



# CARD RBI ANNUAL REPORT 2020

BUILDING DIGITAL COMMUNITIES THROUGH OPTIMAL  
RESOURCES AND TECHNOLOGY-DRIVEN INITIATIVES



# CONTENTS

- 04** ABOUT THE COVER
- 05** VISION AND MISSION
- 06** MESSAGE FROM THE CHAIRPERSON

## ACCOMPLISHMENTS

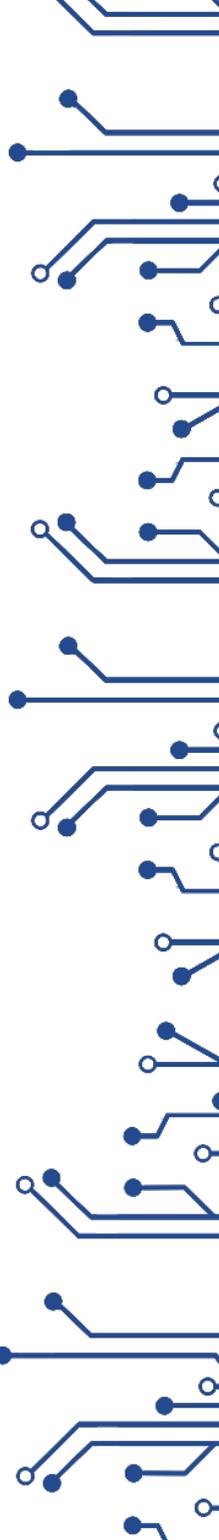
- 08** PRESIDENT AND CEO'S REPORT
- 12** UGNAYAN AT KWENTUHAN
- 14** CENTER STORY
- 16** THIS IS OUR 2020
- 18** 2020 IN NUMBERS
- 20** FINANCIAL HIGHLIGHTS

## PEOPLE BEHIND CARD RBI

- 22** MANAGEMENT COMMITTEE
- 26** BOARD OF DIRECTORS
- 28** AREAS OF COVERAGE
- 30** INSTITUTIONAL PARTNERSHIP

## 31 CORPORATE GOVERNANCE

## 137 AUDITED FINANCIAL STATEMENTS



# ABOUT THE COVER

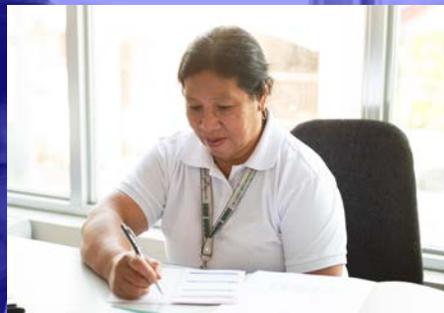


For the last 35 years, CARD MRI has been supporting marginalized women and their families through microfinance services and social development initiatives. As a new era approaches and a New Normal begins, we continue our mission to eradicate poverty armed with optimal resources that will help us achieve our ultimate goal. This 2020, we chose a new path paved with innovations that had proven to be effective in our journey to digitalization.

Our cover embraces the technology-driven initiatives of CARD MRI and addresses the challenges of the pandemic by utilizing key digital strategies to banking in the comforts of one's home.

The cover features Lorna Atienza, 62 years old, a former president of CARD MBA, as she holds one of the most important tools the CARD banking group has devised for a hassle-free mobile banking experience, konek2CARD. The cover entails that there is no limitation as to who uses the mobile banking application, which can be integrated to the lives of the clients we serve for easier, faster, and more efficient transactions. Be they young or old, anyone can freely use konek2CARD as the application fulfills the goal of CARD MRI to financially include those in the hem of the society. Meanwhile, the icons that emanate from the mobile device symbolize the digital communities that we have built to bridge the gaps in communication and encourage a collaborative approach between the mutually reinforcing institutions.

**LORNA ATIENZA**  
Member



# VISION

CARD MRI Rizal Bank is a world-class leader in microfinance and community-based social development undertakings that improves the quality of life of socially-and-economically challenged women and families towards nation building.

# MISSION

CARD MRI Rizal Bank is committed to:

- Empower socially-and-economically challenged women and families through continuous access to financial, microinsurance, educational, livelihood, health and other capacity-building services that eventually transform them into responsible citizens for their community and the environment;
- Enable the women members to gain control and ownership of financial and social development institutions; and
- Partner with appropriate agencies, private institutions, and people and community organizations to facilitate achievement of mutual goals.



# OUR PERSEVERANCE TO SERVE

Message from the Chairperson

products to vulnerable Filipino women and families, even in the midst of a pandemic.

Our perseverance to serve was absolutely put to the test, and despite some seemingly insurmountable odds stacked against us, CARD RBI was still able to achieve most of our goals set for this year. Notable among these achievements were the successful opening of four new branches and 11 branch-lite units (BLUs), the migration of twelve branches to our Core Banking System (CBS), and finally the implementation of konek2CARD in 31 of our branches. These were all accomplished thanks to the dedication of our management and staff who, despite the risks posed by the pandemic, answered the call of duty.

Digital technology was also very crucial in our success this year, especially during the stricter phases of the lockdown. It allowed us to stay connected and to know the immediate needs

**FLORDELIZA L. SARMIENTO**  
Chairperson

**T**o say that the year 2020 was a challenging one would be an understatement not only to CARD MRI RIZAL BANK, Inc. (CARD RBI), but also to the millions of Filipino households who were affected by the pandemic. Many of us were caught by surprise by the resulting difficulties and unfortunate circumstances that sprung from it. CARD RBI was no exception to this, and we as an institution had to learn and adjust in order for us to continue offering our microfinance services and

of our staff and clients across the country. Technology-driven solutions also allowed us to adapt our procedures and continue our operations and services when our conventional methods were still not a viable option. If there ever was a silver lining during the lockdown, it was when we realized how digital technology is most certainly a boon when limited resources and restrictions impede how we traditionally do our work. For that reason, digitally transforming our institution remains the utmost imperative in order for CARD RBI to provide its products and services, especially in areas where limitations are still in place.

The pandemic has dealt a heavy blow to many of us – more so to impoverished families who are still recovering or may have not yet to recover from their losses. This is why we at CARD RBI need to step up further and offer our helping hand to more people. This coming year we will endeavor to maintain our trajectory towards our growth by continuously expanding our reach, strengthening our staff, and building up more digital communities in our areas of coverage.

CARD RBI is committed to becoming a strong and reliable microfinance institution, ready and eager to serve Filipino families in

need during these challenging times. As part of CARD MRI's banking group, we will strive to do our part in providing our trusted and affordable financial products and services to more underserved communities. Now more than ever, we at CARD RBI must be stalwart in our obligation to social change, and to our collective goal of uplifting families and eradicating poverty in the Philippines.



CARD RBI is committed to becoming a strong and reliable microfinance institution, ready and eager to serve Filipino families in need during these challenging times.



**ELMA B. VALENZUELA**  
President & CEO

## TECHNOLOGY-EMPOWERED EXPANSION IN FACING THE NEW NORMAL

the year. With full support from CARD RBI management, the institution devised bold strategies that will allow us to adapt and accomplish our set goals for 2020. We are gratified to report that CARD RBI was able to serve 530,848 clients, with loans outstanding amounting to PhP3,841,832,251, and savings amounting to PhP4,212,196,955. On the other hand, a total of 7,404 remittance transactions amounting to PhP94,933,455.04 have been transacted in all branches from January to December. Even though our loan disbursement and repayment rate were affected by the pandemic, CARD RBI made sure that our financial services and assistance remained accessible to our clients. It is reassuring to realize that, despite the various setbacks posed by this year, CARD RBI's commitment to our clients and communities did not waver during such uncertain times.

### **Ceaseless Expansion**

One of CARD RBI's major accomplishments this 2020 was the unhindered opening of its bank branches and branch-lite

**T**he year 2020 was a challenging one for CARD MRI Rizal Bank, Inc. (CARD RBI). Being the youngest bank among CARD MRI's microfinance institutions, we are still growing and so the main strategy that we have always focused on was our continuous expansion across the Philippines. Unfortunately, the ensuing COVID-19 pandemic and lockdown made us wary if we would be even able to achieve our targets set for 2020. Nonetheless, we at CARD RBI tried our best not to let this unexpected circumstance compromise our projections for

units (BLUs). There was still some uncertainty back then as to how we could go about our operations, and we were then just hopeful to accomplish some of our projected targets, as these would still contribute to CARD RBI's overall expansion.

Fortunately, CARD RBI was still able to open its target of four bank branches in Siniloan, Trento, Palompon, and Buenavista - even in the midst of the pandemic. Three out of four of these branches were opened, for the first time in CARD RBI's history, through digital means in response to travel restrictions during the lockdown. A total of 35 CARD RBI branches are now operational across the country, ready to aid more Filipinos in need of our microfinance products and services.

Moreover, a total of 11 BLUs were also opened virtually in the branches of Sta. Cruz, San Fernando, Malolos, Dumaguete, Ormoc, Baliuag, Marikina, and Dipolog. Meanwhile, a total of 22 CARD, Inc. units - with 23,948 clients, loans outstanding of PhP25.6M, and savings amount of PhP69.7M were successfully transitioned to CARD RBI.

We are invigorated to know that, even when faced by a daunting ordeal, CARD RBI was able to step up and achieve such goals, all for the service of more underserved

Filipino families.

### **Accelerated Digitalization**

The strict limitations during the early days of the pandemic encouraged us to further integrate technology-driven solutions in our operations. Digital technology became vital not only in maintaining communication with our staff and clients in distant areas, but also in our procedures - such as in monitoring and evaluations. Thanks to technology, our operations did not falter even in dire straits, and thus we became further committed in accelerating our digital initiatives in line with CARD MRI's push towards digital transformation.

Another noteworthy accomplishment this year was the continuous implementation of our Core Banking System (CBS), despite the circumstances of the pandemic. Through virtual means, our CBS team and branch staff were able to successfully migrate twelve (12) more branches which have consequently went live. As of December 2020, 33 out of 35 CARD RBI branches are now implementing CBS with 17 of these using our digital cash machines (DCMs).

As part of our CBS implementation, we have also initiated several digital banking processes such as Loan Origination System, Chatbot, and Client Onboarding projects,



as well as the accreditation of InstaPAY which will enable CARD RBI to transact with other banks. CARD RBI's perseverance in our CBS migration during the pandemic now serves as a foundation for our current digital initiatives and future technology-driven solutions.

### **Empowered Building**

One major accomplishment we also consider was the successful pilot-testing of our very first konek2CARD Digital Community in Oogong, Sta. Cruz, Laguna. This digital community was able to serve 25 centers with a total of 1,394 clients in the area. Through this digital initiative, which also provides free Wi-Fi access for all konek2CARD users, CARD RBI clients who live in the outskirts of towns will not be left behind in accessing CARD's affordable financial products and services. Inspired by the success of our first digital community, we immediately sought to build up more digital communities throughout 2020. Overall, 31 branches are now implementing konek2CARD with a total of 82,893 registered clients as of December 2020.

In the next year, we aim to not only roll-out konek2CARD to our four remaining branches, but also

set-up booths in all branches that will handle konek2CARD registrations and transactions. Moreover, we aim to increase the number of konek2CARD clients by fivefold, as well as implement the 2nd phase Konek2CARD features such as Bills Payment, E-Load, konek2PAY, InstaPAY,



***CARD RBI needed to be brave during the pandemic in order for us to keep moving forward.***

and Sponsored Free Internet Access.

### **Supporting our Foundations**

During the height of the pandemic, CARD RBI also made sure to take care of our staff as they are the most valuable asset of our institution. Through constant communication, we tried to know their situation and address their needs. Providing motivation and hope to our staff during those times was also a very significant factor in our continuous operations and accomplishments this year.

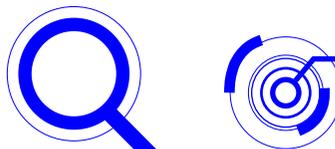
Staff capacity-building, as always, is very important to CARD RBI and throughout 2020, we were able to send 1,961 staff/officers to various training programs conducted by CARD-MRI Development Institute, Inc. (CMDI) and other capacity building institutions such as Bankers Institute of the Philippines Inc. (BAIPHIL), SyCip Gorres Velayo & Co. (SGV), Ateneo, Ariva Academy and Powermax Consulting Group. It is truly inspiring to know that even in the face of vulnerability, CARD RBI staff quickly adapted to the situation and remained steadfast in their duties to our clients and communities.

### **Facing the New Normal**

Aside from strengthening our bonds within the institution, CARD RBI also made sure to always know and assess the situation in

the grassroots. Hearing our clients' stories during the pandemic, we were deeply honored by how much they appreciate our presence in their communities. Our clients expressed to us how they gained strength and hope from our institution. We were told how our services were able to help them cope and stand up again during the crisis. The trust and loyalty given to us by our clients and communities will always serve as our inspiration in our mission.

CARD RBI needed to be brave during the pandemic in order for us to keep moving forward. With the support of the all institutions that make up CARD MRI, we mustered our strength and stayed true to course in our conviction towards poverty eradication. While there were some factors that delayed some of our operations, with the right changes and motivation we persisted and carried on our trusted microfinance and community services. CARD RBI will strive to uplift more Filipino households and communities, not only from the effects of the pandemic but also from the vicious cycle of poverty.





## UGNAYAN AT KWENTUHAN

A Message from Dr. Dolores M. Torres



plight comes our way, even as dire as the COVID-19 pandemic, our stories shall continue to prosper and be a source of hope to anyone who hears it. This is where *Ugnayan at Kwentuhan* comes to life.

*Ugnayan at Kwentuhan* is a project that bridged the distance we had with our members during the pandemic. It allowed us to stay connected with them by means of constant communication. It is where our ugnayan or relationship with our members strengthened.



**DR. DOLORES M. TORRES**  
Director



**W**hen the COVID-19 pandemic hit the Philippines, it was quite an unforeseen force to be reckoned with. It shut down industries and put everything on halt. For CARD MRI, this meant we had to take a short pause to regroup and re-strategize. We decided that above all else, our staff and clients health and safety is our top priority. However, the fire that is ablaze in our hearts as we work to give our clients a better way of life will never be extinguished. Whatever

Through *Ugnayan at Kwentuhan*, we kept our connection with our clients strong through having phone conversations with our management and staff. This way, we reassured our clients that the pillars of CARD MRI remain indestructible. We constantly assure them that we will continue helping them through our programs. We let the warmth that emanates from our presence blanket them through wary days and sleepless nights.

Because CARD MRI's strength is in the lives we have changed, we have also come up with a way to encourage our members amid these challenging times by sharings with them stories of

hope these challenging times by sharing with them stories of hope through Ang Kwento ng Center Ko, which chronicles the lives of our nanays, as we and their centers. We have heard stories from 142 Centers from Luzon, Visayas, and Mindanao whose lives changed for the better because of CARD MRI's dedication to its core mission of eradicating poverty in the Philippines.

Finally, to boost the morale of both our staff and clients, we took the opportunity to gather them in a series of four online training sessions that let us reminisce the history of CARD MRI together with our members' and staff's journey with the mutually reinforcing institutions. As the Enhanced Community Quarantine lifted, our members and staff gathered just like they do during a Center Meeting, followed the minimum health standards, and listened to our Institutional Heads as they recount the story of how CARD came to be.

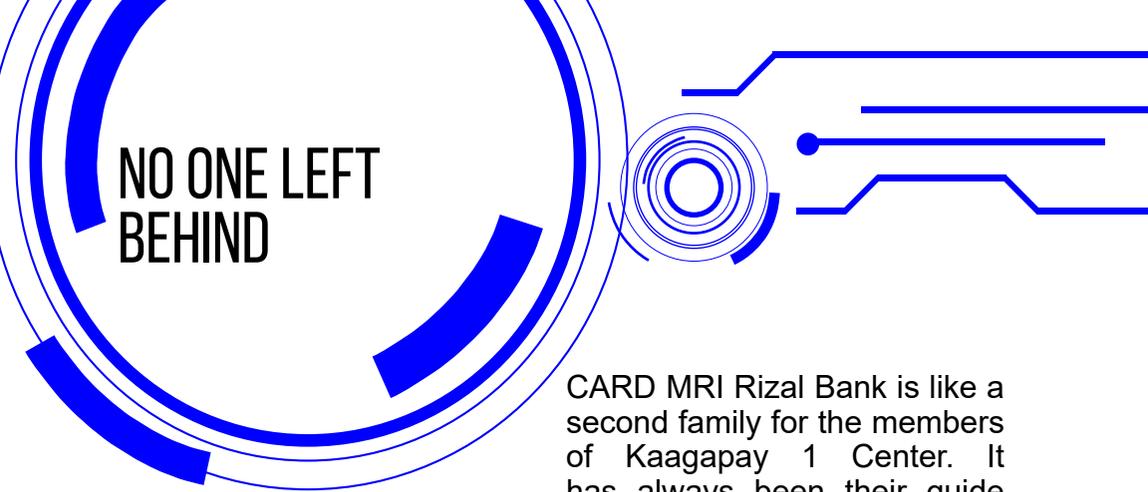
During the online training session, which was attended by approximately 500 participants per session, we have shared both laughter and tears because of the stories we have heard and imparted to the community we have built. We are also grateful for our institutional heads for their consistent support of the community through *Ugnayan at*

*Kwentuhan* 2020. We remain forward-looking as CARD supports its members and staff to achieve their dreams and to ignite the fire that is already burning in them.

One important thing we learned from the year that passed is that stories and conversations, however intangible they may seem, are an important foundation in our relationship with our clients. By 2021, we hope to gather more stories of hope from our clients and staff as we continue our journey towards recovery.



***The stories and conversations, however intangible they may seem, are an important foundation in our relationship with our clients.***



# NO ONE LEFT BEHIND

Isang bungkos ng walis (A bundle of coconut broom)—this is how Nanay Anida Mendez described the relationship of the members of Kaagapay 1 Center of Sta. Cruz, Laguna. Whenever one of them falls, everyone would help carry the load and lift the member up; a characteristic that resembles a coconut broom.

Everything started on July 4, 2003 when Kaagapay 1 Center was established. They were together through thick and thin and witnessed each other's ups and downs for almost 18 years. They made a unique and strong bond based on mutual trust and understanding for one another. For them, a member's problem is everyone's problem so they find solutions together.

CARD MRI Rizal Bank is like a second family for the members of Kaagapay 1 Center. It has always been their guide in various aspects of their lives. Nanay Anida shared that CARD MRI Rizal Bank helped her every step of the way in opening her own small business, in building a concrete home, and in sending her children to school.

The same went for Nanay Christina Magdalena who is a then barangay councilor in their community. She borrowed some capital from CARD MRI Rizal Bank to start her small sewing business and to repair her humble home. Today, she is now a proud business owner with her own machineries and couple of lovely employees whom she also helps to uplift their living standards. She wanted to pay forward all the help and assistance CARD MRI Rizal Bank has given to her.

Kaagapay 1 Center Chief Nanay Florencia Cosio was able to open her own sari-sari store with the help of CARD MRI Rizal Bank. As a Center Chief, she devotes her time to help her co-members and find solutions to whatever problem may arise. For her, it is very important to deal with their problems together to ensure a harmonious relationship in the group and to promote the spirit of family among everyone.



True to its name, Kaagapay 1 Center's members has always been on each other's side, helping one another to climb up the ladder and escape poverty. Their group has been tested by time and could never be broken by any obstacle and challenge they face.



Kaagapay 1 Center knows that as long as they are together and have CARD MRI Rizal Bank and the whole CARD MRI community by their side, they would continue to thrive and achieve their goals and success because no one is going to be left behind in Kaaagapay 1 Center, Sta. Cruz, Laguna.







