(179,995,300)	(431,977,200)
Declaration of dividends	–	–	–	660,000,000	660,000,000
Ending balances as of					
December 31, 2024	₱1,106,287,776	₱193,428,410	₱–	₱1,351,695	₱1,301,067,881

	2023				
	Bills payable (Note 14)	Lease liabilities (Notes 15 and 23)	Deposit for future stock subscription (Note 17)	Dividends payable (Notes 15 and 17)	Total liabilities from financing activities
Beginning balances as at					
January 1, 2023	₱–	₱156,518,360	₱44,294,640	₱332,054	₱201,145,054
Cash inflows	695,940,753	–	53,520,534	–	749,461,287
Cash outflows	–	(97,922,156)	–	(270,091,302)	(368,013,458)
Net cash flows	695,940,753	(97,922,156)	53,520,534	(270,091,302)	381,447,829
Non-cash items					
New lease contracts entered during the year	–	79,468,531	–	–	79,468,531
Amortization on interest expenses of lease liabilities	–	7,477,085	–	–	7,477,085
Declaration of dividends	–	–	–	270,000,000	270,000,000
Ending balances as of					
December 31, 2023	₱695,940,753	₱145,541,820	₱97,815,174	₱240,752	₱939,538,499

25. Approval of the Release of Financial Statements

The accompanying financial statements were approved and authorized for issue by the Bank's Board of the Directors on April 28, 2025.

26. Supplementary Information Required under Section 174 of the MORB

Presented below is the supplementary information required by BSP under Section 174 of the MORB to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRSs.

Basic qualitative indicators of financial performance

The following basic ratios measure the financial performance of the Bank:

	2024	2023
Return on average equity	35.12%	35.04%
Return on average assets	8.95%	7.88%
Net interest margin	35.23%	34.61%

Description of capital instruments issued

As of December 31, 2024 and 2023, the Bank has one class of capital stock (i.e., common stock).

Significant credit exposures

The BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentration of credit risks are managed and controlled.

Information on the concentration of credit as to industry of loans (gross of unearned discounts and allowance for impairment and credit losses) follows:

	2024		2023	
	Amount	%	Amount	%
Accommodation and food service activities	₱1,845,912,399	18.50	662,177,712	8.01
Wholesale and retail trade; repair of motor vehicles, and motorcycles	1,839,718,044	18.44	₱3,283,277,426	39.72
Agriculture, forestry and fishing	1,151,832,604	11.54	1,161,755,691	14.06
Construction	848,048,867	8.50	648,206,456	7.84
Manufacturing	769,953,331	7.72	320,158,428	3.87
Human health and social work activities	286,274,565	2.87	267,002,425	3.23
Real estate activities	158,845,409	1.59	143,889,924	1.74
Administrative and support service activities	153,115,354	1.53	104,798,490	1.27
Education	145,223,905	1.46	127,631,610	1.54
Transportation and storage	77,170,466	0.77	83,345,251	1.01
Arts, entertainment and recreation	15,145,783	0.15	17,547,280	0.21
Information and communication	6,659,491	0.07	9,776,042	0.12
Electricity, gas, steam and air-conditioning supply	6,371,261	0.06	3,414,144	0.04
Professional, scientific and technical activities	2,821,633	0.03	4,013,462	0.05
Water supply, sewage, waste management and remediation activities	2,158,397	0.02	3,326,008	0.04
Other service activities	2,667,755,778	26.74	1,424,920,082	17.24
	₱9,977,007,287		₱8,265,240,431	

The BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentrations of credit risks are controlled and managed accordingly through regular assessment and monitoring of the management and the Risk Oversight Committee.