**288**  
UNIT OFFICES/  
BRANCH-LITE UNITS

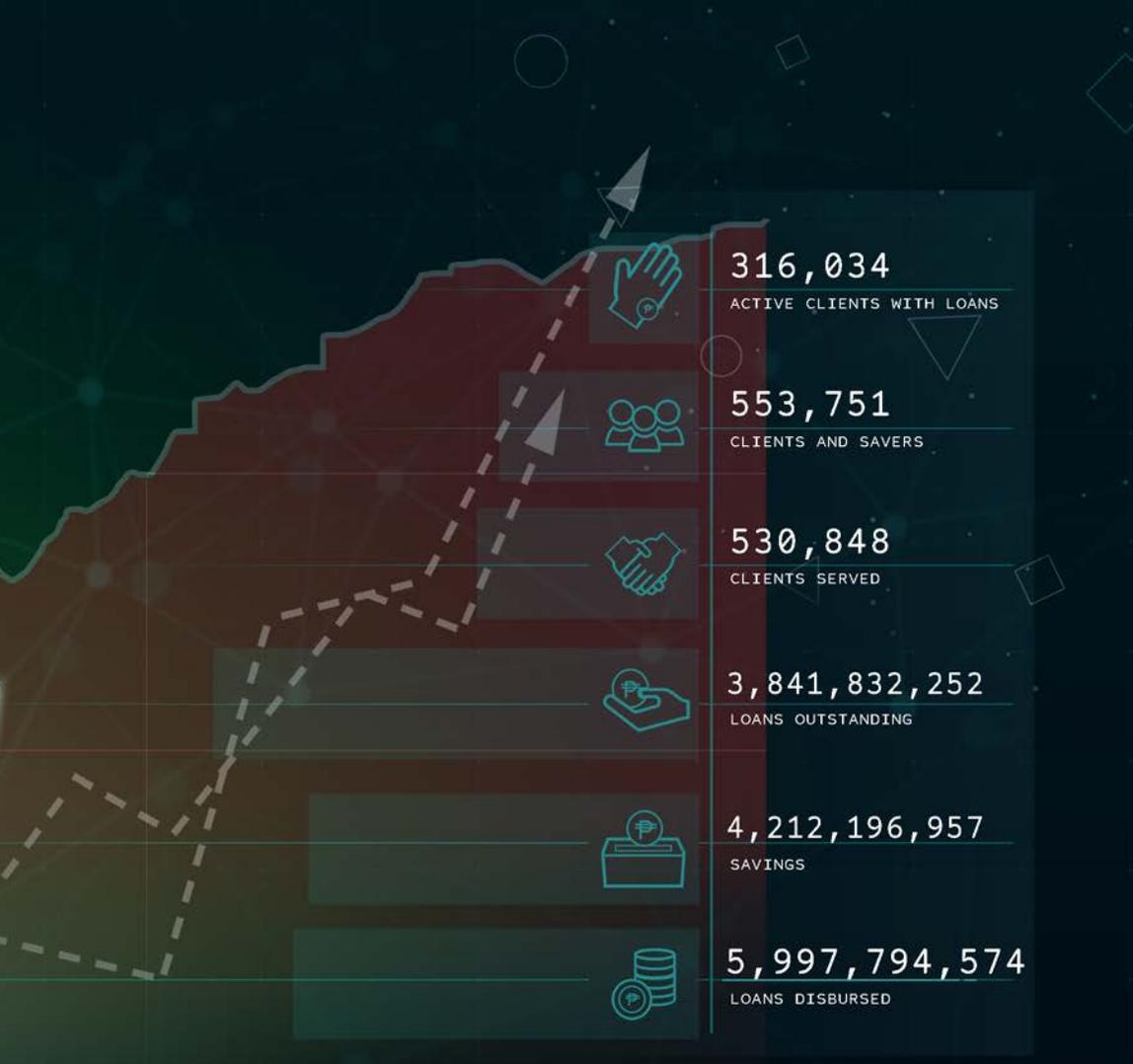
**34**  
BRANCHES

**1**  
HEAD OFFICES



**1,662**  
STAFF





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# 2020 IN NUMBERS

2020 IN NUMBERS 19

# FINANCIAL HIGHLIGHTS

Minimum Required Data	Current Year 2020	Previous Year 2019	Previous Year 2018
<b>Profitability</b>			
Total Net Interest Income	977,683,517	1,670,091,818	1,180,237,211
Total Non-Interest Income	1,559,058	1,223,777	412,366
Total Non-Interest Expenses	835,080,594	1,223,371,952	799,764,629
<b>Pre-provision profit</b>			
Allowance for Credit Losses	138,487,623	65,269,597	23,427,828
Net Income	5,674,357	382,674,046	357,457,120
<b>Selected Balance Sheet Data</b>			
Liquid Assets	2,164,602,324	971,048,158	720,866,223
Gross Loans	3,841,832,252	3,775,728,285	3,116,830,742
Total Assets	6,399,937,810	5,188,711,103	4,109,632,151
Total Deposit	4,212,196,957	3,058,331,032	2,387,381,562
Total Equity	1,124,441,821	1,017,966,169	825,910,669
<b>Selected Ratios</b>			
Return on Average Equity	0.52%	41.51%	51.07%
Return on Average Asset	0.11%	8.23%	10.46%
<b>Others</b>			
Cash Dividend Declared	72,000,000.00	284,000,000	316,265,000
<b>Head Count</b>			
Officer	475	435	311
Staff	1,187	1,265	965

<b>Capital Structure and Capital Adequacy</b>	
<b>Tier 1 Capital</b>	
Paid up common stock	748,222,700.00
Retained earnings	268,907,241.73
Undivided profits	5,674,356.83
<b>Total Core Tier 1 Capital</b>	<b>1,022,804,298.56</b>
<b>Tier 2 Capital</b>	
Preferred Shares	109,872,600.00
General loan loss provision	56,538,609.71
<b>Total Core Tier 2 Capital</b>	<b>166,411,209.71</b>
<b>Gross Qualifying Capital</b>	<b>1,189,215,508.27</b>
Deductions from Tier 1 and Tier 2 capital;	(70,679,796.87)
<b>TOTAL QUALIFYING CAPITAL</b>	<b>1,118,535,711.40</b>
Capital Requirements from credit risk;	5,983,154,557.81
Capital Requirements from market risk;	
Capital Requirements for operational risk;	1,752,355,294.33
Total and Tier 1 Capital Adequacy Ratio	14.46%

# MANAGEMENT COMMITTEE

ELMA B. VALENZUELA  
President and CEO

JULIANA B. DE LEON  
Executive Vice President

MA. ADORACION M. OLA  
AVP for Operation

MARITES S. PEDRAJA  
AVP for Operation

PEDRO L. MANIEBO  
AVP for Operation

ANNA LORRAINE J. MAUR  
Vice President for Finance

MARY GRACE A. VERGAVERA  
AVP for Accounting

CHRISTOPHER B. DELA CRUZ  
Chief Compliance Officer

VENUS J. MANRIQUE  
Regional Director

RODOLF HENRY J. MELGAR  
Regional Director

JOSEPH G. VERANO  
Regional Director

DEXTER L. LARA  
Regional Director

MEDELYN K. ALIMAGNO  
Regional Director

RUBY ANN D. SUMINISTRADO  
Regional Director

NENIA I. PERALTA  
Regional Director

FLORANTE F. ANDAYA  
Regional Director

ARTEMIO A. DELAS ALAS  
Regional Director

RONIE D. BRANDEZ  
Regional Director

CRISANTA C. AGOR  
Regional Director

ROBERT F. URGINO  
Regional Director

REBECCA F. ANO-OS  
Regional Director

JOAN A. CAJES  
Deputy Director for Risk  
Management

GINA L. PANELO  
Deputy Director for Audit







# MANAGEMENT COMMITTEE



**ANGELA A. POONIN**  
Deputy Director for Human Resource

**MARIA ERNELYN D. DAJAO**  
Senior Program Manager

**OLIVER G. QUINAY**  
konek2CARD Operations Manager

**GLENN C. MATIENZO**  
Information Security Officer

**MARY ANN C. ANGELIO**  
Information Technology Manager

**APRILLE JOYCE B. RODRIGUEZ**  
Marketing Manager

**JOY C. JUANERIO**  
Acting Regional Director

**RONEIL B. GANOHAY**  
Senior Area Manager



# BOARD OF DIRECTORS

FLORDELIZA L. SARMIENTO  
Chairperson

DR. DOLORES M. TORRES  
Director

JULIUS ADRIAN R. ALIP  
Director

MARIE JOSEPHINE OCAMPO  
Director

FAUSTINO M. BUENAVENTURA  
Independent Director

ELMA B. VALENZUELA  
Director/ President and CEO

PASCULA S. GEÑOSO  
Independent Director

JULIETA A. MIRANDA  
Independent Director

SUZETTE MARQUEZ  
Independent Director





# OUR AREA OF COVERAGE



## MAIN OFFICE Sta. Cruz, Laguna

### LUZON MAIN BRANCHES

Sta. Cruz, Laguna	Pampanga	Santiago City	Ilagan
Taytay	Angeles City	Cauayan City	Aparri
Tanay	Taguig City	Cabarroguis	Solana
San Fernando	Malolos	Baliwag	Roxas, Isabela
City,	Iba	Marikina	Alcala
	Solano	Tuguegarao	Siniloan

### LUZON BLUS

Majayjay	Teresa	Taguig City	Villaverde	San Ildefonso	Sta. Teresita
Magdalena	Piilla	Calumpit	Lamut	Bustos	Gonzaga
Cavinti	Tanay	Hagonoy	Echague	San Rafael	Tabuk City
Luisiana	Lubao	Bocaue	Jones	San Miguel	Piat
Lumban	Sta. Ana	Guiguinto	Alfonso Lista	Pulilan	Tuao
Pagsanjan	Guagua	Paombong	Diadi	Plaridel	Burgos
Angono	Macabebe	Masinloc	Ramon	San Mateo	Aurora
Binangonan	San Simon	Sta. Cruz,	Cordon	Rodriguez	Cabatuan
Antipolo	Florida Blanca	Zambales	San Isidro	Commonwealth	Quezon, Isabela
Cainta	Apalit	Cabangan	Alicia	Peñablanca	Gattaran
Taytay	Minalin	Palauig	San Mateo	Iguig	Baggao
Pasig City	Mexico	Dupax del	Naguilian	Cabagan	Sta. Maria
Binangonan	Mabalacat City	Norte	Diffun	Tumauini	Mabitac
Morong	Magalang	Aritao	Aglipay	Gamu	Famy
Jala Jala	Arayat	Kasibu	Nagtipunan	Lal-lo	Paete
Cardona	Muntinlupa	Bambang	Maddela	Lasam	
Tanay	Pateros	Bagabag			

### VISAYAS MAIN BRANCHES

Dumaguete	Argao	San Carlos City
City	Siquijor	Carigara
Bayawan City	Bais City	Leyte
Carcar	Ormoc	

### MINDANAO MAIN BRANCHES

Agusan Del Norte	Dipolog City
Agusan Del Sur	Oroquieta City

### VISAYAS BLUS

Sibulan	Ronda	Kananga
Amlan	Oslob	Albuera
Zamboanguita	Dalaguete	Villaba
Bacong	Sibonga	Matag-ob
Valencia	Ginatilan	Canlaon City
Dauin	Alcoy	Vallehermoso
Basay	Larena	Jimalalud
Siaton	Lazi	Guihulngan
Sta. Catalina	Maria	City
Barili	Manjuyod	Jaro
Minglanilla	Bindoy	Leyte
Dumanjug	Ayungon	San Miguel
Moalboal	Tanjay City	Isabel
San Fernando	Pamplona	Merida
Naga City	Mabinay	Tabango

### MINDANAO BLUS

Butuan City	Sergio Osmeña
Las Nieves	Katipunan
Kitcharao	Sindangan
Bunawan	Mutia
Rosario	Aloran
Santa Josefa	Plaridel
Veruela	Jimenez
Monkayo	Calamba
Polanco	Rizal
Manukan	Lopez Jaena
Dapitan	Ozamiz City
Piñan	Tudela
Manuel Roxas	Clarin
Jose Dalman	

# INSTITUTIONAL PARTNERSHIP

- BancNet
- Banco De Oro (BDO)
- Bank of the Philippine Islands (BPI)
- Bangko Sentral ng Pilipinas
- Cebuana Lhuillier
- East West Bank
- Landbank of the Philippines (LBP)
- Metropolitan Bank and Trust Company (Metrobank)
- Pag-ibig
- Philhealth
- Philippine Deposit Insurance Corporation
- Philippine National Bank (PNB)
- Philippine Payment and Settlement System (PhilPaSS-BSP)
- PhilippineSavings Bank (PS Bank)
- Security Bank
- Social Security System (SSS)
- United Coconut Planters Bank (UCPB)

# CORPORATE GOVERNANCE



# MISSION, VISION, AND OBJECTIVES

## VISION

CARD MRI RIZAL BANK, Inc. is a world-class leader in microfinance and community-based social development undertakings that improves the quality of life of socially-and-economically challenged women and families towards nation building.

## MISSION

CARD MRI RIZAL BANK, Inc. is committed to:

- Empower socially-and-economically challenged women and families through continuous access to financial, micro insurance, educational, livelihood, health and other capacity-building services that eventually transform them into responsible citizens for their community and the environment;
- Enable the women members to gain control and ownership of financial and social development institutions; and
- Partner with appropriate government agencies, private institutions, and people and community organizations to facilitate achievement of mutual goals.

## **INSTITUTIONAL OBJECTIVES**

- 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 non-collateralized loans to non-bankable but viable projects; and
- To ensure that - poorest Filipinos are provided with financial and non-financial services.

## **CORE VALUES AND PRINCIPLES**

**COMPETENCE.** Upholding that the staff is the primary asset and driving force of the institution, CARD MRI Rizal Bank values the continuing development of their competence and capability through instilling the value of integrity, honesty, transparency, discipline, hard work, and excellence leading to the empowerment of its staff and members in an atmosphere of mutual respect.

**FAMILY SPIRIT.** CARD MRI Rizal Bank, guided by its genuine love for the poor, builds and nurture an atmosphere of family spirit through mutual trust, demonstrating commitment and dedication and sharing of learning experiences among staff and members.

**INTEGRITY.** CARD MRI Rizal Bank values high transparency, ethics, morality, truthfulness, and sincerity in all its undertakings, programs, and activities. The Bank honors commitments to clients, partners and stakeholders by way of providing faithfully what was agreed upon or promised. Everyone is responsible and accountable for the performance of its institution, officers, and individual staff.

**SIMPLICITY.** As CARD MRI Rizal Bank dedicates its life for the ultimate empowerment of the poor, CARD MRI Rizal Bank opts to live a simple life in words and in deeds at all times.

**HUMILITY.** CARD MRI Rizal Bank recognizes the value of “kababaang loob” towards achieving the CARD MRI’s overarching goal of poverty eradication with a heart. As such, all staff are enjoined and encouraged to celebrate the accomplishment and successes of CARD MRI Rizal Bank at heart and not boast them publicly. All staff remain to have strong faith, determined, and committed to work passionately and warmly towards achieving the CARD MRI vision.

**EXCELLENCE.** CARD MRI Rizal Bank’s pioneering effort is rooted in excellence drawn from the Board and staff’s confidence to create, innovate, inspire, and continuously challenge the existing paradigm to ultimately empower the poor.

**STEWARDSHIP.** The Board and staff of CARD MRI Rizal Bank live as stewards of its vision and builds on its strengths, distinctive, and uniqueness of its being through a framework of good governance.

## **BRAND AND BUSINESS MODEL**

CARD MRI Rizal Bank, Inc., A Microfinance-Oriented Rural Bank (Formerly: Rizal Bank, Inc.) was incorporated under Philippine laws by virtue of Securities and Exchange Commission (SEC) dated December 15, 1994. The Bank was granted the authority by the Bangko Sentral ng Pilipinas (BSP) to operate on April 29, 1996 under its original name of Rizal Rural Bank (Taytay, Rizal), Inc. The bank was established primarily to engage in the business of rural banking as defined and authorized under Republic Act No. 7353, as amended, such as granting loans to small farmers and to deserving rural enterprises, as well as receiving deposits in accordance with the regulations promulgated by the Monetary Board.

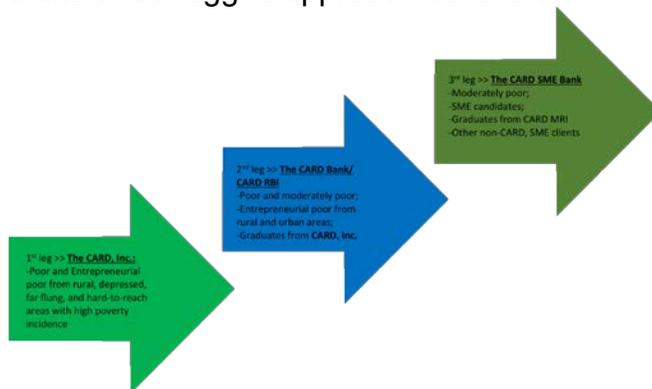
In January 25, 2013, as approved by the Monetary Board in its Resolution No. 155, the bank was acquired by the CARD MRI

group and various individuals from its previous owners. Since then, it has continued engaging in rural banking but has concentrated its efforts towards developing programs and services tailor-fit to the needs of the socially and economically challenged women and their families and began expanding its operations towards the Philippine country-side.

One its major strategies is through the application of the CARD MRI microfinance program model of transitioning evaluated good and prime clients of Center for Agriculture and Rural Development (CARD), Inc. into CARD MRI Rizal Bank, Inc. for them to benefit from the microfinance, small and medium facilities and services from the bank resulting in the availing of more loans, deposits and other banking products and services. This is parallel to the vision-mission of the bank in serving the socially and economically challenged women and their families.

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

The CARD MRI Rizal Bank’s target market remains closely intertwined with CARD Inc., (A Microfinance NGO), CARD Bank, and CARD SME 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 MRI Rizal 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 MRI Rizal 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 MRI Rizal 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 MRI Rizal Bank, leading to enriching and empowering them through continuous access to financial resource as well as through training and supervision by the CARD MRI Rizal Bank staff. CARD MRI Rizal 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 MRI Rizal Bank's overall strategy involves developing the clients further to the next level. With this, CARD MRI Rizal 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

## CORPORATE GOVERNANCE

CARD MRI RIZAL BANK, Inc.'s corporate governance practice adheres to 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 members and 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

## COMPOSITION

The Board is composed of nine (9) 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 and finance, bank regulation, information technology, microfinance, and social development.

Name of Director	Principal Stockholder	Type of Directorship	No. of Years as Director	No. of Shares Held	Percentage of Shares	BOD Meeting Attendance	
						Jan-Dec 2020	
Ms. Flordeliza L. Sarmiento	-	Non-Executive	8 Years	381,750	5.00%	12/12	100%
Dr. Dolores M. Torres	-	Non-Executive	8 Years	190,872	2.50%	12/12	100%
Ms. Elma B. Valenzuela	-	Executive	5 Years	381,750	5.00%	12/12	100%
Ms. Marie Josephine Ocampo	BPI	Non-Executive	2 Years	1	0.00%	11/12	92%

Name of Director	Principal Stockholder	Type of Directorship	No. of Years as Director	No. of Shares Held	Percentage of Shares	BOD Meeting Attendance	
						Jan-Dec 2020	
Mr. Julius Adrian R. Alip	-	Non-Executive	2 Years	1	0.00%	12/12	100%
Mr. Faustino M. Buenaventura	-	Independent	7 Years	1	0.00%	12/12	100%
Ms. Pascuala S. Geñoso	-	Independent	7 Years	1	0.00%	12/12	100%
Ms. Julieta A. Miranda	-	Independent	3 Years	1	0.00%	11/12	92%
Ms. Suzette S. Marquez	-	Independent	2 Years	1	0.00%	12/12	100%

## QUALIFICATIONS OF THE BOARD OF DIRECTORS

### Directors

The board of directors must be at least twenty-five (25) years of age at the time of his election or appointment. They must be a college graduate or have at least five (5) years of experience in related business. The Board should have at least attended a special seminar on corporate governance for board of directors conducted or accredited by the BSP. They must be fit and proper for the position of a director of the bank considering the following: integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience.

### 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 a 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 only serve as such for a maximum of 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.

## **CHAIRMAN OF THE BOARD OF DIRECTORS**

The Chairman of the Board of Directors shall provide leadership in the board of directors. The chairman's primary role is to ensure that the board is effective in its task of setting and implementing the Bank's direction and strategy. She shall ensure that a good relationship and trust within the members of the board of directors shall be maintained. The Chairman of the Board shall:

- take the chair at general meetings and board meetings;
- ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;

- ensure a sound decision making process;
- encourage and promote critical discussion;
- 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;
- ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors; and
- ensure conduct of performance evaluation of the board of directors at least once a year.

Name	Age and Nationality	Qualifications	
<b>Ms. Flordeliza L. Sarmiento</b> Chairman of the Board	58, Filipino	With more than 33 years of experience in microfinance, banking, and other related fields  <b>Educational Attainment:</b> BS in Agriculture at Gregorio Araneta University Foundation Metro Manila, Philippines (1983), MBA at Trinity College of Quezon City Metro Manila, Philippines (2004), Executive MBA at Asian Institute of Management Makati City, Philippines (2006) and Advanced Management Program at Harvard Business School Boston, Massachusetts (2015)  <b>Other trainings:</b> IT Governance Principle Course, Anti-Money Laundering and Combating the Financing of Terrorism, Field Exposure on SME Operations, Financial Inclusion Workshop, Updated Guidelines on Sound Credit Risk Management, Risk Management Seminar, Governance and Risk Management Training, and Basic Rural Banking Course	
	Other Current Directorship and Officership:		
	<b>Institution</b>		<b>Position</b>
	CARD, Inc. (A Microfinance NGO)		Trustee/Managing Director
	CARD Bank, Inc.		Director/Vice-Chairperson
	CARD SME Bank		Director
	CARD-BDSFI		Trustee
CMDI	Trustee/President		

Name	Name	Qualifications						
<p><b>Dr. Dolores M. Torres</b> Director</p>	<p>65, Filipino</p> <p>Other Current Directorship and Officership:</p> <table border="1" data-bbox="348 217 726 448"> <thead> <tr> <th data-bbox="348 217 552 257">Institution</th> <th data-bbox="552 217 726 257">Position</th> </tr> </thead> <tbody> <tr> <td data-bbox="348 257 552 335">CARD Inc.</td> <td data-bbox="552 257 726 335">Trustee and Treasurer of CARD, Inc.</td> </tr> <tr> <td data-bbox="348 335 552 448">CARD Bank, Inc.</td> <td data-bbox="552 335 726 448">Director, Vice Chairman and Senior Management Adviser</td> </tr> </tbody> </table>	Institution	Position	CARD Inc.	Trustee and Treasurer of CARD, Inc.	CARD Bank, Inc.	Director, Vice Chairman and Senior Management Adviser	<p>With more than 34 years of experience in microfinance, banking, and other related fields.</p> <p><b>Educational Attainment:</b> BSC Accountancy at Laguna College (1981), MS Community Development at UPLB (1985), Global Excellence in Management at Case Western Reserve (2000), Appreciative Inquiry at University USA (2000), Microfinance Training at Boulder Colorado (2001), Executive MBA at AIM, Makati City (2006), Key Executives Management Course at Harvard Business School USA (2010) and Ph.D. in Organization Development at SAIDI, Manila (2016).</p> <p><b>Other trainings:</b> IT Governance Principle Course, Anti-Money Laundering and Combating the Financing of Terrorism, Risk Management Excellence in Microfinance, Succession Planning: Developing Leaders from Within, ITIL Intermediate Certificate in Service Strategy, Basic and Advance Microfinance Training, and Corporate Governance and Basic Rural Banking Course.</p>
Institution	Position							
CARD Inc.	Trustee and Treasurer of CARD, Inc.							
CARD Bank, Inc.	Director, Vice Chairman and Senior Management Adviser							
<p><b>Elma B. Valenzuela</b> Director, President and CEO</p>	<p>56, Filipino</p> <p>Other Current Directorship and Officership:</p> <table border="1" data-bbox="348 874 726 945"> <thead> <tr> <th data-bbox="348 874 534 914">Institution</th> <th data-bbox="534 874 726 914">Position</th> </tr> </thead> <tbody> <tr> <td data-bbox="348 914 534 945">CARD SME Bank</td> <td data-bbox="534 914 726 945">Director</td> </tr> </tbody> </table>	Institution	Position	CARD SME Bank	Director	<p>With more than 32 years of experience in the microfinance industry. Concurrently, she is a Director of CARD SME Bank, Inc.</p> <p><b>Educational Attainment:</b> BS Agriculture (Agronomy) at G. Araneta Univ. Foundation, Malabon, Metro Manila (1986), Master of Business Administration (MBA) at Trinity College, Quezon City (2004), Executive MBA at Asian Institute of Management, Makati City (2007) and Advanced Management Program - Harvard Business School, Boston, Massachusetts (2015)</p> <p><b>Other trainings</b> Financial Inclusion Workshop, Updated Guidelines on Sound Credit Risk Management, Succession Planning: Developing Leaders from Within, Risk Management Seminar, Governance and Risk Management Training, Microfinance Management Training, Basic Rural Banking Course, International Training Course on Rural Finance, IT Governance Principle Course, Anti-Money Laundering and Combating the Financing of Terrorism</p>		
Institution	Position							
CARD SME Bank	Director							

Name	Age and Nationality	Qualifications																				
<p><b>Marie Josephine Ocampo</b> Director</p>	<p>58, Filipino</p> <p>Other Current Directorship and Officership:</p> <table border="1" data-bbox="253 274 634 599"> <thead> <tr> <th>Institution</th> <th>Position</th> </tr> </thead> <tbody> <tr> <td>BPI Direct BankKO, Inc.</td> <td>Director</td> </tr> <tr> <td>BPI Payments Holdings, Inc.</td> <td>Director and Chairman</td> </tr> <tr> <td>BPI Unsecured Lending and CARD Groups</td> <td>Senior Vice President</td> </tr> <tr> <td>Global Payments Asia-Pacific Philippines, Inc.</td> <td>Director</td> </tr> <tr> <td>Marlo Investment and Trading Corporation</td> <td>President</td> </tr> </tbody> </table>	Institution	Position	BPI Direct BankKO, Inc.	Director	BPI Payments Holdings, Inc.	Director and Chairman	BPI Unsecured Lending and CARD Groups	Senior Vice President	Global Payments Asia-Pacific Philippines, Inc.	Director	Marlo Investment and Trading Corporation	President	<p>With more than 31 years of experience in the banking, finance and related fields.</p> <p><b>Educational Attainment:</b> BS Business Management Honors Program at Ateneo de Manila University (1984) and Advance Management Program at Harvard Business School, Boston Massachusetts (2007)</p> <p><b>Other Trainings:</b> Management Development Program, Johnson and Johnson School of Advertising, Management Development Program, Quality Improvement Course, Project Management, Risk Management Overview, Money Laundering and Terrorist Program, Advance Corporate Governance Training.</p>								
Institution	Position																					
BPI Direct BankKO, Inc.	Director																					
BPI Payments Holdings, Inc.	Director and Chairman																					
BPI Unsecured Lending and CARD Groups	Senior Vice President																					
Global Payments Asia-Pacific Philippines, Inc.	Director																					
Marlo Investment and Trading Corporation	President																					
<p><b>Julius Adrian R. Alip</b> Director</p>	<p>42, Filipino</p> <p>Other Current Directorship and Officership:</p> <table border="1" data-bbox="253 722 631 1142"> <thead> <tr> <th>Institution</th> <th>Position</th> </tr> </thead> <tbody> <tr> <td>CARD, Inc.</td> <td>Trustee</td> </tr> <tr> <td>CARD MRI Hijos Tours</td> <td>Director</td> </tr> <tr> <td>CMIT</td> <td>Director</td> </tr> <tr> <td>Philippine Finance Association</td> <td>Director</td> </tr> <tr> <td>CARD-BDSFI</td> <td>President and CEO</td> </tr> <tr> <td>CARD LFC</td> <td>President</td> </tr> <tr> <td>Matapat Holdings</td> <td>Chairman</td> </tr> <tr> <td>Topscores Holdings</td> <td>Director</td> </tr> <tr> <td>Pinoy2Pinoy IT Company</td> <td>Corporate Secretary</td> </tr> </tbody> </table>	Institution	Position	CARD, Inc.	Trustee	CARD MRI Hijos Tours	Director	CMIT	Director	Philippine Finance Association	Director	CARD-BDSFI	President and CEO	CARD LFC	President	Matapat Holdings	Chairman	Topscores Holdings	Director	Pinoy2Pinoy IT Company	Corporate Secretary	<p>With more than 18 years of experience in the microfinance and business development service industry</p> <p><b>Educational Attainment:</b> AB Technical Theater at De La Salle University College of St. Benilde (1999), MS Public Administrator at Harvard University (2014), AIM Top Management Program at Asian Institute of Management, Makati City (2009), MS International Community Economic Development at Southern New Hampshire University (2006), and Accredited SME Consultant of Association of Accredited Small Business Consultants USA (2020).</p> <p><b>Other trainings:</b> Non-Credit Private Equity and Venture Capital, Executive Education Top Management Program, Executive Education High Potential Leadership, Exposure in Banking Field Operations, SME Financing, SME Financing/Financial Analysis, Corporate Governance Course, IT Governance Principle Course, Anti-Money Laundering and Combating the Financing of Terrorism</p>
Institution	Position																					
CARD, Inc.	Trustee																					
CARD MRI Hijos Tours	Director																					
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Name	Age and Nationality	Qualifications						
<p><b>Faustino M. Buenaventura</b> Independent Director</p>	<p>79, Filipino Other Current Directorship and Officership:</p> <table border="1" data-bbox="348 235 727 309"> <thead> <tr> <th data-bbox="348 235 537 274">Institution</th> <th data-bbox="537 235 727 274">Position</th> </tr> </thead> <tbody> <tr> <td data-bbox="348 274 537 309">NA</td> <td data-bbox="537 274 727 309">NA</td> </tr> </tbody> </table>	Institution	Position	NA	NA	<p>With more than 41 years of experience in banking, finance and other related fields</p> <p><b>Educational Attainment:</b> BBA Accountancy at University of the East (1963) and is Certified Public Accountant</p> <p><b>Other trainings:</b> Joint CB/Finex Seminar on Credit Evaluation, Seminar/ Workshop on Bank Frauds, Prevention, Investigation and Detection, Values Orientation Workshop, Capital Markets and Treasury Instrument course, Train the Trainor Seminar on Micro-Finance Examination Guidelines and Procedures, Regional Seminar on Financial Regulator Training Inst., Risk Based Audit, IT Governance Principle Course, Anti-Money Laundering and Combating the Financing of Terrorism</p>		
Institution	Position							
NA	NA							
<p><b>Pascuala S. Geñoso</b> Independent Director</p>	<p>66, Filipino Other Current Directorship and Officership:</p> <table border="1" data-bbox="348 760 727 879"> <thead> <tr> <th data-bbox="348 760 586 802">Institution</th> <th data-bbox="586 760 727 802">Position</th> </tr> </thead> <tbody> <tr> <td data-bbox="348 802 586 879">Rinalisa Transport Service Multi-Purpose Cooperative (Rinalisa TSMPC)</td> <td data-bbox="586 802 727 879">Treasurer</td> </tr> </tbody> </table>	Institution	Position	Rinalisa Transport Service Multi-Purpose Cooperative (Rinalisa TSMPC)	Treasurer	<p><b>Educational Attainment:</b> BS in Business Administration at Porta Choeili (On-going)</p> <p><b>Other trainings:</b> Governance and AMLA workshop, Corporate Governance for Rural Bank Directors, Risk Based Audit, Related Party Transactions, Corporate Governance, IT Governance Principle Course, Anti-Money Laundering and Combating the Financing of Terrorism</p>		
Institution	Position							
Rinalisa Transport Service Multi-Purpose Cooperative (Rinalisa TSMPC)	Treasurer							
<p><b>Julieta A. Miranda</b> Independent Director</p>	<p>63, Filipino Other Current Directorship and Officership:</p> <table border="1" data-bbox="348 1051 727 1159"> <thead> <tr> <th data-bbox="348 1051 537 1090">Institution</th> <th data-bbox="537 1051 727 1090">Position</th> </tr> </thead> <tbody> <tr> <td data-bbox="348 1090 537 1125">Mother Butler Guild</td> <td data-bbox="537 1090 727 1125">Vice President</td> </tr> <tr> <td data-bbox="348 1125 537 1159">Legion of Mary</td> <td data-bbox="537 1125 727 1159">Vice President</td> </tr> </tbody> </table>	Institution	Position	Mother Butler Guild	Vice President	Legion of Mary	Vice President	<p><b>Educational Attainment:</b> BS Commerce at Adamson University and Polytechnic University of the Philippines (Undergraduate) and Secretarial at Araullo Evening Vocational School (Vocational)</p> <p><b>Other trainings:</b> Corporate Governance Seminar and Supervisory Training, IT Governance Principle Course, Anti-Money Laundering and Combating the Financing of Terrorism</p>
Institution	Position							
Mother Butler Guild	Vice President							
Legion of Mary	Vice President							

<b>Suzette S. Marquez</b> Independent Director	56, Filipino Other Current Directorship and Officership:	<b>Educational Attainment:</b> BS Secondary Education Major in Psychology at Cebu Normal University, Cebu City (Undergraduate)			
	<table border="1"> <thead> <tr> <th>Institution</th> <th>Position</th> </tr> </thead> <tbody> <tr> <td>N/A</td> <td></td> </tr> </tbody> </table>	Institution	Position	N/A	
Institution	Position				
N/A					

## BOARD COMMITTEES

The Board is supported by nine (9) different committees with their respective functions and directives as follows:

### A. Audit Committee

Name of Director	Attendance		Position
Mr. Faustino M. Buenaventura	11/12	92%	Chairperson
Mr. Julius Adrian R. Alip	12/12	100%	Member
Ms. Pascual S. Geñoso	12/12	100%	Member
Ms. Marie Josephine M. Ocampo	1912	75%	Member

The audit committee is composed of four (4) members of the board, all are non-executive director, and majority are independent director including the Chairperson, who have knowledge of financial reporting and internal controls. The 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 has regularly meets every second 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.

## B. Risk Oversight Committee

Name of Director	Attendance		Position
Ms. Pascuala S. Geñoso	12/12	100%	Chairperson
Ms. Suzette S. Marquez	12/12	100%	Member
Ms. Marie Josephine Ocampo	10/12	83%	Member
Mr. Julius Adrian Alip	12/12	100%	Member

The Risk Oversight Committee is composed four (4) members of the board of directors, majority of whom are independent directors including the Chairperson. The committee advises the board of directors on the bank's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement, and reports on the state of risk culture of the bank. The creation of 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 regularly meets every second 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.

## C. Corporate Governance Committee

Name of Director	Attendance		Position
Ms. Julieta A. Miranda	11/12	92%	Chairperson
Ms. Suzette S. Marquez	12/12	100%	Member
Ms. Flordeliza L. Sarmiento	12/12	100%	Member
Ms. Elma B. Valenzuela	12/12	100%	Member

The Corporate Governance Committee is composed of four (4) members of the board of directors, majority of whom are independent directors, including the Chairperson. The committee assists the board of directors in fulfilling its corporate governance responsibilities. The committee regularly meets every second 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.

## D. Related Party Transactions (RPT) Committee

Name of Director	Attendance		Position
Ms. Suzette S. Marquez	12/12	100%	Chairperson
Ms. Pascuala S. Geñoso	12/12	100%	Member
Ms. Julieta A. Miranda	11/12	92%	Member
Mr. Faustino M. Buenaventura	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 four (4) members of the board of directors, all of whom are independent directors, including the Chairperson. In case a member has conflict of interest in a particular RPT, he/she refrains from evaluating such particular transaction. Independent unit such as Compliance Officer and/or Internal Auditor shall sit as resource person of the committee. The committee regularly meets every second Saturday of the month or as the need arises.

The Related Party Transactions (RPT) Committee's tasks include the following:

- a. Ensures that all related parties are continuously identified, monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.
- b. Ensures that all materials concerning RPTs are not undertaken on more favorable terms to such related parties than similar transactions with non-related parties under similar circumstances.
- c. Guarantees that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank's RPTs exposures, and policies on conflicts of interest or potential conflicts of interest.
- d. Makes regular reporting to the board of directors on the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- e. Ensures that transactions with related parties, including write-

off of exposures, are subject to periodic independent review or audit process.

- f. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

## E. Credit Committee

Name of Director	Attendance		Position
Ms. Pascuala S. Geñoso	-	-	Chairperson
Ms. Julieta A. Miranda	-	-	Member
Ms. Juliana B. De Leon	-	-	Member

*Note: There were no loan applications escalated to the credit committee for the year 2020*

The committee is composed of two (2) members of the board of directors, all of whom are independent directors, including the chairperson and at least one (1) member of the senior management. The Secretary shall serve as an ex-officio member of the committee. The board of directors may also elect one (1) additional director to serve as an alternate member in the absence or inability of any regular member thereof. The committee shall meet as frequently as necessary.

The duties and responsibilities of the Credit Committee is to process, scrutinize and endorse loan application for approval of the board of directors as per the bank’s board approved codified signing and approving authority.

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

## F. Compliance Committee

Name of Director	Attendance		Position
Dr. Dolores M. Torres	12/12	100%	Chairperson
Ms. Flordeliza L. Sarmiento	12/12	100%	Member
Ms. Elma B. Valenzuela	12/12	100%	Member
Mr. Faustino M. Buenaventura	12/12	100%	Member

The Compliance Committee is composed of four (4) members of the board of directors including the head of audit and head of compliance who shall possess a range of expertise as well as adequate knowledge on the business risks. The committee was chaired by a non-executive member of the board. The Head or 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, thru 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 shall have a regular once a month meeting. This shall be held every month a day before the Board meeting 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 thru 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 Compliance Committee tasks include the following:

- a. Ensuring that compliance system of the bank is defined, established and updated to facilitate an effective management of compliance with bank policies and regulatory requirements.
- b. Ensure that updated compliance program was approved by the Board, oversee and promotes its effective implementation.
- c. Ensuring that compliance issues encounter by the bank were immediately resolved and acted upon.
- d. Ensuring that duties and responsibilities of Board of Directors stated under Section 132 of the MORB: Powers/duties and responsibilities of the board of directors were done.

- e. It shall provide 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 to ensure compliance and are kept updated/ remain relevant to best react on the changing AML regulatory scenarios and conditions.
- f. Review and take action, as necessary, on AML related reports coming from the bank's compliance office.
- g. Shall oversee and ensure the effective performance of the AML/TF functions of the bank's compliance office.

### G. Outsourcing Committee

Name of Director	Attendance		Position
Ms. Elma B. Valenzuela	12/12	100%	Chairperson
Ms. Juliana B. De Leon	12/12	100%	Member
Ms. Anna Lorraine Maur	12/12	100%	Member
Ms. Maria Ernelyn Dajao	12/12	100%	Member
Ms. Joan Cajos	12/12	100%	Member
Mr. Christopher Dela Cruz	12/12	100%	Member

CARD MRI Rizal bank continuously expands over the years. With the continuous growth towards achieving its strategic technical and operational objectives along with the cost reduction measures bank started to outsource some of its activities. The Outsourcing Committee is comprised of senior management of the Bank. The Outsourcing Committee shall have a regular once a month meeting or as the need arises.

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

- a. Reducing cost such as employee compensation cost, office space expenses and other associated cost of doing the outsourced activities.
- b. Giving more focus on the bank in dealing on their expertise

and core business.

- c. Improving the quality of services being offered.
- d. Improving customer satisfaction.
- e. Improving operational efficiency.

## H. IT Steering Committee

Name of Director	Attendance		Position
Ms. Elma B. Valenzuela	12/12	100%	Chairperson
Ms. Juliana B. De Leon	12/12	100%	Member
Ms. Anna Lorraine Maur	12/12	100%	Member
Ms. Mary Ann Angelio	11/12	92%	Member
Mr. Glenn Matienzo	12/12	100%	Member
Mr. Maria Emelyn Dajao	12/12	100%	Member
Ms. Ma. Adoracion Ola	12/12	100%	Member
Ms. Marites Pedraja	7/12	58%	Member

The IT Steering Committee serves as a formalized group that is responsible for ensuring the IT Risk Management and Monitoring and Control is started and maintained through regular meetings. The IT Steering Committee oversees the Information Technology related issues and initiatives. The IT Steering Committee is comprised of senior management of the Bank. The IT Steering Committee shall have a regular once a month meeting or as the need arises.

## I. Asset and Liability Committee

Name of Director	Attendance		Position
Ms. Anna Lorraine Maur	12/12	100%	Chairperson
Ms. Elma B. Valenzuela	12/12	100%	Member
Ms. Marites Pedraja	7/9	78%	Member
Ms. Juliana B. De Leon	12/12	100%	Member
Ms. Ma. Adoracion M. Ola	12/12	100%	Member
Ms. Mary Grace Vergavera	12/12	100%	Member

The assets and liabilities of CARD MRI Rizal Bank shall be managed properly to maximize shareholder 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 shall be 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 are directed by the Asset/Liability Committee (ALCO).

The Asset and Liability Committee (ALCO) is comprised of senior management who are responsible to carry out Financial Risk Management (FRM) responsibilities. The ALCO Committee shall have a regular once a month meeting. This shall be held the week before of Board of Directors meeting or as the need arises.

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

- a. Protect the liquidity position of the Bank to meet maturing obligations when they are due, so that there would have adequate liquidity for growth, and adequate liquidity for emergencies.
- b. Ensure that profitability and sustainability of the institution through proactive balance sheet management.
- c. Analyze the potential financial risks associated with any new products and make recommendations of how to measure and limit/manage the risk (including how to incorporate new products into existing asset liability matching reports).
- d. Review the overall financial risk of the organization whenever there is a significant change to the balance sheet structure (for example adding a new funding source or new client product) and present findings to the Board.



# INDEPENDENT CHECKS AND BALANCES

To ensure robust and exemplary banking operations, CARD MRI Rizal 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 MRI Rizal 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 are 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 Deputy Director for Audit reports directly to the Audit Committee on its regular monthly meeting which composed of four (4) members of the board of directors, 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 & Co.) 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 is responsible for ensuring that the bank complies with the requirements, policies, circulars, and guidelines issued by BSP, BIR, LGUs, and other government agencies. Compliance unit thru the Chief Compliance Officer reports directly to the Compliance Committee on its monthly regular meetings which composed of four (4) members of the Board of Directors.

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 (MLTFPP)**

The bank adopted the Updated Anti-Money Laundering Rules and Regulations of Bangko Sentral ng Pilipinas (BSP) - a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLTFPP) 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 conforms 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 MLTFPP 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.

In the midst of COVID 19 pandemic, the digital financial services of the bank were strengthened to better serve our clients without compromising the health and security of our staffs from the infection of the virus. With the increase in digital financial transaction, the bank also strengthened its monitoring activities on transaction passing thru our digital channels to ensure that the bank will not be used as vehicle to divert any proceeds from illegal activities nor to finance terrorism activities.

## **MLTFPP 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**

The bank's Board of Directors has 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, the Regional Director is also designated as the liaison officer of the compliance office in their respective branches. The Regional Director 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 thru the AML Compliance Officer is primary responsible in the management of the implementation of the Money Laundering and Terrorist Financing Prevention Program (MLTFPP) 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 MLTFPP program. She will be the liaison between bank, the BSP and the AMLC in matters relating to Bank's AML/CFT compliance. She is assisted by two (2) Assistant AML Compliance Officer in monitoring the implementation of this MLTFPP 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 ensure that risk exposure to ML/TF was identified, understood and assessed 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.

### **CODE OF CONDUCT AND BUSINESS ETHICS**

CARD RBI institutionalized the highest ethical standards through strict implementation of the bank's Code of Conduct, the guiding principles and policies governing the activities of the institution.

### **RELATED PARTY TRANSACTIONS**

To foster transparency of related party transactions between and among the bank and its related parties, affiliated companies, directors, officers, stockholders, related interests (DOSRI), the bank complies with the legal and regulatory requirements pertaining to proper approval and disclosure of such transactions. Policies and procedure are in place to manage potential conflicts of interest arising from related party transactions such as credit accommodations, products or services extended by the bank to

directors or officers for their personal capacity or to their company.

## **STAKEHOLDERS INTEREST**

CARD MRI Rizal Bank, Inc. recognized the inherent rights of shareholders in accordance with the law and aligned the principles and policies with the interest of its shareholders.

### **CARD MRI Rizal Bank, Inc. Stockholders**

The bank envisions transferring its ownership to the economically challenged women; hence it encourages its members to become stockholders. Clients can acquire shares through their Pangakong-Ipon Savings. Dividends are given as one of the benefits of being a stockholder. Being part of the institution, the stockholders are also given the right to take part in the decision-making of the bank. Annual Stockholders meeting is organized to inform clients on the updated financial conditions of the bank. The stockholders can cast their votes and are given the opportunity to question and express their opinions and suggestions.

## **DISASTER PREPAREDNESS AND FIRST AID TRAINING**

In cooperation with local Fire Department and PNP where bank branches and BLUs are located, fire and earthquake drills, first aid, and robbery/theft training were conducted this year. Such trainings aim to orient and teach bank staffs towards responding in times of disaster or unfortunate events.

## **SUPPLIER/CONTRACTOR SELECTION CRITERIA**

CARD MRI Rizal Bank, Inc. conducted a review of the accredited suppliers to ensure that the bank gets effective and efficient third-party products and services. The due diligence considered the financial stability of the supplier, the ability to provide competitive price, good products, and services, and its compliance with the regulatory requirements.

## **EMPLOYEE BENEFITS**

The bank conducts Annual Physical Examinations for its staff and provided free health care benefits and health facilities such medical clinics manned by occupational health practitioners. As a member institution of CARD MRI, the bank continuously pursues competence and high regards on our human resources. To further build on their skills and capabilities in running our banking and microfinance operations, our board members and officers undergo continuous capacity-building through local and international training, seminars, workshops, and conferences. Selected staff from the bank are also given an opportunity to enroll in a master's degree program.