The following table shows the secured and unsecured portions of loans and discounts as of December 31, 2024 and 2023:

	2024	2023
Secured portion		
Deposit hold-out (Note 13)	₱1,753,986,622	₱1,377,727,577
Chattel and real estate mortgage	940,378,966	257,033,488
	2,694,365,588	1,634,761,065
Unsecured portion	7,282,641,699	6,630,479,366
	₱9,977,007,287	₱8,265,240,431

Portfolio at risk (PAR)

In accordance with BSP regulations, the Bank considers loans with one-day past due as part of its portfolio-at-risk (PAR). As of December 31, 2024 and 2023, the Bank's PAR amounted to ₱302.46 million and ₱288.07 million, respectively. The allowance for credit losses recognized for past due loans amounted to ₱185.18 million and ₱175.19 million as of December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, performing and non-performing loans (NPLs) based on Circular No. 772 and as reported to the BSP amounted as follows:

	2024	2023
Microfinance Loans		
Performing loans		
Business	₱4,792,676,963	₱4,627,735,061
Educational	136,001,811	117,659,735
Others	2,409,530,153	1,656,462,235
	7,338,208,927	6,401,857,031
Non-performing loans		
Business	167,338,471	141,088,100
Educational	2,060,798	1,220,873
Others	25,546,954	16,899,840
	194,946,223	159,208,813
Balance at end of year	₱7,533,155,150	₱6,561,065,844
SME Loans		
Performing loans		
Business	₱1,857,939,063	₱1,089,262,832
Housing	357,436,722	317,384,480
Car	94,856,751	103,213,943
Agricultural	21,609,817	56,588,093
Fringe	4,498,861	8,863,143
	2,336,341,214	1,575,312,491
Past due but not impaired		
Business	4,757,611	13,160,678
Housing	5,869,565	3,713,878
Car	2,320,551	2,839,551
Agricultural	822,209	2,567,965
Fringe	132,747	79,510
	13,902,683	22,361,581

(Forward)

	2024	2023
Non-performing loans		
Business	₱60,016,075	₱60,866,291
Housing	18,324,882	23,726,686
Car	1,781,418	3,623,116
Agricultural	12,723,468	17,911,996
Fringe	762,397	372,425
	93,608,240	106,500,515
Balance at end of year	₱2,443,852,137	₱1,704,174,587

Loans are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest is doubtful. Loans are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Generally, NPLs refer to loans whose principal and/or interest is unpaid for thirty days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans that are payable in lump sum and loans that are payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of loans that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three or more installments are in arrears.

In the case of loans that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches ten percent (10.00%) of the total receivable balance.

In the case of microfinance loans, past due/PAR accounts shall be considered as NPLs.

Related party loans

As required by BSP, the Bank discloses loan transactions with investees and with certain DOSRI. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective unencumbered deposits and book value of their paid-in capital within the lending Bank.

As of December 31, 2024 and 2023, the balance of the secured loans to DOSRI are ₱75.50 million and ₱134.28 million, respectively. There is no unsecured loan to DOSRI as of December 31, 2024 and 2023. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower. As of December 31, 2024 and 2023, the Bank is in compliance with the regulatory requirements.

Section 341 to 345 of the Manual of Regulations for Banks provide 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 existing regulations of the BSP as of December 31, 2024 and 2023:

Particulars	2024		2023	
	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Outstanding loans	₱75,501,565	₱134,867,291	₱134,280,419	₱197,221,043
Percent of DOSRI/ Related Party loans to total loan portfolio	0.76%	1.35%	1.62%	2.39%
Percent of unsecured DOSRI/ Related Party loans to total DOSRI/ Related Party loans	0.00%	2.65%	0.00%	1.46%
Percent of past due DOSRI/ Related Party loans to total DOSRI/ Related Party loans	0.00%	0.27%	0.00%	0.00%
Percent of non-performing DOSRI/ Related Party loans to total DOSRI/ Related Party loans	0.00%	0.27%	0.00%	0.00%

There are no unsecured and past due DOSRI accounts in total outstanding DOSRI loans.

Secured liability and assets pledged as security

The Bank has ₱1.11 billion and ₱695.94 million bills payable that are secured by loans receivable amounting to ₱1.50 billion and ₱1.25 billion as of December 31, 2024 and 2023, respectively.

Commitments and contingencies

There are no commitments and contingencies as at December 31, 2024 and 2023.

27. Supplementary Information Required under Revenue Regulations 15-2010

On November 25, 2010, the BIR issued RR 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and licenses paid or accrued during the year.