## **ENVIRONMENT-FRIENDLY VALUE CHAIN**

The bank supports Republic Act 9003, also known as the “Ecological Solid Waste Management Act,” by implementing proper segregation and disposal of solid wastes. Furthermore, as the issue of climate change continues to threaten our water resources, we implemented a policy that encourages all our offices to use water efficiently. We have availed solar panels through CARD Leasing and Finance Corporation to ensure continuous operations despite certain calamities, especially storms and typhoons. This endeavor is also in support to CARD-Business Development Service Foundation Inc.'s renewable energy initiative.

## **TRANSPARENCY AND DISCLOSURE**

Recognizing the contribution as well as the rights of customers, the bank promotes disclosure and transparency in its policy by providing customers with sufficient information to understand the products and services 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/services being availed of, benefits and its associated risks.

## DATA PRIVACY STATEMENT

Maintaining client privacy is an important part of the services the bank has provided. The bank's Data Privacy Statement explains how we collect, protect, use, and share information when our clients access our websites and/or apply for and avail of our products and services. Moreover, it outlines the general practices of the bank in relation to the processes and contents which are made available through our network of websites, our online and mobile applications, and social media pages (collectively referred to as "websites"). It also covers the privacy practices for our clients who have to apply for and obtain products and services from us, such as, but not limited to, deposits, loans, microinsurance, and other products and services that the bank may offer from time to time.



# RISK MANAGEMENT

Risk management is always a priority even in all units of operation. Part of it is the regular monitoring of branches being conducted by the Executive and Management Committee other than the regular audit for all bank branches and head office departments like IT, Compliance, Finance, Security, Marketing and others. It was in year 2012 when Risk Management was created. Since the bank's operation continues its expanding and opening more branches in all regions of the Philippines and to better serve its ever-growing number of clients, risk management was handled as a separate Unit. This is to ensure that corresponding risk mitigation towards the identified and assessed risk is effective. This is being done by assessing the risk exposures and measuring the degree of risk exposures of the bank by managing risk and control assessment.

The Board of Directors delegate authority to Risk Oversight Committee to balance performance and compliance by ensuring

that management's actions are consistent with CARD MRI Rizal Bank's strategy and in line with the organization's risk tolerance. The Risk Oversight Committee delegates authority for identifying, analyzing, managing and reporting risks to an independent risk management department.

## **RISK GOVERNANCE**

Risk management process is incorporated in the bank management system and all levels of operations/units are involved. The respective unit head/supervisors are risk owners and are responsible in identifying risk at their levels through regular monitoring.

## **RISK CULTURE**

CARD MRI Rizal Bank is implementing a risk culture that defines the set of individual and corporate values, attitudes, competencies and behavior to show commitment on risk management. This is compliance with circular 900- Guidelines on Operational Risk Management

The main components shall include:

1. Staff at all levels shall clearly understand their responsibilities with respect to risk management.
2. Adoption of procedures with clearly drawn lines of authority, segregated duties and responsibilities, and appropriate checks and balances across the institution.

## **THREE LINES OF DEFENSE**

1. First Line of Defense – assure that operational people are accountable for the risk assumed in operational activities.
2. Second Line of Defense – review functions of the risk management department for ensuring that risk assumed by CARD MRI Rizal Bank are appropriately managed and

controlled.

3. Third Line of Defense – assure that Internal Audit as an independent function is controlling in line with best industry practices the activities of the First Line and Second Line of Defense.

## RISK APPETITE, STRATEGIES AND RISK MANAGEMENT PROCESSES

Over time, the bank experienced various type of risks that became guidelines in improving its product and services. Following are the different type of risks, profiles and mitigating strategies and activities to manage and mitigate risk:

TYPE AND DESCRIPTION OF RISK	PROFILE	MITIGATING STRATEGIES/ ACTIVITIES
<p><b>Credit Risk</b> – denotes danger that borrower is not able or willing to pay the principal and/or interest at maturity date.</p>	<ul style="list-style-type: none"> <li>• Highly volatile due to non-collateralized loans and non-payment by willful defaulters</li> <li>• High loan loss provisioning eroding profitability and equity</li> <li>• Breakdown of discipline by some members that impact some good borrowers</li> </ul>	<p><b>First Line of defense:</b></p> <ul style="list-style-type: none"> <li>• Intensive follow-up for defaulters</li> <li>• Daily monitoring on the number of default members</li> <li>• Rehabilitation program for worst hit branches</li> <li>• Sample legal cases for default members</li> <li>• Hiring of consultants to help in enhancement and rehabilitation</li> <li>• Intensifying rebuilding of credit discipline by members thru enhancement of awareness of advantages and benefits as members/ stockholders and lakbay aral program.</li> <li>• Up-to-date reporting to the Board of Directors</li> <li>• Approved codified signing and approving authority</li> </ul>

TYPE AND DESCRIPTION OF RISK	PROFILE	MITIGATING STRATEGIES/ ACTIVITIES
		<p><b>Second Line of defense:</b></p> <ul style="list-style-type: none"> <li>• Mitigate the risk of incurring losses</li> <li>• Check if the credit risk exposures are within the bank risk appetite</li> <li>• Develop and review the credit risk policy and recommend changes in the credit risk policy to the Risk Oversight Committee and board of directors.</li> <li>• Check and monitor if credit risk policy is properly implemented at the branch and BLU level.</li> <li>• Monitor the loan portfolio with higher risk</li> <li>• To maintain the level of non-performing loans below 3%. Take specific actions in case part of non-performing loans exceeds 3% to recover the loans such as: <ul style="list-style-type: none"> <li>» Develop a policy to recover the uncollected amount of past due loans</li> <li>» Recommend strategies by doing continued follow up and monitoring of the operations staff to members who are not regularly paying their dues to control the credit portfolio at risk</li> </ul> </li> </ul>

TYPE AND DESCRIPTION OF RISK	PROFILE	MITIGATING STRATEGIES/ ACTIVITIES
		<ul style="list-style-type: none"> <li>» Up-to-date reporting of the status of the loan portfolio to the Risk Oversight Committee and Board of Directors</li> <li>» Check the credit concentration to ensure if within defined limits</li> </ul> <p><b>Third Line of Defense</b></p> <ul style="list-style-type: none"> <li>• Ensure that Internal Audit is an independent function and has the responsibility of reviewing and verifying the internal control systems and procedures to confirm that they are operating smoothly.</li> </ul>
<p><b>Interest Rate Risks</b> Risks to earnings or capital arising from mismatches of the timing within which interest rates on assets and liabilities can be changed.</p>	<p>ALCO regularly monitor this risk</p>	<ul style="list-style-type: none"> <li>• Process to coordinate interest rate risk sensitivity decisions is done by the Asset and Liability Committee (ALCO) represented with the Vice-President for Finance and Accounting as Chairman</li> <li>• Manage the impact of interest rate environments with balances mix of fixed and variable rate.</li> <li>• Mitigate the risk of incurring losses arising from market interest rate changes to an acceptable level.</li> </ul>

TYPE AND DESCRIPTION OF RISK	PROFILE	MITIGATING STRATEGIES/ ACTIVITIES
<p><b>Liquidity Risk</b> – Risk of a temporary cash flow problem, because assets can be liquidated by large discounts.</p>	<p>Savings composition which on the average 60% of fund are coming. In addition are the available credit lines.</p>	<p><b>Installation of Assets and Liability</b></p> <ul style="list-style-type: none"> <li>• Management Committee (ALCO) that reviews liquidity position of the bank monthly.</li> <li>• Early repayment and settlement of loan balances when there are excess funds</li> <li>• Continuous savings mobilization activities and program</li> </ul> <p><b>Second Line of Defense</b></p> <ul style="list-style-type: none"> <li>• To Check if the obligations can pay on time where this is present and future debts considering the nature of performed activities and requirements due to changes in market environment by checking the financial position and contingent liabilities and commitments.</li> <li>• Up-to-date monitoring and reporting to the Risk Oversight Committee if compliant based on the set standard ratio or limit</li> </ul>
<p><b>Operations Risks</b> - Risk to earnings or capital that may arise as a result of weakness in organizational structure, poor oversight function of board of directors and senior management, defective personnel recruitment/selection/ hiring policy, weak internal control system, inadequate internal and external coverage and deficient management information system.</p>	<ul style="list-style-type: none"> <li>• People Risk: internal fraud, External fraud, incompetency, work force interruption, wrongful employment termination.</li> <li>• Process Risk: failure of internal process, exceeding limits, project of overruns, inadequate project plan, failure to adhere internal and external compliance procedure, security risk.</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrading of staff capacities both at the top and middle management by sending Senior Officer and Management to different schools like Asian Institute of Management (AIM) in Makati, Southern New Hampshire University in USA, South-East Asia Inter-disciplinary Development Institute (SAIDI).</li> <li>• Regular monthly monitoring by the Executive and Management Committee each with individual target</li> </ul>

TYPE AND DESCRIPTION OF RISK	PROFILE	MITIGATING STRATEGIES/ ACTIVITIES
	<ul style="list-style-type: none"> <li>System and Technology risk: network failure, external security breaches, failure to integrate or migrate with/ from existing system.</li> <li>External Risk: legal risk, regulatory risk, political risk,</li> </ul>	<ul style="list-style-type: none"> <li>Regular management committee meeting once in a month.</li> </ul> <p><b>Second line of defense</b></p> <ul style="list-style-type: none"> <li>To monitor assessment of the exposure to all types of operational risk faced by the company by assessing the quality and appropriateness of mitigating actions.</li> <li>To ensure that adequate controls and systems are in place to identify and address problems before they become major problems.</li> <li>Up-to-date reporting of the status of the operations related to risk to the Risk Oversight Committee and Board of Directors</li> </ul>
<p><b>Compliance Risk</b> – is the risk of legal or regulatory sanctions, financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with all applicable laws, regulations, code of conduct and standards of good practice.</p>	<p>Very strong Compliance Unit</p>	<p><b>First line of defense</b></p> <ul style="list-style-type: none"> <li>With compliance committee conducting regular monthly meeting.</li> <li>Regular reporting of compliance risk issues to the Risk Oversight Committee.</li> <li>Compliance staff is also conducting regular monitoring and testing of branch compliance.</li> </ul> <p><b>Second line of defense</b></p> <ul style="list-style-type: none"> <li>Check and monitor the status of reporting to BSP if compliant.</li> <li>Reporting of compliance risk issues to the Risk Oversight Committee</li> </ul>

TYPE AND DESCRIPTION OF RISK	PROFILE	MITIGATING STRATEGIES/ ACTIVITIES
<p><b>Information Technology Risk</b> – any risk related to information technology</p>	<p>Procedures are yet in checking parameters. Security feature of the current system is currently establishing.</p>	<ul style="list-style-type: none"> <li>• Core team to monitor IT related problems was established with regular monthly meeting.</li> <li>• With board and management oversight</li> <li>• Regular IT audit.</li> <li>• Each branch has a logbook of IT encountered problems which serves as reference and guidelines for IT staff in the conduct of their actions on the problems being reported.</li> <li>• For security of data and source code of the system, IT staff has Confidentiality and Non-Disclosure Agreement (CNDA)</li> </ul> <p><b>Second line of defense:</b> Ensure that the risk under Information technology risk is monitored and report to the Risk Oversight Committee as follows:</p> <p>a. Process Risk Areas Check the processes, procedures, and guidelines for managing risks if established and fully documented and reviewed for relevance and usefulness.</p> <p>b. Human Resources Management Risk Areas</p> <ul style="list-style-type: none"> <li>• Check if the assigned personnel possess the required skills to handle the systems, equipment, services, and facilities in placed and planned.</li> </ul>

TYPE AND DESCRIPTION OF RISK	PROFILE	MITIGATING STRATEGIES/ ACTIVITIES
		<ul style="list-style-type: none"> <li>• Check if there is Succession planning for key positions.</li> <li>• Check if procedures is put in place that all concerned personnel are briefed on the information security roles and responsibilities.</li> </ul> <p>c. Platform / Application Risk Areas</p> <ul style="list-style-type: none"> <li>• These are related to the selection and implementation of system hardware, operating and application software associated with the use of information system. In selecting and implementing of any software assets, management have considered the availability and adequacy of support to all platforms within the bank and outsourced IT infrastructure.</li> </ul> <p>d. Network Security Risk Areas</p> <ul style="list-style-type: none"> <li>• Check the risks associated with the connection of information systems, terminals, and other connections to the internal network infrastructure and to the external network such as the Internet and other third-party facilities.</li> </ul>

TYPE AND DESCRIPTION OF RISK	PROFILE	MITIGATING STRATEGIES/ ACTIVITIES
		<ul style="list-style-type: none"> <li>• Security and network management systems are implemented to monitor any unauthorized access or usage of the systems, resources, and facilities. Management should ensure that all network devices and other communication systems are updated and maintained properly.</li> </ul> <p>e. Physical / Environmental Risk Areas</p> <ul style="list-style-type: none"> <li>• Check and report if the physical installation and site of the data center, disaster recovery site(s) and other offices were in a place free from environmental risks like flood, fire etc. Mitigating steps were taken in cases that any site has been identified susceptible to risk.</li> </ul> <p>f. Information Assets Risk Areas</p> <ul style="list-style-type: none"> <li>• All identified information and information assets were securely stored with its full documentation for the continuous operations of the systems and infrastructure. Documentations were maintained and kept updated. There are proper process and procedures in place for verification of all the documentations.</li> </ul>

TYPE AND DESCRIPTION OF RISK	PROFILE	MITIGATING STRATEGIES/ ACTIVITIES
		<p>g. Outsourcing/External Vendor Risk Areas</p> <ul style="list-style-type: none"> <li>• Check if Service level agreement put in place in outsourcing of work to vendors.</li> <li>• Requirements and responsibilities are clear.</li> <li>• Check the lists of service provider that can be easily identified in cases of failure of delivery of services or worst a termination of contract.</li> <li>• A standard termination/ pre-termination clause should be embedded in every Maintenance Agreement to be able to terminate the contract, with or without a cause, at least thirty (30) days prior to the intended date of termination.</li> <li>• Check if the regular review on the vendor's service performance is also conducted by the IT Unit.</li> </ul> <p>h. Bank's Responsibility Risk Areas</p> <p>Check if proper information on all the benefits is provided for sake of customer on the correct usage of the information system and increase awareness on the aspects of security and confidentiality of data.</p>

TYPE AND DESCRIPTION OF RISK	PROFILE	MITIGATING STRATEGIES/ ACTIVITIES
<p><b>Legal Risks</b> - Risks to earnings and capital that may arise as a result of unenforceable contracts, lawsuits, or adverse judgments.</p>	<p>Increasing risk due to increasing transaction.</p>	<ul style="list-style-type: none"> <li>• Well set up detailed guidelines for legal documentation for particular transactions Involved.</li> <li>• With Legal staff in-charge for the completion, compilation and filing of all legal documentations.</li> <li>• Guidelines in handling legal cases were established to guide employees in handling staff cases.</li> <li>• Settlement of cases shall be done through the Legal Counselor through court proceedings. In this regard, the following executives and Legal Counsel are given! authority to decide whether to pursue staff cases or execute compromise agreement:</li> <li>• Designation of approving authorities on legal recommendations</li> <li>• To prevent lawsuit, more importantly, the following are being observed by the bank:</li> <li>• Maintenance of Legal Counsel in the form of Retainers and maintenance of Legal Unit.</li> <li>• Regular consultation with the Legal Counsel and the Legal Unit on matter that has legal consequences.</li> <li>• Regular monitoring and upgrading of legal policies.</li> <li>• Reports of banking activities and other significant issues are submitted for regular review by the Board of Directors, Management Committee Regulatory Agencies (i.e. BSP, PDIC, SEC and BIR)</li> </ul>

TYPE AND DESCRIPTION OF RISK	PROFILE	MITIGATING STRATEGIES/ ACTIVITIES
		<ul style="list-style-type: none"> <li>• Para-legal training for employees of the bank and capacity building for Legal Unit officers and staffs.</li> <li>• Regular monitoring of contracts being entered into by CARD RBI.</li> <li>• Review of insurance premium being paid to Philippine Deposit Insurance Corporation.</li> <li>• Periodic review and updating of legal documentation used by CARD MRI Rizal Bank.</li> </ul>
<p><b>Market Risks</b> Risk to earnings or capital arising from the possible decline in value of trading accounts and investment in equities and debt instruments.</p>	<ul style="list-style-type: none"> <li>• Low risk because the bank is not yet involved with trading.</li> <li>• Investment and bills payable are being monitored by ALCO</li> </ul>	<ul style="list-style-type: none"> <li>• Ensures to identify, measure, control and monitor market risks that may always arise from the conduct of its business transactions and at its portfolio level.</li> <li>• Active and Appropriate Board and Senior Management Oversight</li> <li>• Proposals and the subsequent new product/activity review are formally presented and written.</li> <li>• An accurate, informative, and timely management information system was regularly prepared and reviewed to inform management and to support compliance with board policy.</li> <li>• Summary of findings or reviews of market risk policies and procedures and the adequacy of the market risk measurement systems including any findings of internal and external auditors and retained consultants.</li> </ul>

TYPE AND DESCRIPTION OF RISK	PROFILE	MITIGATING STRATEGIES/ ACTIVITIES
<p><b>Business Continuity Program Management (BCP) Risk</b> - Risk to swiftly resume business operation in the event of business disruptions/ disasters</p>	<p>Increasing risk since the bank was in the stage of digital transformation wherein reliant to technology that may impact the operation. However, there were action taken and existing controls to relevant risks and ability of the bank to swiftly resume business operation in any disruptions/ disasters</p>	<ul style="list-style-type: none"> <li>• In the event of a disaster which interferes with Bank's ability to conduct business from one of its offices, this program is to be used by the responsible individuals to coordinate the business recovery of their respective areas and/or departments.</li> <li>• The plan is designed to provide reference to all the information that might be needed at the time of a business recovery.</li> <li>• The Business Continuity Management Program (Business Continuity Plan), is part of the overall Risk Management Program of the Bank, has been established not only to comply with the requirement as set out by the Bangko Sentral ng Pilipinas (BSP), but also to serve as a guide for the Board and Senior Management in ensuring continuity in the business of the bank and for carrying out smooth and efficient banking activities towards profitability.</li> <li>• Coverage of the Business Continuity Management Program (Business Continuity Plan) as follows:             <ol style="list-style-type: none"> <li>1. Alternate and Business Recovery Sites</li> <li>2. Business Continuity</li> <li>3. Business Continuity Management (BCM)</li> <li>4. Business Continuity Plan (BCP)/Plan</li> <li>5. Business Impact Analysis (BIA)</li> </ol> </li> </ul>



TYPE AND DESCRIPTION OF RISK	PROFILE	MITIGATING STRATEGIES/ ACTIVITIES
		<ul style="list-style-type: none"> <li>6. Crisis</li> <li>7. Crisis Management Plan (CMP)</li> <li>8. Critical Process</li> <li>9. Cyber Resilience</li> <li>10. Events</li> <li>11. Pandemic</li> <li>12. Recovery Point Objective (RPO)</li> <li>13. Recovery Time Objective (RTO)</li> <li>14. Resilience</li> <li>15. Risk Assessment Technology Recovery Plan (TRP)/ Disaster Recovery Plan (DRP)</li> </ul>

## REGULAR MONITORING

Risk identification is part of the regular activities of all bank personnel starting from Account Officer up to the Executive Level. All risk issues noted are being discussed on the respective meeting of each Unit and for those risks that cannot be resolved within the respective level are being discussed with upper management. The risks are identified through the following process:

- a. Risk Identification wherein the Unit can list down major risk that the Unit is facing.
- b. Major strategies and objectives of the Unit in resolving the identified.
- c. Discussions in the regular meeting

## RISK SCORING

Risk Scores are calculated to help the Bank understand which of the current Risk Events represent the most significant threat to Bank and are most in need of mitigation. Risk Score is determined by cross referencing the likelihood that a risk will occur with the impact of the risk should it occur which is automatically calculated by the Risk Management Tool.

### Likelihood and Impact Severity Thresholds

To allow Bank more accurate in determinations of the degree of threat presented by the present Risk Events, it uses the following severity thresholds:

Probability Factor	Description
1 - Rare	Less than 5% of the risk to occur
2 - Unlikely	6% to 20% of the risk occur
3 - Possible	21% to 50% of the risk to occur
4 - Likely	51% to 80% of the risk occur
5 - Almost Certain	Greater than 80% of the risk to occur

## Impact to the Organizations

Rating	Meaning	Financial	Operational	Regulatory	Reputational
1	insignificant	Impact of risk to the organization might involve either negligible, minimal, high and significant financial loss	Minimal disruption in the delivery of one of the institution's services, products and/or operations	May receive queries or request report to be submitted to regulatory body or may have legal or regulatory sanction and/or penalty	Effect of risk might either localized, controllable, significant or long lasting on the reputation of the Bank.
2	Minor				
3	Moderate				
4	Significant				
5	Catastrophic				

## RISK ORGANIZATIONAL STRUCTURE

### The Board of Directors

The Board of Directors delegate authority to Risk Oversight Committee to balance performance and compliance by ensuring that management's actions are consistent with CARD MRI Rizal Bank's strategy and in line with the organization's risk tolerance. The Risk Oversight Committee delegates authority for identifying, analyzing, managing and reporting risks to an independent risk management department.

### The Risk Oversight Committee

CARD MRI Rizal Bank has vision being a bank that would be owned by the poor, especially by the landless rural women. This vision was kept intact by its Board Members, the management, and more importantly, by its members.