The components of 'Taxes and licenses' in 2024 follow:

Gross receipts tax	₱204,796,405
Documentary stamp tax	65,825,299
Business permits and licenses	15,665,440
Real property tax	403,542
Other taxes	3,876,945
	₱290,567,631

In 2024, withholding taxes remittances and withholding taxes lodged under 'Other liabilities -Accrued taxes' account follow:

Remittances:	
Gross receipt tax	₱196,340,050
Documentary stamp tax	75,785,154
Final withholding tax on interest expense and dividends	44,743,228
Expanded withholding tax	16,355,508
Withholding taxes on compensation and benefits	8,128,574
	₱341,352,514
Accrued:	
Gross Receipt Tax	₱53,604,016
Documentary stamp tax	6,298,270
Final withholding tax on interest expense	6,640,938
Expanded withholding tax	1,758,870
Withholding taxes on compensation and benefits	11,097
	₱68,313,191

Tax Cases and Assessment

On October 10, 2023, the Bank received an additional letter of authority for the taxable year ended December 31, 2022. The first follow-up request for presentation of accounting records and the second and final notice for presentation of records was received on November 6, 2023 and November 22, 2023, respectively. Documents were submitted on November 8, 2023, November 13, 2023 and December 8, 2023. The BIR has not yet rendered any assessment following the inspection of the Bank's accounting books and records.



Appendices

PRODUCTS AND SERVICES

SAVINGS

Micro Deposit

- **Pledge** - The Pledge Savings represents each member's deposits and acts as loan guarantee given that loans are non-collateralized.
- **Maagap** - The Maagap Savings represents deposit accounts specifically designed for kids.
- **Katuparan** - Savings account with fixed deposit amount and microinsurance coverage based on the desired target savings in each period supported by a signed agreement.

Regular Savings

- **iSave** - A regular savings account evidenced by passbook.
- **My A Account** - ATM savings account.
- **EarnMore** - EarnMore Account represents special savings account (time deposit), which helps the client to secure savings for a better future. Interest rate depends on the amount of deposit and term.

Checking Account

- **My BizCheck** - My BizCheck Account is a deposit account with check book facility. It is also known as current or demand account. Typically, this is used for making business payments.

LOANS

- **Microfinance Loan** - This product includes all loans intended for business or enterprises of the microfinance clients such as working capital, purchase of equipment and assets for use in the business, buying raw materials, etc. Clients can borrow up to a maximum of PHP150,000.
- **Quick SME Loan** - QSL is a loan product designed to help micro and small entrepreneurs located in semi-urban and urban areas. The loan aims to give financial support to micro and small entrepreneurs who are facing problems in deficiency of working capital. QSL loan up to a maximum of PHP300,000 can support micro and small enterprises to promote income, production, and employment generation.
- **SME UNLAD Loan** - The SME UNLAD Loan seeks to assist microfinance clients with good credit performance and showing potential to become regular SME. Maximum loan amount is up to PHP300,000.
- **Other Loans** - This product intends to assist microfinance members to support the family needs for education, health, and insurance. Maximum loan amount is up to PHP10,000.00.

SME LOANS

- **Express Working Capital** - Working capital loans are loans that would be repaid out of operating funds in the normal course of business. Short-term working capital may be used to finance the seasonal needs of the company. This can be in the form of a term loan or a revolving credit line.
- **Express Investment Capital Loan (EIL)** - Investment loans are used to finance the acquisition of fixed assets and/or building renovation/ construction and financed by a term loan.
- **Agrifinance Loans** - Loan product for agri-related business and agribusiness production.
- **Consumer Loans** - Loan Product specific for the need to acquire/ invest on motorcycle, vehicle, house, and lot.
 - Drive Ur Wheels (Car Loan)
 - Bahay Katuparan (Housing Loan)
 - Motorcycle Loan
- **Wholesale Lending** - Loans intended for microfinance retailing, and/or relending to small and medium entrepreneurs.