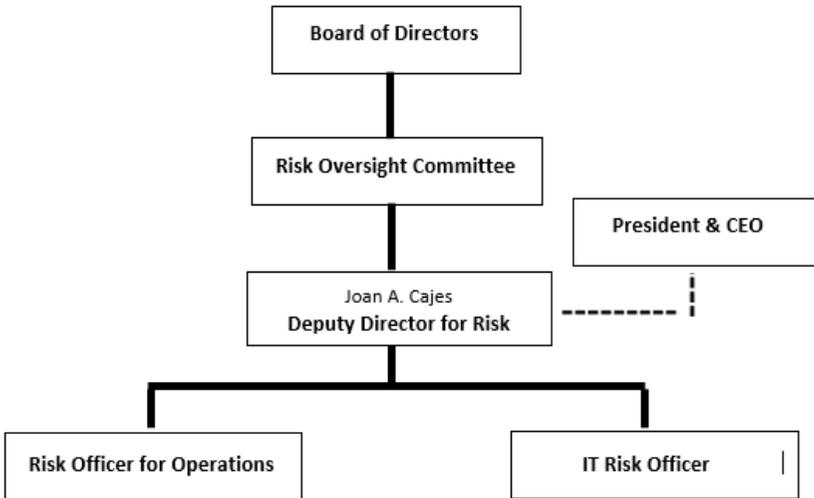
In line with this vision is the Board of Directors and management concern on "risk management". The creation and approval of risk oversight committee, other than compliance to Circular No. 456, is also a vital move by CARD MRI Rizal Bank, Inc. Board of Directors because a bank's success is largely dependent on the

ability of its directors and officers in managing risks.

## The Risk Management Unit

CARD MRI Rizal Bank has a functioning independent risk management unit that effectively covers all risks (including financial and operational risks) associated with the various activities and operations of the Bank to ensure their consolidated control and appropriate management and to provide the required coordination across all departments of the Bank.

The unit is headed by a Deputy Director for Risk, with a level of Officer, who is reporting to Risk Management Committee and regularly coordinating to the President and CEO for all the matters related to risk. The unit is composed of Deputy Director for Risk, IT Risk Officer, and Risk Officer for Operations.





# DATA PRIVACY STATEMENT

## GENERAL STATEMENT

CARD MRI Rizal Bank, Inc. (“CARD RBI”), 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 RBI 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 RBI 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 RBI's banking/financial products and services and/or to implement client-requested transactions, CARD RBI 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 RBI uses your personal information to provide the services and products that you have availed or intend to avail from CARD RBI, 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 RBI'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 insurance products for the CARD Mutual Benefits Association
- 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;

- Perform other such activities permitted by law or with your consent.

## **WHEN DO WE COLLECT PERSONAL INFORMATION**

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

- Face-to-face and/or telephone conversation with CARD RBI Customer Service Representative;
- Accomplishment and/or signing of forms/documents (e.g. loan proposal, New Accounts Form, Insurance Products, Employment application and contracts and Client Information Form);
- Registration through electronic banking channels and services (e.g. Mobile Banking Application-Konek2CARD, HCIS); and
- Conducting Background and credit investigation and Loan Utilization Check
- Inquiries to the Credit Bureau such as CIC, NFIS and MIDAS.

## **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 RBI 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 RBI’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 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, Republic Act No. 6426 otherwise known as The Foreign Currency Deposit Act, 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 RBI, 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 RBI for a period no longer than five years from the date of the termination of your account or of the specific transaction with CARD RBI, unless CARD RBI is required by law to retain the information for a longer period.

## YOUR RIGHTS AS DATA SUBJECT

CARD RBI 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 RBI;
4. Require immediate correction of inaccurate or erroneous personal data under the custody of CARD RBI;
5. Suspend, withdraw or order the blocking, removal or destruction of your personal data from CARD RBI'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 RBI 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 the Compliance Unit of CARD RBI.

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

Telephone Number: (049) 530-7284

Cellphone Numbers: 0917-132-7589 (Globe)

0999-880-4785 (Smart)

You may also e-mail us at [cmrbi.csr@cardmri.com](mailto:cmrbi.csr@cardmri.com) or visit our website [www.cardmri.com/rbi](http://www.cardmri.com/rbi).

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

Email: [cmrbi.compliance@cardmri.com](mailto:cmrbi.compliance@cardmri.com)

Telephone Number: (+63-49) 523-1047

Address: P. Guevarra corner Aguirre St., Brgy. Poblacion, Sta. Cruz, 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 RBI. Any relevant modification will be posted on our website and distributed to all CARD RBI branches and BLUs.

## **BANK EXECUTIVES AND SENIOR MANAGEMENT**

The Senior Management, as mandated by the Board, has the oversight and responsibility to effectively implement the bank policies and practices on its day-to-day operations and affairs. The composition of the bank's executive and senior management as of December 31, 2020 is as follows:

### **Elma B. Valenzuela**

President and CEO

Age: 56

Nationality: Filipino

Length of service: 32 years

## **QUALIFICATIONS**

### **Educational Attainment:**

<b>School Attended</b>	<b>Degree Course</b>	<b>Years Attended</b>
G. Araneta Univ. Foundation, Malabon Metro Manila	BS Agriculture (Agronomy)	1986
Trinity College, Quezon City	Master of Business Administration (MBA)	2004
Asian Institute of Management, Makati City	Executive MBA	2007
Boston, Massachusetts	Advanced Management Program - Harvard Business School	2015

### **Other Trainings:**

Financial Inclusion Workshop, Updated Guidelines on Sound Credit Risk Management, Succession Planning: Developing Leaders from Within, Risk Management Seminar, Governance and Risk Management Training, Microfinance Management Training, Basic Rural Banking Course, International Training Course on Rural Finance, IT Governance Principle Course, Anti-Money Laundering and Combating the Financing of Terrorism

## **Juliana B. De Leon**

Executive Vice President

Age: 50

Nationality: Filipino

Length of service: 26 years

### **Qualifications**

#### **Educational Attainment:**

<b>School Attended</b>	<b>Degree Course</b>	<b>Years Attended</b>
Mindoro State College of Agriculture and Technology Victoria, Oriental Mindoro	BS in Agriculture Major in Agricultural Education	1992
Southern New Hampshire, USA	MS in International Community Economic Development	2009

#### **Other Trainings:**

Anti-Money Laundering and Combating the Financing of Terrorism, Power Presentation, Management Development Program, and Leadership and Diversity Innovation Program

## **Ma. Adoracion M. Ola**

Assistant Vice President for Operations

Age: 46

Nationality: Filipino

Length of service: 23 years

### **Qualifications**

#### **Educational Attainment:**

<b>School Attended</b>	<b>Degree Course</b>	<b>Years Attended</b>
Manuel L. Quezon University	BS Business Administration	1997

Southeast Asia Interdisciplinary Development Institute (SAIDI) and CARD-MRI Development Institute, Inc.	MA in Organization Development Specializing in Microfinance Management	2013
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### Other Trainings:

Basic Banking Regulations and Compliance, Anti-Money Laundering Training, Leadership Training, and Introduction to Lean Six Sigma

## Marites S. Pedraja

Assistant Vice President for Operations

Age: 47

Nationality: Filipino

Length of service: 23 years

### Qualifications

#### Educational Attainment:

School Attended	Degree Course	Years Attended
Laguna State Polytechnic University	BS in Industrial Technology Major in Food Technology	1996
Southeast Asia Interdisciplinary Development Institute (SAIDI) and CARD-MRI Development Institute, Inc. (2012)	MA in Organization Development Specializing in Microfinance Management	2009
Master in Development Management	Asian Institute of Management	2017

### Other Trainings:

Basic Banking Regulations and Compliance, Anti-Money Laundering Training, 19th DSAP Convention (CAR), and Enhancing Communication Effort of CARD MRI

## Pedro L. Maniebo

Assistant Vice President for Operations

Age: 46

Nationality: Filipino

Length of service: 22 years

### Qualifications

#### Educational Attainment:

School Attended	Degree Course	Years Attended
University of Batangas	BS Management	1997
Development Academy of the Philippines	Master in Productivity and Quality Major in Microfinance	2013

#### Other Trainings:

Basic Banking Regulations and Compliance, AMLA and AML Risk Rating System, and Risk-Based Audit Methodology

## Anna Lorraine J. Maur

Vice President for Finance

Age: 42

Nationality: Filipino

Length of service: 22 years

### Qualifications

#### Educational Attainment:

School Attended	Degree Course	Years Attended
San Pablo Colleges	BS in Accountancy	1998
Southeast Asia Interdisciplinary Development Institute (SAIDI) and CARD-MRI Development Institute, Inc.	MA in Organization Development Specializing in Microfinance Management	2011

### **Other Trainings:**

Regulations and Compliance Training, RMA/Wharton Advance Risk Management Program, Savings Game Training, Comprehensive Seminar in Final (FWT) and Expanded (EWT) Withholding Tax, Expenditures Taxation: Comprehensive Seminar to Achieve Tax Compliance in Local Account Payable Process, and Updates on Basel III and IFRS 9

### **Mary Grace A. Vergavera**

Assistant Vice President for Finance

Age: 39

Nationality: Filipino

Length of service: 17 years

### **Qualifications**

#### **Educational Attainment:**

<b>School Attended</b>	<b>Degree Course</b>	<b>Years Attended</b>
Divine Word College of San Jose	BS in Accountancy	2003
DAP	Master in Productivity and Quality Management major in Microfinance	2017
Institute of Certified Management Accountant	Certification in Management Accountant (CMA)	2019
PACTT	ertification in Taxation Technician (CTT)	2019

### **Other Trainings:**

Basic Banking Regulations and Compliance Training, Seminar on ECL Modelling for PFRS 9 Compliance, Training/Workshop on “Managing, Motivating and leading a Multigenerational Workforce: The Millennial Difference, PFRS 16, Leases Workshop, Training/Workshop on ECL computation and Modelling and Mastering of Withholding Tax, VAT and Income Tax and the effects of Train Law Training

## **Christopher B. dela Cruz**

Chief Compliance Officer

Age: 38

Nationality: Filipino

Length of service: 14 years

### **Qualifications**

#### **Educational Attainment:**

<b>School Attended</b>	<b>Degree Course</b>	<b>Years Attended</b>
Laguna College	BS in Accountancy	2003
Development Academy of the Philippines	Master in Productivity and Quality Management with Major in Microfinance	2017

#### **Other Trainings:**

Basic Banking Regulations and Compliance Training, Data Privacy Act Training, Training on Basic Supervision for Supervisor and Managers for Department of Labor and Employment (DOLE) 174, EQ and Leadership for Bankers, BSP Cir. No. 706 as amended by BSP Cir. No. 950, AMLA and the AMLA Risk Rating System and Corporate Governance Seminar

## **Joan A. Cajés**

Deputy Director for Risk

Age: 36

Nationality: Filipino

Length of service: 14 years

## Qualifications

### Educational Attainment:

School Attended	Degree Course	Years Attended
San Pablo Colleges	BS in Accountancy	2003
University of the Philippines Los Baños Campus	Master of Development Management and Governance Major in Microfinance and Microinsurance	On-going

### Other Trainings:

Basic Banking Regulations and Compliance Training, IT Security and Digital Audit Training, Leadership & Management Training, Effective Inventory Management System, Bridging Leadership, Financial Analysis and IT Governance

## Gina L. Panelo

Deputy Director for Audit

Age: 39

Nationality: Filipino

Length of service: 11 years

## Qualifications

### Educational Attainment:

School Attended	Degree Course	Years Attended
Occidental Mindoro State College	BS in Accountancy	2001

### Other Trainings:

Basic Banking Regulations and Compliance Training, BSP Cir. No. 706, AMLA Law, RA 10365 and the AML Risk Rating System, BSP Circular No. 706, Updated Anti-Money Laundering Rules and Regulations, Auditing Financial Statement and its Compliance Forensic Accounting and Risk-based Audit Approach

## Glenn C. Matienzo

Information Security Officer

Age: 39

Nationality: Filipino

Length of service: 14 years

### Qualifications

#### Educational Attainment:

School Attended	Degree Course	Years Attended
Laguna State Polytechnic University - Los Baños Campus	BS Information Technology	2007

#### Other Trainings:

Diploma in Digital Forensics and Cybersecurity, Basic Banking Regulations and Compliance, Data Privacy Officer (DPO) Briefing, Overview of Business Continuity Management - ISO 22301 Aligning to BSP Cir. No. 951, and KISS (Keep Information Society Secure | Keep Infosec Systems Simple)

## Maria Ernelyn D. Dajao

Senior Program Manager

Age: 36

Nationality: Filipino

Length of service: 14 years

### Qualifications

#### Educational Attainment:

School Attended	Degree Course	Years Attended
Southern Luzon State University	BS in Accountancy	2006

#### Other Trainings:

Basic Banking Regulations and Compliance Training

## Mary Ann C. Angelio

Information Technology Manager

Age: 30

Nationality: Filipino

Length of service: 9 years

### Qualifications

#### Educational Attainment:

School Attended	Degree Course	Years Attended
Northwest Samar State University	BS Information Technology	2011

#### Other Trainings:

Basic Banking Regulations and Compliance Training, ITIL Foundation Training, Fortinet (Firewall), Kaseya Training and Basic Banking Regulations and Compliance

## Angela A. Poonin

Deputy Director for Human Resource

Age: 39

Nationality: Filipino

Length of service: 17 years

### Qualifications

#### Educational Attainment:

School Attended	Degree Course	Years Attended
University of the East	BSBA-Management	2002
Laguna College	Master's in Business Management	2012
Roehampton University	MS in International Management with HR Management	2018

**Other Trainings:**

Basic Banking Regulations and Compliance

**April Joyce B. Rodriguez**

Marketing Manager

Age: 28

Nationality: Filipino

Length of service: 8 years

**Qualifications****Educational Attainment:**

School Attended	Degree Course	Years Attended
De La Salle University-Lipa	BSBA in Financial Management	2012
University of New Hampshire	MA in Community Development Policy	2018

**Other Trainings:**

Financial Inclusion, AIF Microfinance management Programme, Credit Investigation and Appraisal Training, Credit Analysis Program and Basic Banking Regulations and Compliance

**Oliver G. Quinay**

konek2CARD Operations Manager

Age: 38

Nationality: Filipino

Length of service: 16 years

## Qualifications

### Educational Attainment:

School Attended	Degree Course	Years Attended
Asian Institute of Maritime Studies	BS Customs Administration	2003
Development Academy of the Philippines-Pasig, Metro Manila	Master in Productivity and Quality Management Major in Microfinance	2015

### Other Trainings:

Basic Banking Regulations and Compliance and Core Banking System (CBS) Training.

## Venus J. Manrique

Regional Director

Age: 42

Nationality: Filipino

Length of service: 17 years

## Qualifications

### Educational Attainment:

School Attended	Degree Course	Years Attended
Naga College Foundation	BS Secondary Education	2001
Development Academy of the Philippines-Pasig, Metro Manila	Master in Productivity and Quality Management Major in Microfinance	2017

### Other Trainings:

Basic Banking Regulations and Compliance

## Rodolf Henry J. Melgar

Regional Director

Age: 41

Nationality: Filipino

Length of service: 17 years

### Qualifications

#### Educational Attainment:

School Attended	Degree Course	Years Attended
Abada College	BSC Major in Banking and Finance	2002
Development Academy of the Philippines-Pasig, Metro Manila	Master in Productivity and Quality Management with Major in Microfinance	2017

#### Other Trainings:

Basic Banking Regulations and Compliance Training, Online refresher training for Microinsurance, BSPFinEd2019, AMLA Refresher and Basic Strategic Management Program

## Joseph G. Verano

Regional Director

Age: 46

Nationality: Filipino

Length of service: 23 years

### Qualifications

#### Educational Attainment:

School Attended	Degree Course	Years Attended
	BS Elementary Education	1998

### **Other Trainings:**

Basic Banking Regulations and Compliance and Basic for Effective Supervision Seminar

### **Dexter L. Lara**

Regional Director

Age: 43

Nationality: Filipino

Length of service: 16 years

### **Qualifications**

#### **Educational Attainment:**

School Attended	Degree Course	Years Attended
Bicol University College of Agriculture and Forestry	BSAE	1998

### **Other Trainings:**

Basic Banking Regulations and Compliance Training and Special Agri Training

### **Medelyn K. Alimagno**

Regional Director

Age: 40

Nationality: Filipino

Length of service: 20 years

### **Qualifications**

#### **Educational Attainment:**

School Attended	Degree Course	Years Attended
Dalubhasaan ng Lungsod ng San Pablo	BA Economics	2001

Southeast Asia Interdisciplinary Development Institute (SAIDI) and CARD-MRI Development Institute, Inc.	MA in Organization Development Specializing in Microfinance Management	2012
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**Other Trainings:**

Staff Ready for Banking and Basic Banking Regulations and Compliance Training

**Ruby Anne C. Suministrado**

Regional Director

Age: 40

Nationality: Filipino

Length of service: 18 years

**Qualifications**

**Educational Attainment:**

School Attended	Degree Course	Years Attended
Dalubhasaan ng Lungsod ng San Pablo	BSBA Management	2002
Southeast Asia Interdisciplinary Development Institute (SAIDI) and CARD-MRI Development Institute, Inc.	MA in Organization Development Specializing in Microfinance Management	2012

**Other Trainings:**

Basic Banking Regulations and Compliance and Bless Training Program

**Nenia I. Peralta**

Regional Director

Age: 44

Nationality: Filipino

Length of service: 22 years

## Qualifications

### Educational Attainment:

School Attended	Degree Course	Years Attended
San Pablo College	BSC major in Banking and Finance	2001
Southern New Hampshire University	MA in Community Economic Development	2010

### Other Trainings:

Basic Banking Regulations and Compliance Training.

## Florante F. Andaya

Regional Director

Age: 46

Nationality: Filipino

Length of service: 20 years

## Qualifications

### Educational Attainment:

School Attended	Degree Course	Years Attended
Occidental Mindoro State College	BS in Accountancy	2001
Lyceum University Batangas Campus	BS in Marine Transportation	1994
Development Academy of the Philippines	Master in Productivity and Quality Management with Major in Microfinance	2012

### Other Trainings:

Basic Banking Regulations and Compliance Training, and Basic Strategic Management Program

## **Artemio A. De Las Alas**

Regional Director

Age: 39

Nationality: Filipino

Length of service: 15 years

### **Qualifications**

#### **Educational Attainment:**

School Attended	Degree Course	Years Attended
PUP Mulanay Campus	BSAM	2004

#### **Other Trainings:**

Basic Banking Regulations and Compliance Training and Wellness, Body, Mind and Soul Training

## **Ronie R. Brandez**

Regional Director

Age: 38

Nationality: Filipino

Length of service: 17 years

### **Qualifications**

#### **Educational Attainment:**

School Attended	Degree Course	Years Attended
I-Net Asia Technological School	Computer Technology	2004
CMDI	BS Entrepreneurship	2019

#### **Other Trainings:**

Basic Banking Regulations and Compliance Training

## **Crisanta C. Agor**

Regional Director

Age: 37

Nationality: Filipino

Length of service: 14 years

### **Qualifications**

#### **Educational Attainment:**

School Attended	Degree Course	Years Attended
Partido State University	BS Food Technology	2005
CMDI	BS Entrepreneurship	2019

#### **Other Trainings:**

Basic Banking Regulations and Compliance Training, Customer Centricity, Training of Trainers and Lakbay-Aral for Area Managers

## **Robert F. Urgino**

Regional Director

Age: 40

Nationality: Filipino

Length of service: 15 years

### **Qualifications**

#### **Educational Attainment:**

School Attended	Degree Course	Years Attended
Leon Guinto Memorial College	BS in Business Administration with Major in Marketing	2003

#### **Other Trainings:**

Basic Banking Regulations and Compliance Training, Staff Ready for Banking and Coaching towards nurturing Passion, Purpose and Productivity

## Joy C. Juanerio

Regional Director

Age: 37

Nationality: Filipino

Length of service: 12 years

### Qualifications

#### Educational Attainment:

School Attended	Degree Course	Years Attended
St. Camillus College Seminary	AB in Philosophy	2007

#### Other Trainings:

Basic Banking Regulations and Compliance Training, Staff Ready for Banking and Anti-Money Laundering and Terrorist Financing Training

## Rebecca R. Fortez

Regional Director

Age: 42

Nationality: Filipino

Length of service: 16 years

### Qualifications

#### Educational Attainment:

School Attended	Degree Course	Years Attended
Central Bicol State University	Bachelor of Science in Agribusiness Management	2001

**Other Trainings:**

Basic Banking Regulations and Compliance Training, Microfinance Risk and Legal Aspect, Business Correspondence, AM Advance Course on Human Resource Management and Special Agriculture and QSL Training

**Roneil B. Ganohay**

Senior Area Manager

Age: 31

Nationality: Filipino

Length of service: 9 years

**Qualifications****Educational Attainment:**

School Attended	Degree Course	Years Attended
Siquijor State College	BS in Information Technology	2011

**Other Trainings:**

Basic Banking Regulations and Compliance Training and Staff Ready for Banking.

## LIST OF MAJOR STOCKHOLDERS

Stockholder	Nationality	Percentage of stockholdings
Center for Agriculture and Rural Development (CARD), Inc. (A Microfinance NGO)	Filipino	22%
CARD Bank, Inc.	Filipino	40%
Bank of the Philippine Islands	Filipino	10%

## 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 skill sets 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 of the Bank have attended Corporate Governance Seminar conducted by accredited private institutions prior to, or at least immediately after, assumption of office. All newly 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 bank's committee and board of directors' meetings to get familiar with the banking operations.

With the pandemic situation in 2020, Board of Directors have limited opportunity to attend seminars and trainings. However, Board of Directors and Senior Management is continually updated of the anti-money laundering initiatives, Bangko Sentral ng Pilipinas issuances, and other banking-related issues, conducted by the compliance unit.

Senior officers have attended series of webinars conducted internally by our CMDI and by external organizations to further expand and strengthen their areas of expertise, update them on regulatory matters, bring in new ideas and practices to the organization. As part of the capacity building program of the bank for its Senior Management, qualified officers were sent to master's degree and short degree programs, both locally and internationally.

## **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, the following 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 Director 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.

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 MRI)
  - 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 MRI, 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.
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/ biographical 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 MRI Rizal Bank, Inc., to likewise provide equal chances among all qualified employees across CARD MRI.

## **PERFORMANCE ASSESSMENT**

### **Board Members**

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 and other bank staffs**

Performance Evaluation is conducted annually to review how regular employees fared in the last 12 months. The results serve as the Annual Performance Rating of the employee. Performance Evaluation takes into consideration both quantitative and qualitative performance indicators.

## **REMUNERATION POLICY**

### **Board Members**

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 Manager**

CARD MRI Rizal Bank, Inc. has adopted a standardized

salary grading system applicable for all level of position with a corresponding rate 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. These remuneration policies of the bank are duly approved by the Board of Directors. There will be a provision on annual increase and performance assessment measures.

All officers 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 March to February of the succeeding year 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 MRI Rizal 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:

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

### **Policy Statement**

1. CARD RBI ensures continuity of a strong leadership through operationalizing an effective and sound succession planning and development program.
2. CARD RBI ensures that a strong and sound succession planning program identifies and fosters the next generation of leaders.
3. CARD RBI ensure that employees have development opportunities to hone their leadership skills and must guarantee that the organization has a leadership plan in place for success in the future.
4. The Succession Planning and Development Program must link talent development with the strategic goals of the Board, the institution, and the staff.
5. The President and CEO may only serve for a total of five years term, however, he/she may be re-appointed subject to the approval of the Board of Directors and confirmation of the Bangko Sentral ng Pilipinas.

## Scope

The Succession Planning and Development Program covers key positions particularly in the Executives, Management Committee, and the Middle Management.

### Policy Guidelines

1. Succession Planning and Development Program particularly for the Senior Management is reviewed at the Board level through the Governance Committee at least annually.
2. In operationalizing the program, the HRD works with the management and the Board in identifying, developing (through mentoring, training, and stretch assignments), transitioning, and posting of the next generation of leaders.

## Roles and Responsibilities

1. Succession Planning and Development for Key Officers is centralized to the President with the assistance of the HRD. Meanwhile, for the Management Committee and Middle

Managers are the responsibility of the HRD with the support from the Supervisors and guidance from the President.

2. The HRD is responsible in finding people who embody the culture of the Bank and will be able to help them develop skills to make CARD RBI stay viable in the future.
3. Supervisors and Managers, in line with the staff development program, must look for opportunities for their staff for them to gain experience and must provide them with necessary support and coaching to be more



successful.

### **Policy Violation and Non-compliance**

Success in the Succession Planning and Development Program relies on the support and cooperation of all, particularly from the Management. Hence, they are held accountable and responsible for any violation and noncompliance in this policy.

### **Exemption Handling**

Any deviation from this policy shall be approved by the President and CEO and the Chairman of the Board.

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



# CARD MRI RIZAL BANK 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 considers its internally set limits on Capital Adequacy Ratio 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, as follows:

1. Clearing account with the Bangko Sentral is not overdrawn;
2. Liquidity floor requirement for government funds;
3. Minimum capitalization requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
4. Has not committed any unsafe or unsound banking practice and/or major acts or omissions as may be determined by the BangkoSentral;
5. Has accumulated reserves of \_\_\_\_\_ for the retirement of the government preferred stock which is at least equal to the amount prescribed in Section 124-C of the MORB;
6. Has complied with the provisions of Section 43 (Power to declare dividends) of The Corporation Code of the Philippines (Batas Pambansa Blg. 68), as may be applicable

## **CONSUMER PROTECTION POLICIES**

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.

- Promote fair and equitable financial services practices by

setting standards in dealing with customers.

- Increase transparency in order to inform and empower consumers of financial services.
- 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 office thru its day-to-day monitoring activities ensure that each office has complied with the standards provided in this consumer protection program. Simultaneous with operations and financial audit, Internal Audit unit likewise ensure that bank's consumer protection practices have been implemented and reviewed.

The bank's personnel and customers' continuing education 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.

## **a. 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/services being availed of, benefits and its associated risks. This shall be applicable even to products and services offered electronically as well as to products catering to different market segments with particular consideration for segments that may have limited financial literacy.

## **b. Protection of customer Information**

It is always the bank's primary responsibility to ensure protection of client information. As such, 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.

## **c. 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.

## **d. Effective Recourse**

The bank has designated service helpdesk accountable on the processing of client's inquiries and concerns to ensure that it is properly attended, timely responded and resolved, which is

accessible to the customers. The bank has mechanisms in place for complaint handling and redress and have employ various modalities and technological innovations.

### **e. Financial Education and Awareness**

The bank recognizes that client education and awareness are powerful strategies to ensure client protection. As such, bank adopted the following measures:

- Financial education and training program/module shall be designed and given to clients. This shall be part of the credit with education and center’s agenda during meeting.
- Financial education tool/information materials shall be developed and disseminated to customers.
- Regular monitoring and assessment on campaign materials for possible improvement.

### **Conflict of Interest**

Members of the board, management, officers, and employees are committed to adhere to ethical business conduct and shall not enter 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.

- a. 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.
- b. Should products be marketed is issued by a related company, the bank informed the customer on the limited availability of the products being marketed.
- c. Basis of the remuneration (e.g. commission, incentives, etc.) of the bank at pre-contractual stage is disclosed.
- d. 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 was posted within the bank's premise and website ([www.cardmri.com/rbi](http://www.cardmri.com/rbi)) to achieve a good communication system.

- Established a consumer service unit that is responsible in dealing 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;
  - a. Customer Service Officers (CSO) in the branch for walk-in clients;
  - b. 24/7 Customer Service Desk  
Customer Service hotline numbers:
    - (+63-49) 530-7284 (PLDT)
    - +63999-880-4785 (Smart)
    - +63917-132-7589 (Globe)
  - c. Bank email address: [cmrbi.csr@cardmri.com](mailto:cmrbi.csr@cardmri.com)
  - d. Official website: [www.cardmri.com/rbi](http://www.cardmri.com/rbi)
- Installation of suggestion box and incidents complaint logbooks to all branches and branch-lite unit offices.

# CORPORATE SOCIAL RESPONSIBILITY

## Policy Objective

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

## Policy Statement

CARD RBI 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 a decade, CARD RBI 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 RBI aims to provide holistic social development service to the poor by giving its clients access to health services. The bank clients, their children and deserving students from indigent and poorest communities have also the opportunity to get educational assistance and scholarships. CARD RBI 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 RBI believes that financial support must be paired with suitable and effective community development services so that poverty eradication can be achieved. The 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 RBI 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. CSP has been actively and successfully providing a platform for qualified students to have well-deserved opportunities for education.

## **B. HEALTH PROTECTION PROGRAM**

CARD RBI 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. 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. E-Doctor Webinar**

The CARD e-Doctor also, became a venue for CARD RBI to inform and educate the general public about many certain health concerns and issues. Despite the health threat, CARD RBI continues its advocacy in raising awareness on health and wellness

### **3. CARD MRI Buy-and Sell**

To support the CARD microentrepreneurs, CARD MRI created an online community for its clients and members to continue their businesses despite restricted mobility due to the ECQ. This Facebook page allows CARD clients to buy and sell their products.

We continue to provide these primary healthcare needs and business support which we already extended across

## PRODUCTS AND SERVICES OFFERED

Loan Product	Product Description
MF-Sikap 1	This loan is intended for the business or enterprise of the microfinance members such as for working capital, purchase of equipment and assets for use in the business, buying of raw materials, etc. The loan amount is up to PhP150,000.00 with 28% interest rate per annum.
MF-Sikap 1 GLIP	This product is intended as assistance to the bank's loyal members who are older than the mandatory exit age of 70 years old but are still engage in and who need support for their business. The loan amount is up to PhP20,000.00 with 28% interest rate per annum.
MF- Microfinance Plus	Pursuant to BSP Circular 744 as an amendment to Cash Flow Annex A of BSP Circular 694, Microfinance Plus was included in the bank's long list of microfinance loans. The Bank, in recognition of the success of its microfinance members, offers the MF-Microfinance Plus to support the growing microenterprises and small businesses of qualified members based on the bank's policy and in accordance with BSP rules and regulations. The loan amount is up to PhP300,000.00 with 28% interest rate per annum.
MF- Kabuhayan Loan	This product is intended for micro-entrepreneurs with small business/es operating for at least 1 year. The loan amount is up to PhP300,000.00 with 28% interest rate per annum for weekly and semi-monthly modes of payment.

Loan Product	Product Description
MF-Micro Agri Loan	This product is intended as support to members who want to avail of microfinance loans that they can use in implementing agricultural and agriculture-related businesses. This can be used for rice, corn, tobacco, onion, garlic, banana, rubber, vegetable, and livestock production (hog raising/fattening, cattle, goat, poultry, fish, and seafood). The loan amount is up to PhP150,000.00 with 28% interest rate per annum for weekly or monthly or lump-sum modes of payment.
MF-Micro Agri Loan GLIP	This product is intended as assistance to the bank's loyal members who are older than the mandatory exit age of 70 years old but are still engage in and who need support for their agricultural-related business. The loan amount is up to PhP20,000.00 with 28% interest rate per annum for weekly or monthly or lump-sum modes of payment.
MF-Special Agri Loan	This program is open to all new and existing members, who will be eligible to join based on the specific criteria set by the bank. It aims to grant agricultural loans to satisfy the higher financing needs for working capital or fixed assets of the farm or family needs. Loan amount is up to Php300,000.00 with 28% interest rate per annum.

Loan Product	Product Description
MF-Micro Housing Loan	The bank understands that its members, during the course of running their businesses, would still need additional funds to support their other equally pressing needs. Thus, the Bank developed MF-Micro Housing Loan to ensure that the members are taken-care of all the time and that they do not go back to borrowing from usurious money lenders. This product is intended for the members' house repairs, maintenance or renovations. The loan amount is up to PhP300,000.00 depending on their length of membership with 28% interest rate per annum for weekly mode of payment.
SME-Working Capital Loan	This product is for microfinance members who have gradually developed their businesses into small and medium enterprises (SME), thus, will need higher loans. It is offered to members whose loan requirement exceeds the maximum microfinance loans of PhP300,000.00. This loan is intended to finance the daily operations of a company or business, and is expected to be repaid from the operating funds in the course of doing business.
SME-Investment Loan	This product is for microfinance members who have gradually developed their businesses to become an SME, thus, will need higher loans. It is offered to members whose loan requirement exceeds the maximum microfinance loans of PhP300,000.00. This loan is for medium-term financing for a maximum term of three (3) years, and is intended to finance the acquisition of fixed assets either as replacement or for business expansion.
OL-Educational Loan (Elementary)	This loan is exclusive to members with children or dependents who are in Pre- and Elementary level (Daycare/Kinder, Prep, and Grades 1 to 6). The loan amount is up to PhP3,000.00 with 12% interest rate per annum.

Loan Product	Product Description
OL-Educational Loan (High School)	This loan shall be used in all educational loans granted to members for the purpose of supporting their children in High School. Loan amount is up to PhP10,000.00 with 18% interest rate per annum.
OL-Educational Loan (College)	This loan shall be used in all educational loans granted to members for the purpose of supporting member's children in College. The loan amount is up to PhP10,000.00 with 18% interest rate per annum.
OL-Health Loan (PhilHealth)	This loan amounts to a maximum of three (3) months to one (1) year of PhilHealth premium payment of qualified members. Once the loan is disbursed, the loan proceeds are paid directly by the bank to PhilHealth. In return, the borrowing member will get a Member's Data Record, which is required by hospitals when one avails of hospitalization benefits. The loan amount is up to PhP3,600.00 for the year 2020, with 24% interest rate per annum.
OL-Health Loan (Insurance Premium)	This loan is for qualified members who want to avail of insurance products for their protection against unexpected circumstances such as sickness, loss of life and property, among others. The loan amount is based on the insurance product to be availed with a maximum amount of PhP15,000.00 and 24% interest rate per annum.

Loan Product	Product Description
OL-Health Loan (Laboratory Test)	This product is for members, particularly the microfinance members, and their dependents, for them to have access and enjoy the benefits of the program (currently available in Sta Cruz – Head Office only). It is based on the low-cost packages of laboratory services offered by a preferred clinic which will help our members and their dependents, in promoting awareness, monitor and prevent any aggravating health conditions without the excessive financial burden. The loan amount is up to PhP5,000.00 with 24% interest rate per annum.
OL-Cellphone Loan	In the continuous effort of the bank towards assisting our members and to support future plans of the bank in the implementation of Mobile Financial Services (MFS) project, mobile phone/cellphone loan shall be offered to all qualified members. The loan shall be used in acquiring mobile phone/cellphone unit. The loan amount is up to PhP10,000.00 with 28% interest rate per annum.
OL-SSS Premium Loan	This loan is for members and savers who want to avail of SSS services for their retirement. The bank will provide this loan to qualified members for their SSS Contribution Premium payments. Processing fee is PhP50 which will be paid by the member during the loan release/disbursement only. The loan amount depends on the member's SSS Premium Contribution with a maximum amount of PhP15,000.00 and 24% interest rate per annum.
OL-Personal Loan	This loan is intended to provide flexible financial assistance to members that can be utilized for their own personal consumption. It is packaged and offered to qualified microfinance members based on their capacity to pay without going under incremental cycle loan to increase loanable amount. The loan amount is up to PhP20,000.00 with 28% interest rate per annum.

Deposit Products	Product Description
Pangakong-Ipon	The Pangakong-Ipon is the member's capital build-up and serves as loan guarantee given that loans are non-collateralized. It consists of the P50 weekly Pangakong-Ipon. The primary purpose of the Pangakong-Ipon is to have a capital build-up fund that members can use for buying shares of stocks from the bank as well as to serve as guarantee for their loans. The minimum initial deposit is PhP50.00 and the maintaining balance is PhP100.00. The minimum balance to earn interest is PhP1,000.00 with 2% interest rate per annum.
Kusang-Ipon	The Kusang-Ipon account represents regular savings account evidenced by passbook. The minimum initial deposit is PhP200.00 and a minimum balance to earn interest is PhP1,000.00 with 1.5% interest rate per annum.
Tagumpay	Tagumpay is a term savings that seeks to encourage savers to deposit regularly to achieve or fulfill a dream such as building a house for their family, completing higher education for themselves or for their children, etc. This account is a recurring deposit savings account with fixed deposit amount every week/month until it reaches the maximum term of 5 years. This shall be supported by a signed agreement/contract. The minimum initial deposit is PhP200.00 (for staffs) and PhP100.00 (for members) and the minimum balance to earn interest is PhP1,000.00 with 5% interest rate per annum.
Bantay-Ipon	This account represents special savings account (time deposit) which helps the member secure savings for a better future. The interest rate depends on the amount of deposit and term. The minimum initial deposit is PhP10,000.00 and the maintaining balance is PhP10,000.00 with 2% to 4.25% interest rate.

Deposit Products	Product Description
Agap-Ipon	This account is specially designed for children to enable them to develop the habit of saving at an early age, and eventually become members of the Kiddie Savers Club. The minimum initial deposit is PhP100.00 and a minimum balance to earn interest is PhP1,000.00 with 1.5% interest rate per annum.
Katuparan	This product is for the bank members, and is aimed to further promote the bank's savings mobilization program. It is a recurring deposit account with a fixed deposit amount every week with a pre-determined target total savings amount after a definite period. Interest rate depends on the desired target savings and term. The minimum balance to earn interest is PhP1,000.00 and is supported by a signed agreement/contract.
Checking Account	It 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 (currently available only in Sta Cruz- Head Office). Minimum initial deposit and maintaining balance of Php5,000 (non-interest bearing) or Php20,000 (interest bearing) with 1% interest rate per annum and is evidenced by check booklet.

Remittance Services	Service Description
Domestic	A domestic remittance service in partnership with local remittance service provider Cebuana Lhuiller. Clients can now send money through CARD MRI RIZAL BANK and receive it in any outlet of Cebuana Lhuiller or vice versa.

Remittance Services		Service Description
CARD Padala	Sulit	An in-house domestic remittance service where clients can enjoy sending money through CARD MRI RIZAL BANK and received by their loved ones in any CARD MRI RIZAL BANK , CARD SME Bank, CARD Bank and selected CARD Inc. branches nationwide.

Digital Services		Service Description
konek2CARD		This is a mobile application that allows the clients of the bank enjoy a hassle-free banking transaction anytime, anywhere using their smart phones. Through this app, clients can monitor their savings and loan accounts with the bank and facilitate various transactions at the comfort of their home or through several authorized bank agents. It can be downloaded through the Google Playstore by smart phones using android software.
Digital Machine	Cash	This is a device or terminal that enables bank clients to perform various financial transactions, particularly cash withdrawal, without the need for a human cashier, clerk or teller intervention. It requires the konek2CARD application in smart phones to facilitate transactions. A Quick Response (QR) code generated from the konek2CARD application will be used to identify the customer and is required to proceed with the cash withdrawal transaction. This is currently available in five (5) branches of the bank, including its Head Office in Sta Cruz, Laguna.

# AUDITED FINANCIAL STATEMENTS

# 2020



3,33	ACTIVE
6,93	CLIENTS
7,18	CLIENTS
27,7	LOANS D
31,8	LOANS O
27,3	SAVINGS

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
CARD MRI Rizal Bank, Inc., A Microfinance-Oriented Rural Bank

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of CARD MRI Rizal Bank, Inc., A Microfinance-Oriented Rural Bank (the Bank), which comprise the statements of financial position as at December 31, 2020 and 2019, 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### 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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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.



**Reports on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP)  
Circular No. 1074 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 BSP Circular No. 1074 in Notes 23 and Revenue Regulations 15-2010 in Note 24 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of CARD MRI Rizal Bank, Inc., A Microfinance-Oriented Rural 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.

*Miguel U. Ballelos Jr.*

Miguel U. Ballelos, Jr.

Partner

CPA Certificate No. 109950

SEC Accreditation No. 1566-AR-1 (Group A),

April 3, 2019, valid until April 2, 2022

Tax Identification No. 241-031-088

BIR Accreditation No. 08-001998-114-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8534220, January 4, 2021, Makati City

April 29, 2021



**CARD MRI RIZAL BANK, INC.,  
A MICROFINANCE-ORIENTED RURAL BANK**

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**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and other cash items	<b>₱16,122,720</b>	₱15,071,444
Due from Bangko Sentral ng Pilipinas (Notes 6 and 10)	<b>90,342,664</b>	97,610,954
Due from other banks (Note 6)	<b>2,058,136,940</b>	858,365,760
Loans and receivables (Note 7)	<b>3,699,882,327</b>	3,762,263,676
Investment securities at amortized cost (Note 7)	<b>24,911,801</b>	36,283,701
Property and equipment (Note 8)	<b>266,274,720</b>	277,132,270
Retirement asset (Note 15)	<b>19,339,918</b>	27,351,284
Deferred tax assets (Note 18)	<b>70,679,797</b>	30,202,238
Other assets (Note 9)	<b>154,246,923</b>	84,429,776
	<b>₱6,399,937,810</b>	₱5,188,711,103
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>Deposit liabilities (Notes 10 and 19)</b>		
Regular savings	<b>₱3,594,283,291</b>	₱2,317,378,680
Special savings	<b>617,499,669</b>	740,915,188
Demand	<b>413,997</b>	37,164
	<b>4,212,196,957</b>	3,058,331,032
Bills payable (Note 11)	<b>857,669,641</b>	720,448,844
Income tax payable	<b>18,388,194</b>	56,189,227
Deposits for future stock subscription (Note 13)	<b>–</b>	110,637,200
Other liabilities (Note 11)	<b>187,241,198</b>	225,138,631
	<b>5,275,495,990</b>	4,170,744,934
<b>Equity</b>		
<b>Capital stock (Note 13)</b>		
Common stock	<b>748,222,700</b>	400,000,000
Preferred stock	<b>109,872,600</b>	100,000,000
Surplus free	<b>256,725,886</b>	492,711,435
Surplus reserve (Note 7)	<b>17,855,712</b>	26,695,806
Remeasurement loss on retirement plan (Note 15)	<b>(8,235,078)</b>	(1,441,072)
	<b>1,124,441,820</b>	1,017,966,169
	<b>₱6,399,937,810</b>	₱5,188,711,103

*See accompanying Notes to Financial Statements.*



**CARD MRI RIZAL BANK, INC.,  
A MICROFINANCE-ORIENTED RURAL BANK**

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**STATEMENTS OF INCOME**

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>INTEREST INCOME</b>		
Loans and receivables (Note 7)	<b>₱1,064,374,701</b>	₱1,641,976,486
Due from other banks (Note 6)	<b>15,705,722</b>	24,818,982
Investment securities at amortized cost (Note 7)	<b>1,209,985</b>	3,296,350
	<b>1,081,290,408</b>	1,670,091,818
<b>INTEREST EXPENSE</b>		
Deposit liabilities (Notes 10 and 19)	<b>71,742,982</b>	61,239,788
Bills payable (Note 11)	<b>32,375,887</b>	31,008,950
Lease liabilities (Note 16)	<b>7,749,617</b>	6,874,343
	<b>111,868,486</b>	99,123,081
<b>NET INTEREST INCOME</b>	<b>969,421,922</b>	1,570,968,737
Miscellaneous	<b>2,071,035</b>	1,223,777
<b>TOTAL OPERATING INCOME</b>	<b>971,492,957</b>	1,572,192,514
<b>OPERATING EXPENSES</b>		
Compensation and benefits (Notes 14, 15 and 19)	<b>365,202,451</b>	375,358,370
Provision for credit losses (Note 7)	<b>138,487,623</b>	65,269,597
Depreciation and amortization (Note 8)	<b>102,476,542</b>	72,763,704
Taxes and licenses	<b>93,173,017</b>	95,444,944
Transportation and travel	<b>78,139,714</b>	100,983,788
Information technology	<b>41,567,734</b>	96,008,218
Security, messengers, janitorial services	<b>35,505,249</b>	31,352,309
Rent (Note 16)	<b>25,043,367</b>	29,639,491
Stationeries and supplies	<b>12,812,572</b>	63,396,450
Power, light and water	<b>11,454,633</b>	11,296,346
Training and development	<b>10,800,434</b>	32,119,632
Postage, telephone, cables and telegrams	<b>11,017,720</b>	9,425,355
Insurance	<b>8,194,040</b>	5,793,060
Seminars and meetings	<b>4,699,870</b>	7,499,339
Professional fees	<b>2,580,981</b>	2,748,698
Fines, penalties and other charges	<b>1,777,640</b>	2,885,772
Miscellaneous (Note 17)	<b>20,527,031</b>	22,772,717
	<b>963,460,618</b>	1,024,757,790
<b>INCOME BEFORE INCOME TAX</b>	<b>8,032,339</b>	547,434,724
<b>PROVISION FOR INCOME TAX</b> (Note 18)	<b>2,357,982</b>	164,760,678
<b>NET INCOME</b>	<b>₱5,674,357</b>	₱382,674,046