OTHER SERVICES

Remittance

- **CARD Sulit Padala**
- **Cebuana Lhuillier**

LIST OF MAJOR STOCKHOLDER

- Center for Agriculture and Rural Development (CARD), Inc. - 36.75%
- CARD EMPC - 22.04%

PARTNERSHIP

- Ablaze Marketing
- AED Pest Control
- AQUACOOOL REFRIGERATION & AIRCONDITIONING SERVICES
- Avelaido Garcia Contractor
- Banco De Oro
- Bank of Commerce
- Bank of the Philippines
- Bankers Institute of the Philippines, Inc.
- BAP DATA EXCHANGE, INC.
- BDO Unibank, Inc.
- BPI SAN PABLO
- BSP DDA and SSA
- BSP Investment
- Chamber Of Thrift Bank
- CHANNEL TECHNOLOGIES INC.
- CNM Advertising Services Inc.
- CREDIT INFORMATION CORPORATION
- Credit Management Association of the Phils., Inc.
- E & C Business Equipment Supply
- FABU INTERIOR LINES
- Grey Construction
- HYBRID SOCIAL SOLUTIONS INC.
- IDEWARI Architectural Design Studio
- Imperial Apliance Plaza
- Jump Solutions Incorporated
- Kuhonta Printing Press
- Land Bank of the Philippines
- LBCF Construction Service
- Mercury int'l security printing corp.
- METRO SAFE METRO SAFE & VAULT MFG. CORP.
- Metrobank
- Microfinance Information Data Sharing Inc. (MIDAS Inc.)
- Microtech Systems Services & Equipment Corporation
- Nextlogic
- Pacific Sun Solutions
- Phil Guarantee
- PHIL TESLA INDUSTRIAL INC.
- Philippine Center for Entrepreneurship (GoNegosyo)
- Philippine National Bank
- Photo studio
- PMAP
- Power Tech Asia Pacific, Inc.
- PS BANK Savings
- Rizal Commercial Bank
- Security Bank
- SGV & Co.
- SIGNWAVE
- Total Information Management Corporation
- Travel Specialist Ventures Group, Inc.
- Union Bank

OFFICE DIRECTORY

HEAD OFFICE

120 M.Paulino corner Burgos St., San Pablo City, Laguna, Philippines

BRANCH & BRANCH-LITE UNITS

STO. TOMAS CITY BRANCH

Sto Tomas 2
Talisay
Laurel
Laurel 2
Talisay 2
Sto. Tomas 6
Sto. Tomas 4
Sto. Tomas 9

LIPA CITY BRANCH

Lipa 8
Lipa 6
Lipa 7
Lipa 3
San Jose
Lipa 4
Cuenca
Lipa 9
Lipa 10
Lipa 15
Lipa 16

TAGAYTAY CITY BRANCH

Silang 3
Silang 4
Silang 1
Tagaytay 2
Silang 2
Alfonso
Silang 5
Silang 6
Silang 8
Alfonso 2
Silang 9
Tagaytay 3
Silang 7

BATANGAS CITY BRANCH

Bauan 1
Lobo
San Pascual
Bauan 2
Batangas City 2
Batangas City 3
Batangas City 4
Mabini 1
Lobo 2
Batangas City 6
San Pascual 2

STA. ROSA CITY BRANCH

Cabuyao 2
Cabuyao 1
Sta. Rosa 2
Cabuyao 3
Cabuyao 4
Sta. Rosa 3
Sta. Rosa 5

CAVITE CITY BRANCH

Kawit
Rosario 2
Noveleta
Cavite City 2
Kawit 2

CALAMBA CITY BRANCH

Calamba 3
Calamba 4
Calamba 5
Calamba 7
Calamba 6
Calamba 9

BALAYAN BRANCH

Calatagan
Calaca
Tuy
Balayan 2
Calatagan 2

DASMARIÑAS CITY BRANCH

Dasmariñas 4
Dasmariñas 6
Dasmariñas 1
Dasmariñas 2
Dasmariñas 7
Dasmariñas 8
Dasmariñas 5
Dasmariñas 9
Dasmariñas 10

NAGA BRANCH

DAGUPAN CITY BRANCH

Sta. Barbara
Dagupan 2
Calasiao
Binmaley
Mangaldan 1
Mangaldan 2
San Fabian 1
San Fabian 2
Sta. Barbara 2
Binmaley 2
Calasiao 3
Mangaldan 3
Mangaldan 4

BALANGA CITY BRANCH

Orion
Orani
Mariveles
Bagac
Morong
Samal
Hermosa
Limay
Dinalupihan 3

SAN JOSE DEL MONTE CITY BRANCH

Sta. Maria
Marilao
Norzagaray
Meycauayan
Sta. Maria 1
Marilao 2
Sta. Maria 2
San Jose Del Monte 3
Novaliches 1
Caloocan North 2
San Jose Del Monte 2
Novaliches 2
Caloocan North 1