*See accompanying Notes to Financial Statements.*



**CARD MRI RIZAL BANK, INC.,  
A MICROFINANCE-ORIENTED RURAL BANK**

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**STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>NET INCOME</b>	<b>₱5,674,357</b>	<b>₱382,674,046</b>
<b>OTHER COMPREHENSIVE GAIN (LOSS)</b>		
<i>Other comprehensive gain not recycled to profit or loss in subsequent periods:</i>		
Remeasurement loss on retirement plan (Note 15)	(9,705,723)	(16,241,350)
Income tax effect (Note 18)	2,911,717	4,872,405
	<b>(6,794,006)</b>	<b>(11,368,945)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(₱1,119,649)</b>	<b>₱371,305,101</b>

*See accompanying Notes to Financial Statements.*



**CARD MRI RIZAL BANK, INC.,  
A MICROFINANCE-ORIENTED RURAL BANK  
STATEMENTS OF CHANGES IN EQUITY**

	Common Stock (Note 13)		Preferred Stock (Note 13)		Surplus		Remeasurement Loss on Retirement Plan (Note 15)		Total
					Free	Reserve (Note 7)			
<b>Balances at January 1, 2020</b>	<b>₱400,000,000</b>	<b>₱100,000,000</b>	<b>₱492,711,435</b>	<b>₱26,695,806</b>	<b>₱1,017,966,169</b>	<b>₱1,441,072</b>	<b>₱1,017,966,169</b>	<b>68,958,100</b>	
Issuance of shares (Note 13)	59,085,500	9,872,600	—	—	—	—	—	—	110,637,200
Application of DFS subscription to issued shares	110,637,200	—	—	—	5,674,357	—	—	—	(1,119,649)
Total comprehensive income for the year	—	—	(72,000,000)	—	(72,000,000)	—	(6,794,006)	—	(72,000,000)
Declaration of cash dividends (Note 13)	—	—	(178,500,000)	—	(178,500,000)	—	—	—	—
Declaration of stock dividends (Note 13)	178,500,000	—	—	—	—	—	—	—	—
Reversal of appropriated surplus (Note 13)	—	—	8,840,094	—	8,840,094	—	—	—	—
<b>Balances at December 31, 2020</b>	<b>₱748,222,700</b>	<b>₱109,872,600</b>	<b>₱256,725,886</b>	<b>₱17,855,712</b>	<b>₱8,235,078</b>	<b>₱1,124,441,820</b>	<b>₱1,124,441,820</b>	<b>₱1,124,441,820</b>	
Balances at January 1, 2019	₱341,249,600	₱54,000,000	₱394,037,389	₱26,695,806	₱9,927,873	₱825,910,668	₱9,927,873	₱825,910,668	
Issuance of shares (Note 13)	58,750,400	46,000,000	—	—	—	—	—	—	104,750,400
Total comprehensive income for the year	—	—	382,674,046	—	(11,368,945)	371,305,101	(11,368,945)	371,305,101	
Declaration of cash dividends (Note 13)	—	—	(284,000,000)	—	—	—	—	—	(284,000,000)
Balances at December 31, 2019	₱400,000,000	₱100,000,000	₱492,711,435	₱26,695,806	₱1,441,072	₱1,017,966,169	₱1,441,072	₱1,017,966,169	

See accompanying Notes to Financial Statements.



**CARD MRI RIZAL BANK, INC.,  
A MICROFINANCE-ORIENTED RURAL BANK**

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**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱8,032,339</b>	₱547,434,724
Adjustments for:		
Depreciation and amortization (Note 8)	<b>102,476,542</b>	72,763,704
Provision for credit losses (Note 7)	<b>138,487,623</b>	65,269,597
Loss on loan modification – net (Note 7)	<b>13,279,945</b>	–
Amortization of documentary stamp tax on bills payable (Notes 11 and 20)	<b>8,361,208</b>	5,925,697
Retirement expense (Note 15)	<b>7,583,003</b>	2,926,043
Amortization of financial assets at amortized cost	<b>(120,960)</b>	(146,828)
Operating income before changes in operating assets and liabilities:	<b>278,099,700</b>	694,172,937
Increase in the amounts of:		
Loans and receivables	<b>(89,386,219)</b>	(710,702,531)
Other assets	<b>(66,814,590)</b>	(16,522,573)
Increase (decrease) in the amounts of:		
Deposit liabilities	<b>1,153,865,925</b>	670,949,470
Other liabilities	<b>(26,117,981)</b>	31,747,918
Net cash generated from operations	<b>1,249,646,835</b>	669,645,221
Contributions to retirement asset (Note 15)	<b>(9,277,360)</b>	(11,954,497)
Income taxes paid	<b>(77,724,857)</b>	(172,271,427)
Net cash provided by operating activities	<b>1,162,644,618</b>	485,419,297
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment (Note 8)	<b>(39,435,431)</b>	(67,662,163)
Acquisitions of intangible assets (Note 9)	<b>(5,293,977)</b>	–
Proceeds from maturity of investment securities at amortized cost (Note 7)	<b>11,492,860</b>	4,879,098
Net cash used in investing activities	<b>(33,236,548)</b>	(62,783,065)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
Availment of bills payable (Notes 11 and 20)	<b>1,241,359,589</b>	794,088,356
Deposit for future stock subscription (Notes 13 and 20)	–	110,637,200
Issuance of common stock (Note 13 and 20)	<b>59,085,500</b>	58,750,400
Issuance of preferred stock (Note 13 and 20)	<b>9,872,600</b>	46,000,000
Settlements of:		
Bills payable (Notes 11 and 20)	<b>(1,112,500,000)</b>	(855,000,000)
Dividend distribution (Notes 13 and 20)	<b>(71,790,174)</b>	(283,894,212)
Payment of principal portion of lease liabilities (Note 16 and 20)	<b>(61,881,419)</b>	(43,036,041)
Net cash provided (used in) by financing activities	<b>64,146,096</b>	(172,454,297)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,193,554,166</b>	250,181,935

*(Forward)*



	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT BEGINNING OF YEAR</b>		
Cash and other cash items	<b>₱15,071,444</b>	₱7,871,827
Due from Bangko Sentral ng Pilipinas	<b>97,610,954</b>	74,342,915
Due from other banks	<b>858,365,760</b>	638,651,481
	<b>971,048,158</b>	720,866,223
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
Cash and other cash items	<b>16,122,720</b>	15,071,444
Due from Bangko Sentral ng Pilipinas	<b>90,342,664</b>	97,610,954
Due from other banks	<b>2,058,136,940</b>	858,365,760
	<b>₱2,164,602,324</b>	₱971,048,158
<b>OPERATIONAL CASH FLOWS FROM INTEREST</b>		
Interest received	<b>₱1,089,626,130</b>	₱1,656,387,353
Interest paid	<b>98,770,526</b>	83,977,422

*See accompanying Notes to Financial Statements.*



**CARD MRI RIZAL BANK, INC.,  
A MICROFINANCE-ORIENTED RURAL BANK**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

CARD MRI Rizal Bank, Inc., A Microfinance-Oriented Rural Bank (the Bank) was incorporated under Philippine laws by virtue of Securities and Exchange Commission (SEC) Certificate of Registration No. AS094-11394 dated December 15, 1994 with a corporate life of 50 years. Based on the provisions of Republic Act No. 11232, otherwise known as “An Act Providing for the Revised Corporation Code of the Philippines,” the Bank has a perpetual existence.

The Bank was granted the authority by the Bangko Sentral ng Pilipinas (BSP) to operate on April 29, 1996. It was established primarily to engage in the business of rural banking as defined and authorized under Republic Act No. 3779, As Amended, such as granting loans to small farmers and to deserving rural enterprises, as well as receiving deposits in accordance with the regulations promulgated by the Monetary Board.

On June 28, 2018, the BSP approved the change in the Bank’s corporate name from Rizal Bank, Inc., A Microfinance-Oriented Rural Bank to CARD MRI Rizal Bank, Inc., A Microfinance-Oriented Rural Bank. On October 5, 2018, the SEC approved the change in the corporate name of the Bank.

The Monetary Board, in its Resolution No. 272 dated February 16, 2017, approved the request of the Bank to transfer 10 percent (10%) of the stockholdings of Center for Agriculture and Rural Development, Inc. (CARD, Inc.), transferee-stockholder, to Bank of the Philippine Island (BPI) through sale and purchase of 200,000 common shares of the former by the latter, in accordance with the agreement between CARD, Inc. and BPI, which also includes vesting to BPI the right to appoint one (1) non-independent director in the Board of Directors (BOD) of the Bank.

As of December 31, 2020 and 2019, the Bank’s majority stockholder is CARD Bank, Inc.

The principal place of business of the Bank is at P. Guevarra St., Cor. Aguirre St., Brgy. Poblacion 2, Sta. Cruz, Laguna. As at December 31, 2020, the Bank consists of its head office and thirty-four (34) branches.

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**2. Summary of Significant Accounting Policies**

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.

Presentation of Financial Statements

The Bank presents its statement of financial position broadly 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 (noncurrent) are disclosed in Note 12.

Statement of Compliance

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



Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability 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.

The Bank has no offsetting arrangements with its counterparties.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new accounting pronouncements which became effective as of January 1, 2020. These changes in the accounting policies did not have any significant impact on the financial position or performance of the Bank.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.



- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

### **Significant Accounting Policies**

#### **Fair Value Measurement**

For measurement and disclosure purposes, the Bank determines fair value of an asset or a liability at initial measurement date or at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer the 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 the 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 the market participants would use when pricing the asset or liability assuming the market participants act in their economic best interest.

If the asset or liability measured at fair value has a bid and ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances 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 nonfinancial 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 is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

#### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, and amounts due from BSP and other banks that are convertible to known amounts of cash with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents as withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP. The components of cash and cash equivalents are shown in the statement of cash flows. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

#### 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 or 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 unless it qualifies for recognition as some other type of asset.

In cases when the fair value is determined using data which are 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*

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the 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 groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios 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 Bank's measurement categories are described below:

*Investment securities 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', 'Investment securities at amortized cost', 'Loans and receivables', 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, 2020, the Bank has not made such designation.

#### *Financial liabilities*

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

After initial measurement, financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the effective interest rate (EIR).

This accounting policy relates to the balance sheet captions 'Deposit liabilities', 'Bills payable' and financial liabilities presented under 'Other liabilities'.

#### Impairment of Financial Assets

Expected credit losses (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.

#### *Staging assessment*

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. 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 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 or 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 at least 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days (i.e. consecutive payments from the borrowers for 180 days).

#### *ECL parameters and methodologies*

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 judgment.

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. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. LGD is the amount that may not be recovered in the event of default. LGD takes into consideration the amount and quality of any collateral held.

#### *Economic overlays and multiple economic scenarios*

The Bank incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to multiple future macroeconomic atmosphere expectations. A broad range of economic indicators were considered for the economic inputs. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material

#### *Financial asset carried at amortized cost*

For financial assets carried at amortized cost, which includes 'Loans and receivables', 'Due from BSP', 'Due from other banks', and refundable rental deposits under 'Other assets'. The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Bank determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparties' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.



If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of income. Financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, subsequently, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account.

If a write-off is later recovered, any amounts formerly charged are credited to 'Miscellaneous' in the statements of income.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as days past-due and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

#### *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. The receivables continue to be subject to an individual or collective impairment assessment, calculated using the receivable's original EIR. The difference between the recorded value of the original receivable and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for credit losses' in the statements of income.

#### *Modification of financial assets*

The Bank derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Bank considers the following factors, among others:

- introduction of an equity feature;
- change in counterparty; and



- if the modification results in the asset no longer considered SPPI.

The Bank also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Bank considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statements of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired.

#### 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:

- a. the rights to receive cash flows from the asset have expired; or
- b. 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
- c. 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

Depreciable property and equipment, which include building, furniture, fixtures and equipment, information technology equipment, transportation equipment and leasehold improvements, are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the year 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 additional costs of property and equipment.

The initial cost is comprised of construction costs and any other directly attributable costs of bringing the asset to its working condition and location for its intended use. Construction-in-progress is not depreciated and is transferred to the related property and equipment account when the construction or installation and related activities necessary to prepare the property and equipment for their intended use are completed, and the property and equipment are ready for use.

Depreciation is calculated on the straight-line method over the estimated useful lives (EUL) of the depreciable assets. The EULs of the depreciable assets follow:

Building	10 years
Furniture, fixtures and equipment	3 years
Information technology equipment	3 years
Transportation equipment	3 years
Leasehold and improvements	5 years or the terms of the related leases, whichever is shorter



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

The carrying values of 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, the assets are written down to their recoverable amounts.

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited against statement of income.

#### Intangible Assets

The Bank's intangible assets include software costs under development and purchased licenses amortized on a straight-line basis over EUL of 3 years and recognized under 'Other assets' in the statement of financial position. An intangible asset is recognized only when the cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

If the Bank acquires intangible assets by subcontracting other parties (e.g., development-and-supply contracts or research and development contracts), the Bank must exercise judgment in determining whether it is acquiring an intangible asset or whether it is obtaining goods and services that are being used in the development of an intangible asset by the entity itself. In the latter case, the Bank will only be able to recognize an intangible asset if the expenditures meet the criteria which confirm that the related activity is at a sufficiently advanced stage of development, which shall be both technically and commercially viable and includes only directly attributable costs.

Only expenditure arising from the development phase can be considered for capitalization, with all expenditure on research being recognized as an expense when it is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statements of income under 'Depreciation and amortization'.

Gains or losses arising from the 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 statements 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 and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit (CGU) to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, 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 to the statement of income in the year in which it arises.

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 expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

#### Deposit for Future Stock Subscription (DFS)

DFS represents payments made on subscription of shares which cannot be directly credited to 'Preferred stock' or 'Common stock' pending registration with the SEC of the amendment to the Articles of Incorporation increasing capital stock.

Under SEC Financial Reporting Bulletin No. 006 issued in 2012 and amended in 2013, an entity should not consider a DFS as an equity instrument unless all of the following elements are present.

1. The unissued authorized capital stock of the Bank is insufficient to cover the amount of shares classified as deposits for future shares subscriptions;
2. The entity's BOD and shareholders have approved an increase in capital stock to cover the shares corresponding to the amount of the deposit; and
3. An application for the approval of the increase in capital stock has been filed with the SEC and BSP.

If any or all of the foregoing elements above are not present, the DFS should be recognized as a financial liability.

As of December 31, 2019, the Bank has DFS recorded under liabilities amounting to ₱110.64 million (Note 13). As at December 31, 2020, the DFS has been applied to common shares.

#### Equity

Capital stock is measured at par value for all shares issued and outstanding. When the Bank issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are



shown in equity as deduction from proceeds, net of tax. Capital stock consists of common and preferred. Preferred stocks are: (a) cumulative, (b) non-voting, and (c) non-redeemable.

Common stock is recognized at subscribed amount net of any subscription receivable. This will be credited upon full payment of the subscription and issuance of the shares of stock.

Surplus represents the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Cash dividends are recognized as liability and deducted from the equity when approved by the BOD while stock dividends are deducted from equity when approved by BOD and ratified by stockholders. Dividends for the year that are approved after the reporting date are dealt with as subsequent events. Stock issuance costs are accounted for as deduction from equity.

#### Retirement Benefits

The Bank operates a defined benefit retirement plan and a defined contribution plan, which require contributions to be made to a separately administered fund.

#### *Defined benefit retirement plan*

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling (if any). 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
- 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.

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 'Remeasurement gains (losses) on retirement liabilities' under 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.

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if 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 lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*Right-of-use assets*

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	<u>Years</u>
Office space	2-12 years
Vehicles	17 months to 2 years

If ownership of the leased asset transfers to the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

*Lease liabilities*

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.



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

#### *Short-term leases and leases of low-value assets*

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery. It also applies the lease of low-value assets recognition exemption to leases of machinery that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### *Operating lease - Bank as lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized under 'Rent' in the statements of comprehensive income on a straight-line basis over the lease term.

#### Revenue Recognition

##### *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

Expenses are recognized when it is probable that decrease in the future economic benefits related to decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses are recognized as incurred.

##### *Interest expense*

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

##### *Other expenses*

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



*Employee leave entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The Bank allows to carry-over maximum of 30 and 60 days paid leave for its staff and managerial levels, respectively. Employees can convert to cash up to ten (10) days leave credits in the following year. The excess of the allowed leave credits shall likewise be converted to cash. The undiscounted liability for leave expected to be settled after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period and reported under 'Other liabilities' in the statements of financial position.

For leave entitlements expected to be settled for more than twelve months after the reporting date, valuation of the liability is dependent on certain assumptions used by the Bank's internal actuary. These include, among others, discount rate, future salary increase rate, and turnover rate. As at December 31, 2020, valuation methodology used was Earned Portion Present Value of Expected Future Liability and reported under 'Other Liabilities' in the statements of financial position.

Income Taxes

*Current tax*

Current tax assets and current tax liabilities for the current period 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 statement of financial position liability 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 with exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carry forward of unused excess MCIT over RCIT and unused NOLCO can be utilized.

Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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.

Deferred tax assets and deferred tax 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.

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 relates to the same taxable entity and the same taxation authority.



Current income tax and deferred income tax relating to items recognized directly in equity is recognized in OCI, and not in profit or loss.

#### Provisions and Contingencies

Provisions are recognized when the Bank has a present obligation (legal or constructive) where, as a result of a past event, 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. When 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 comprehensive 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 time value of money is recognized as 'Interest expense' in the statement of comprehensive income.

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

#### Events After the Reporting Date

Post-year-end events up to the date of approval of the financial statements 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 in the notes when material to the financial statements.

#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Bank intends to adopt the following pronouncements when they become effective. Unless otherwise stated, adoption of these pronouncements is not expected to have a significant impact on the Bank's financial statements.

##### *Effective beginning on or after January 1, 2021*

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

##### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

##### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*



*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*

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### 3. Significant Accounting Judgments and Estimates

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

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

#### Judgments

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

a) *Fair value of financial instruments*

When 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.

b) *Modification of loans*

In 2020, as a result of the relief provided under Bayanihan 1 Act and Bayanihan 2 Act, the Bank modifies the contractual cash flows of loans to customers. The Bank assesses whether or not the new terms are substantially different to the original terms.

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



If the terms are not substantially different, the Bank recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in the statement of income. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The impact of loan modification is discussed in Note 7.

c) *Determination of the lease term for lease contracts with renewal and termination options*

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

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

d) *Going concern assessment*

The Bank's management has made an assessment of the Bank's ability to continue as going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

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) *Leases - Estimating the incremental borrowing rate*

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank estimates the IBR using observable inputs (by reference to average bank lending rates). The carrying amount of the right-of-use assets amounted to ₱120.23 million and ₱126.74 million as of December 31, 2020 and 2019, respectively (Note 8). Lease liabilities amounted to ₱121.22 million and ₱125.46 million as of December 31, 2020 and 2019, respectively (Note 16).



*(b) Expected credit losses on financial assets (PFRS 9)*

The Bank's ECL calculations are outputs of complex with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- The criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment. In 2020, the Bank's effected anticipatory credit downgrades for portfolios belonging to industries heavily affected by the COVID-19 pandemic situation
- The segmentation of the financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of association between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs to the ECL models. In 2020, the Bank initiated a formulation of probability weights to reflect the negative economic outlook brought about by the pandemic.

The ongoing COVID-19 outbreak is widely expected to adversely affect the global economy and financial markets for the foreseeable future. The economic impact of COVID-19 depends on the mutation of the virus and the response of the authorities and the global community. The situation continues to evolve and the impact on the global and Philippine economy and the related government responses and measures depend on future developments that are highly uncertain. In light of the COVID-19 pandemic, the Bank reviewed the conduct of its impairment assessment and ECL methodologies. The Bank revisited the segmentation of its portfolio and resiliency assessment. The Bank also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations. In assessing forecast conditions to estimate the PDs and LGDs, the Bank also considered the significant government measures and plans to support affected and/or vulnerable entities.

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

*(c) Recognition of deferred tax assets*

The amount of deferred tax assets recognized by the Bank is based on the estimate of future taxable income. Significant management judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning.

The Bank reviews the carrying amount of deferred tax asset at each reporting date and reduces this to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. As the COVID-19 pandemic affected the Bank's normal operations, the Bank reassessed its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook, travel restrictions, and government relief efforts.

The Bank recognized net deferred tax assets amounting to ₱70.68 million and ₱30.20 million as of December 31, 2020 and 2019, respectively (Note 18).



(d) *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 Bank has a net retirement asset amounting to ₱19.34 million and ₱27.35 million as of December 31, 2020 and 2019, respectively (Note 15).

(e) *Continuing impact of COVID19 Pandemic*

Because of the Coronavirus Disease 2019 (COVID-19) pandemic, the Bank is exposed to a number of trends and uncertainties which can affect its financial performance. This include levels of general economic activity and its effect on the disposal income of households in the Philippines.

Various levels of community quarantine throughout the country have caused disruptions to businesses and economic activities, and its impact on the businesses continue to evolve.

The scale and duration of these developments continue to be uncertain as of the report date. In 2020, the Bank observed declines in its revenues because of disruptions brought by the pandemic. However, it is not possible to estimate the impact of the pandemic's near-term and long-term effects. The Bank has incurred and will continue to incur costs as it continues to mitigate the adverse effects of the pandemic on its operations. The pandemic could have a material impact on the Bank's financial results for the rest of 2021 and even periods thereafter. Considering the evolving nature of the pandemic, the Bank will continue to monitor the situation.