SUBIC BRANCH

San Narciso
San Marcelino
Castillejos
Olongapo 1

LAPU-LAPU CITY BRANCH

Lapu-Lapu 2
Cordova
Sta. Rosa
Mandaue 2
Mandaue 1
Talamban
Lilo-An
Lapu-Lapu 3
Consolacion
Lapu-Lapu 4

GENERAL SANTOS CITY BRANCH

General Santos 4
Polomolok 2
General Santos 7
Polomolok 1

VIGAN CITY BRANCH

Caoayan
Sinait
San Juan 1
Magsingal
Sto. Domingo
Bantay
Badoc 1
Sta. Catalina
Pinili

LEMERY BRANCH

Lemery 1
San Luis 2 (previously Lemery 2)
Agoncillo
San Luis
San Nicolas (previously Agoncillo 2)
Alitagtag
Taal 2
San Luis 3
Lemery 5
Lemery 3

SAN PEDRO CITY BRANCH

San Pedro 1
San Pedro 2
San Pedro 3
Biñan 1
Biñan 2
Biñan 3
Biñan 5

PUERTO PRINCESA CITY BRANCH

Puerto Princesa 4
Puerto Princesa 5
Puerto Princesa 2
Puerto 3

ZAMBOANGA CITY BRANCH

Mercedes
Sangali
Curuan
Ayala
Vitali

GENERAL MARIANO ALVAREZ BRANCH

GMA 1
Carmona
GMA 3
GMA 4

TALISAY CITY BRANCH

Cebu 2
Mabolo
Busay
Cebu 4
Cebu 1
Minglanilla 1
Talisay 3
Talisay 4
Cebu 5
Cebu 3

ROSARIO BRANCH

Rosario
Padre Garcia
Ibaan
Lipa 12
Padre Garcia 2

CAGAYAN DE ORO CITY BRANCH

Cagayan De Oro 1
Cagayan De Oro 2
Bulua
El Salvador
Laguindingan
Cagayan De Oro 3
Tagoloan 1
Gusa
Cagayan de Oro 4
Jasaan 1
Jasaan 2
Tablon
Tagoloan 3

PANABO CITY BRANCH

Panabo 1
Carmen 1
Sto. Tomas 1
Kapalong 1
Kapalong 2
Sto. Tomas 2
Panabo 2
Asuncion
Carmen 2
Dujali

TRECE MARTIRES CITY BRANCH

Maragondon
Naic
Indang 1
Indang 2
Naic 2
Maragondon 2
Tanza 1
Tanza 2
Tanza 3
Trece Martires
General Trias

MANAOAG BRANCH

San Jacinto
Pozorrubio 1
Pozorrubio 2
San Manuel
Binalonan
Sison 1
Sison 2

TANAUAN CITY BRANCH

Tanauan 1
Tanauan 2
Tanauan 3
Malvar
Malvar 2
Tanauan 5
Tanauan 6

TOLEDO CITY BRANCH

Pinamungajan 1
Asturias
Toledo 2
Balamban 1
Toledo 3

PAGADIAN CITY BRANCH

Dumalinao 1
Pagadian 1
Aurora
Lakewood
Ramon Magsaysay
Kumalarang
Molave
Kapatagan 2
Maranding

CALOOCAN CITY BRANCH

Malabon 1
Navotas 2
Valenzuela 2
Caloocan East
Valenzuela 1
Navotas 1
Del Monte 2
Malabon 2

BACOOB BRANCH

Imus 1
Imus 2
Bacoor 1
Bacoor 3
Bacoor 4

NASUGBU BRANCH

Lian

LAGAO BRANCH

Malungon 1
Malungon 2
Malungon 3
Alabel
Malapatan
General Santos 2
General Santos 3
Gensan 6

VALENCIA CITY BRANCH

Valencia 2
Maramag 1
Maramag 2
Malaybalay 1
Aglayan

KORONADAL CITY BRANCH

Koronadal 3
Tampakan 1
Tupi
Banga

ILIGAN CITY BRANCH

Iligan 2
Manticao
Lugait
Linamon

IPIL CITY BRANCH

Titay

NARRA BRANCH

Narra 2



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