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#### 4. **Fair Value Measurement**

As of December 31, 2020, and 2019, 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.

The methods and assumptions used by the Bank in estimating fair values of financial instruments 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, accrued interest receivable, current portion of refundable deposits, current portion of deposit liabilities, bills payable, accrued expenses, accrued interest payable, accounts payable and dividends payable.*

Fair values of these financial instruments approximate their carrying values in view of the short-term maturities of these instruments.



The following tables summarize the carrying amounts and the fair values by level of the fair value hierarchy of the Bank's financial assets and liabilities as at December 31, 2020 and 2019:

	2020				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
<b>Assets and liabilities for which fair values are disclosed:</b>					
<b>Financial assets</b>					
Investment securities at amortized cost	24,911,801	–	–	18,112,929	18,112,929
Other assets					
Refundable rental deposits*	4,623,267	–	–	4,623,267	4,623,267
<b>Financial liabilities</b>					
Deposit liabilities*	1,412,684,914	–	–	1,513,680,942	1,513,680,942
Accrued vacation leave	9,663,196	–	–	9,663,196	9,663,196
<i>*pertain to noncurrent assets and liabilities</i>					
	2019				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
<b>Assets and liabilities for which fair values are disclosed:</b>					
<b>Financial assets</b>					
Investment securities at amortized cost	P36,283,701	P–	P–	P32,678,064	P32,678,064
Other assets					
Refundable rental deposits	16,481,748	–	–	16,481,748	16,481,748
<b>Financial liabilities</b>					
Deposit liabilities	3,058,331,032	–	–	2,961,363,630	2,961,363,630
Accrued vacation leave	22,139,256	–	–	22,139,256	22,139,256

*Investment securities at amortized cost,*

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 ranging from 0.77% to 7.26% and 2.43% to 8.14% in 2020 and 2019, respectively.

*Noncurrent portion of refundable deposits*

Fair values of noncurrent portion of refundable deposit were estimated using the discounted cash flow methodology, using the Bank's current incremental borrowing rates for similar borrowings, ranging from 4.39% to 5.27% and 5.11% to 7.19% in 2020 and 2019, respectively.

*Noncurrent portion of deposit liabilities*

Fair values of noncurrent deposit liabilities are estimated using the discounted cash flow methodology, using risk-free rates and applicable premium, ranging from 0.13% to 5.43% and 3.63% to 4.04% in 2020 and 2019, respectively, with maturities consistent with those remaining for the liability being valued, if any.

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 2020 and 2019.



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## 5. Financial Risk Management Objectives and Policies

In the course of the business cycle, the Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

The Bank has instituted the Risk Management Committee (RMC), composed of Independent director as chairman and majority of the members are independent directors , which is responsible for the comprehensive development of financial risk strategies, principles, frameworks, policies and limits purposely to eliminate or at least reduce the risk the Bank faces in banking activities and thus optimize returns on the capital or equity.

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 identifying and assessing the risk, taking actions to mitigate the risks through defined roles and responsibilities, close monitoring of the scenarios, and adjustment of the systems and policies necessary to effectively minimize risk level.

The BOD through its RMC is responsible for monitoring the Bank's implementation of risk management policies and procedures, and for reviewing the adequacy of risk management framework in relation to the risks faced by the Bank. The RMC regularly reports to the BOD the results of reviews of actual implementation of risk management policies. Internal Audit (IA) undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee (AC).

### 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*

The Bank faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties or invests funds to issuers (e.g., investment securities issued by either sovereign or corporate entities).

The Bank manages credit risks by instilling credit discipline both among the staff and the borrowers. Close-monitoring and assessment of account throughout the borrowing period is being done. Moreover, on-time and quality service delivery increase motivation of the borrowers to fulfill their financial obligation. Instilling good credit discipline and commitment are always considered through regular orientation and training. Consequently, their savings balances are pledged and serve as guarantee to their loans, which increase their borrowing capacity. Each business unit has a designated Unit Manager, who reports on all credit-related matters to Area Manager and Regional Director. Each business unit is responsible for the quality and performance of its credit portfolio and monitoring and controlling risks associated with it. Regular audits of business units and credit processes are undertaken by IA. In addition, Executive Committee and Management Committee



members of the Bank regularly conduct monitoring based on their respective target per month. This strategy further ensures that business unit's implementation is within the credit policy and regulation of the Bank. Regular capacity building program through provisions of banking-related trainings such as but not limited to credit risk management, managing business, and delinquency management are regularly run. Availability of operations manual as reference, assist personnel in handling daily transaction. The manual is customized for microfinance clients and is being updated as often as new policies and procedures are finalized and approved by the BOD, based on client and staff satisfaction surveys, staff and management program review and planning meetings and workshops. A codified signing authority is in place for every level of loan processing and approval.

All past due accounts are reported on daily, weekly and monthly bases. Consistent monitoring for this group of accounts is established by competent and diligent staff to maximize recovery. Writing off bad accounts are approved by the BOD and reported to the BSP in compliance with the rules and regulations for banks.

The RMC closely monitors the over-all credit operations. Identified existing and potential risks are acted upon appropriately and are reported during monthly meetings of the BOD.

*Maximum exposure to credit risk*

An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements is shown below as at December 31, 2020 and 2019:

2020				
	Maximum Exposure*	Fair Value of Collateral	Financial Effect of Collateral	Net Exposure
Loans and receivables	P3,699,882,327	P865,991,680	P858,887,917	P2,840,994,410

*\*Net of allowance for credit losses*

2019				
	Maximum Exposure*	Fair Value of Collateral	Financial Effect of Collateral	Net Exposure
Loans and receivables	P3,762,263,676	P911,015,841	P899,717,566	P2,862,546,110

*\*Net of allowance for credit losses*

As at December 31, 2020 and 2019, the Bank does not hold any collateral or other credit enhancements to cover the credit risks associated with its due from BSP and other banks, other receivables and other financial assets. Hence, the carrying values of those financial assets best represent the maximum exposure to credit risk.

Credit enhancement for receivable from customers pertains to deposit hold-out from pledge savings equivalent to 15.00% of the original amount of the loan to the member as at December 31, 2020 and 2019.

The Bank has no financial instruments with rights of set-off in accordance to PAS 32 as at December 31, 2020 and 2019. 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 amendments to PFRS 7.



Additionally, the tables below show the distribution of maximum credit exposure by industry sector of the Bank as at December 31, 2020 and 2019:

	2020				
	Loans and Receivables	Due from BSP and Other Banks	Investment securities at Amortized Cost	Other Assets*	Total
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	₱1,779,446,345	₱-	₱-	₱8,806,642	₱1,788,252,987
Agriculture, hunting and forestry	1,007,887,746	-	-	-	1,007,887,746
Government	1,080,374	1,862,831,291	24,911,801	-	1,888,823,466
Financial institutions	537,546	285,648,313	-	7,490,313	293,676,172
Accommodation and food service activities	333,708,029	-	-	-	333,708,029
Construction	214,234,908	-	-	-	214,234,908
Real estate activities	49,659,118	-	-	-	49,659,118
Manufacturing	209,930,423	-	-	-	209,930,423
Education	55,579,378	-	-	-	55,579,378
Transportation and storage	79,150,239	-	-	-	79,150,239
Administrative and support service activities	86,909,771	-	-	-	86,909,771
Human health and social work activities	55,851,441	-	-	-	55,851,441
Arts, entertainment and recreation	19,792,967	-	-	-	19,792,967
Other community, social and personal service activities	467,744	-	-	-	467,744
Water supply, sewerage, waste management, and remediation activities	15,165,870	-	-	-	15,165,870
Information and communication	13,525,000	-	-	-	13,525,000
Professional, scientific and technical services	6,430,592	-	-	-	6,430,592
Electricity, gas and water supply	632,501	-	-	-	632,501
Mining and quarrying	207,676	-	-	-	207,676
	3,930,197,668	2,148,479,604	24,911,801	16,296,955	6,119,886,028
Less : Allowance for credit losses	217,035,396	-	-	-	217,035,396
Unearned discounts and interest	13,279,945	-	-	-	13,279,945
<b>Total</b>	<b>₱3,699,882,327</b>	<b>₱2,148,479,604</b>	<b>₱24,911,801</b>	<b>₱16,296,955</b>	<b>₱5,889,570,687</b>

\*Pertains to refundable rental deposit.

	2019				
	Loans and Receivables	Due from BSP and Other Banks	Investment securities at Amortized Cost	Other Assets*	Total
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	₱1,557,295,975	₱-	₱-	₱-	₱1,557,295,975
Agriculture, hunting and forestry	871,859,210	-	-	-	871,859,210
Government	-	474,363,486	31,283,701	-	505,647,187
Financial institutions	-	481,613,228	5,000,000	-	486,613,228
Accommodation and food service activities	366,782,043	-	-	-	366,782,043
Construction	226,984,087	-	-	-	226,984,087
Real estate activities	180,248,736	-	-	-	180,248,736
Manufacturing	177,755,783	-	-	-	177,755,783
Education	149,765,504	-	-	-	149,765,504
Transportation and storage	82,489,423	-	-	-	82,489,423
Administrative and support service activities	78,027,361	-	-	-	78,027,361
Human health and social work activities	65,973,309	-	-	-	65,973,309
Fishing	50,932,900	-	-	-	50,932,900
Arts, entertainment and recreation	20,554,389	-	-	-	20,554,389
Other community, social and personal service activities	39,217	-	-	16,481,748	16,520,965
Water supply, sewerage, waste management, and remediation activities	14,179,614	-	-	-	14,179,614
Information and communication	8,269,743	-	-	-	8,269,743
Professional, scientific and technical services	4,697,887	-	-	-	4,697,887
Electricity, gas and water supply	686,216	-	-	-	686,216
Mining and quarrying	152,077	-	-	-	152,077
	3,856,693,474	955,976,714	36,283,701	16,481,748	4,865,435,637
Less allowance for credit losses	94,429,798	-	-	-	94,429,798
<b>Total</b>	<b>₱3,762,263,676</b>	<b>₱955,976,714</b>	<b>₱36,283,701</b>	<b>₱16,481,748</b>	<b>₱4,771,005,839</b>

\*Pertains to refundable rental deposits



*Credit quality per class of financial assets*

The financial assets are grouped according to stage whose description is explained as follows:

*Stage 1*

*Microfinance loans*

Those that are considered current, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

*Other loans*

*Agri Loans and Other Loans*

Those that are considered current, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

*Business Loans and Salary Loans*

Those that are considered current and up to 29 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk

*Stage 2*

*Other Loans*

*Business Loans and Salary Loans*

Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered 30 up to 89 days past due but does not demonstrate objective evidence of impairment as of reporting date.

*Stage 3*

*Microfinance Loans*

Those that are considered in default or when the borrower has missed any installment payments and is past due for one (1) or more days.

*Other Loans*

*Other Loans and Agri Loans*

Those that are considered in default or when the borrower has missed any installment payments and is past due for one (1) or more days.

*Business Loans and Salary Loans*

Those that are considered in default or 90 or more days past due, demonstrate objective evidence of impairment as of reporting date.

The tables below show the credit quality per class of financial assets (gross of allowance for credit and impairment losses) as at December 31, 2020 and 2019:

	2020			
	Stage 1	Stage 2	Stage 3	Total
Due from BSP	P90,342,664	P-	P-	P90,342,664
Due from other banks	2,058,136,940	-	-	2,058,136,940
Loans receivable:				
Microfinance loans	3,004,732,356	-	497,360,988	3,502,093,344
Other loans	269,783,533	-	69,955,374	339,738,907
Other receivables:				
Accrued interest receivable	81,390,796	-	-	81,390,796
Accounts receivable	6,974,621	-	-	6,974,621
Investment securities at amortized cost	24,911,801	-	-	24,911,801
Other assets:				
Refundable rental deposits	16,296,955	-	-	16,296,955
	<b>P5,552,569,666</b>	<b>P-</b>	<b>P567,316,362</b>	<b>P6,119,886,028</b>



	2019			Total
	Stage 1	Stage 2	Stage 3	
Due from BSP	P97,610,954	P-	P-	P97,610,954
Due from other banks	858,365,760	-	-	858,365,760
Loans receivable:				
Microfinance loans	3,309,669,785	-	100,325,377	3,409,995,162
Other loans	355,150,112	244,119	10,338,892	365,733,123
Other receivables:				
Accrued interest receivable	76,446,573	-	-	76,446,573
Accounts receivable	4,518,616	-	-	4,518,616
Investment securities at amortized cost	36,283,701	-	-	36,283,701
Other assets:				
Refundable rental deposits	16,481,748	-	-	16,481,748
	<u>P4,754,527,249</u>	<u>P244,119</u>	<u>P110,664,269</u>	<u>P4,865,435,637</u>

As at December 31, 2020 and 2019, the Bank's microfinance loans that are past due for more than 90 days are considered impaired.

*Carrying amount per class of loans and receivables which terms have been renegotiated*

Restructured receivables have principal terms and conditions that have been modified in accordance with an agreement setting forth a new plan of payment or a schedule of payment on a periodic basis. When the receivable account becomes past due and is being restructured or extended, the approval of the BOD is required before loan booking and is always governed by the BSP rules on restructuring. No loans were restructured as at December 31, 2020 and 2019.

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 are therefore not subject to any interest rate risk.

*Interest rate risk*

The Bank has floating or variable interest rates from held-to-maturity investments, however, management assessed that the Bank's exposure to changes in interest rate risk is immaterial.

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 Bank's Asset-Liability Committee is responsible for 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. The Bank utilizes a diverse range of sources of funds, although short-term deposits made with the Bank's network of domestic branches comprise the majority of such funding. Core deposits composed mainly of pledge savings.

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. Deposits with banks are made on a short-term basis with almost all being available on demand or within one month.



The Bank 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.

The tables below summarize the maturity profile of the financial instruments of the Bank based on contractual undiscounted cash flows:

	2020					Total
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	
<b>Financial Assets</b>						
Cash and other cash items	₱16,122,720	₱-	₱-	₱-	₱-	₱16,122,720
Due from BSP	90,342,664	-	-	-	-	90,342,664
Due from other banks	631,548,448	1,428,690,599	-	-	-	2,060,239,047
Loans and receivable	683,004,474	179,843,184	555,025,794	2,509,855,223	2,468,993	3,930,197,668
Financial asset at amortized cost	-	312,622	215,826	4,878,003	20,583,099	25,989,550
Other assets	6,994,510	293,023	1,049,754	3,676,818	5,294,584	17,308,689
<b>Total Financial Assets</b>	<b>1,428,012,816</b>	<b>1,609,139,428</b>	<b>556,291,374</b>	<b>2,518,410,044</b>	<b>28,346,676</b>	<b>6,140,200,338</b>
<b>Financial Liabilities</b>						
Deposit liabilities	2,079,253,506	162,204,844	189,720,431	394,922,129	1,412,684,914	4,238,785,824
Bills payable	-	25,750,000	293,887,188	558,513,750	-	878,150,938
Other liabilities:						
Lease liabilities	-	4,496,843	8,993,547	37,628,207	70,097,553	121,216,150
Accounts payable	2,391,165	4,180,078	-	-	-	6,571,243
Accrued interest payable	-	1,369,280	4,562,086	6,653,841	6,701,223	19,286,430
Accrued other expenses	13,625	-	985,585	-	9,663,196	10,662,406
Dividends payable	373,286	-	-	-	-	373,286
<b>Total Financial Liabilities</b>	<b>2,082,031,582</b>	<b>198,001,045</b>	<b>498,148,837</b>	<b>997,717,927</b>	<b>1,499,146,886</b>	<b>5,275,046,277</b>
<b>Net</b>	<b>(₱654,018,766)</b>	<b>₱1,411,138,383</b>	<b>₱58,142,537</b>	<b>₱1,520,692,117</b>	<b>(₱1,470,800,210)</b>	<b>₱865,154,061</b>

	2019					Total
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	
<b>Financial Assets</b>						
Cash and other cash items	₱15,071,444	₱-	₱-	₱-	₱-	₱15,071,444
Due from BSP	97,610,954	-	-	-	-	97,610,954
Due from other banks	532,175,982	326,904,913	-	-	-	859,080,895
Loans and receivable	83,589,021	164,463,833	666,501,983	2,940,210,670	1,927,967	3,856,693,474
Financial asset at amortized cost	1,324,860	296,291	180,496	9,737,314	25,188,190	36,727,151
Other assets	-	153,339	971,871	9,643,365	5,713,173	16,481,748
<b>Total Financial Assets</b>	<b>729,772,261</b>	<b>491,818,376</b>	<b>667,654,350</b>	<b>2,959,591,349</b>	<b>32,829,330</b>	<b>4,881,665,666</b>
<b>Financial Liabilities</b>						
Deposit liabilities	301,804,829	322,810,742	482,047,817	1,651,929,030	299,738,614	3,058,331,032
Bills payable	-	37,500,000	162,500,000	525,000,000	-	725,000,000
Other liabilities:						
Lease liabilities	₱-	₱4,872,480	₱9,438,271	₱37,647,792	₱89,299,398	₱141,257,941
Accounts payable	21,165,009	3,988,296	-	-	-	25,153,305
Accrued interest payable	10,648	2,253,608	2,216,705	2,713,541	6,743,585	13,938,087
Accrued other expenses	-	13,851,096	-	985,585	18,261,255	33,097,936
Dividends payable	163,460	-	-	-	-	163,460
<b>Total Financial Liabilities</b>	<b>323,143,946</b>	<b>385,276,222</b>	<b>656,202,793</b>	<b>2,218,275,948</b>	<b>414,042,852</b>	<b>3,996,941,761</b>
<b>Net</b>	<b>₱406,628,315</b>	<b>₱106,542,154</b>	<b>₱11,451,557</b>	<b>₱741,315,401</b>	<b>(₱81,213,522)</b>	<b>₱884,723,905</b>

## 6. Due from BSP and Other Banks

The 'Due from BSP' account represents the balance of non-interest-bearing peso deposit account with the BSP which the Bank maintains primarily to meet reserve requirements (Note 10) and to serve as a clearing account for interbank claims.

Due from other banks represent funds deposited with domestic banks which are used by the Bank as part of its working funds. These deposits earn interest at annual rates ranging from 0.01% to 1.45% and 0.10% to 4.00% in 2020 and 2019, respectively. Interest earned on due from other banks amounted to ₱15.71 million and ₱24.82 million in 2020 and 2019, respectively.



**7. Loans and Receivables and Investment Securities at Amortized Cost**

Loans and Receivables

This account consists of:

	<b>2020</b>	2019
Loans and receivables		
Microfinance loans	<b>₱3,502,093,344</b>	₱3,409,995,163
Other loans	<b>339,738,907</b>	365,733,122
	<b>3,841,832,251</b>	3,775,728,285
Accrued interest receivable	<b>81,390,796</b>	76,446,573
Accounts receivable (Note 19)	<b>6,974,621</b>	4,518,616
	<b>3,930,197,668</b>	3,856,693,474
Less: Allowance for credit losses	<b>217,035,396</b>	94,429,798
Unearned discount and interest	<b>13,279,945</b>	-
	<b>₱3,699,882,327</b>	₱3,762,263,676

Microfinance and other loans carry annual effective interest rates ranging from 32.00% to 61.91% and 33.47% to 50.47% in 2020 and 2019, respectively. Interest earned on loans and receivables amounted to ₱1.06 billion and ₱1.64 billion in 2020 and 2019, respectively.

On March 25, 2020, Republic Act No. 11469 or the “Bayanihan to Heal as One Act” (Bayanihan 1) was enacted declaring a state of national emergency over the entire country to control the spread of the Coronavirus Disease 2019 (COVID-19). Among the provisions of Bayanihan 1 is the implementation of a 30-day grace period for all loans with principal and/or interest falling due within the period of the Enhanced Community Quarantine without incurring interest on interest, on penalties, fees and other charges. Further, on September 11, 2020, Republic Act No. 11494 or the “Bayanihan to Recover as One Act” (Bayanihan 2) was enacted and part of the provisions of the Bayanihan 2 is the implementation of a one-time 60-day grace period to be granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interest, penalties, fees and other charges, thereby extending the maturity of said loans. In addition, Bayanihan 2 allows loans to be settled on a staggered basis without interest on interests, penalties, fees or other charges until December 31, 2020 or as may be agreed upon by both parties.

The impact of loan modifications as a result of the Bayanihan 1 and Bayanihan 2 Acts amounted to a loss of ₱155.06 million. For the year ended December 31, 2020, the net impact of the loan modifications (i.e., after subsequent accretion of the modified loans) amounted to a loss of ₱13.28 million recorded as a deduction in ‘Interest income from loans and receivables’ and contra-asset account ‘Unearned discount and interest’.

The movements in the allowance for credit losses follow:

	<b>2020</b>	2019
Balance at beginning of year	<b>₱94,429,798</b>	₱32,897,156
Provisions	<b>138,487,623</b>	65,269,597
Write-offs	<b>(15,882,025)</b>	(3,736,955)
Balance at end of year	<b>₱217,035,396</b>	₱94,429,798



The tables below illustrate the movements of the allowance for impairment and credit losses during the year 2020 and 2019 (effect of movements in ECL due to transfers between stages are shown in the total column):

	2020			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Loss allowance at January 1, 2020</b>	<b>₱8,363,723</b>	<b>₱27,849</b>	<b>₱86,038,226</b>	<b>₱94,429,798</b>
<b>Movements with P&amp;L impact</b>				
Transfer from Stage 1 to Stage 3	(20,102,488)	–	20,102,488	–
Transfer from Stage 2 to Stage 3	–	(27,849)	27,849	–
Transfer from Stage 3 to Stage 1	3,813,071	–	(3,813,071)	–
New financial assets originated or purchased	147,302,545	–	–	147,302,545
Changes in PDs/LGDs/EADs	(76,850,421)	–	105,393,201	28,542,780
Financial assets derecognized during the period	(5,987,820)	–	(31,369,882)	(37,357,702)
<b>Total net P&amp;L charge during the period</b>	<b>48,174,887</b>	<b>(27,849)</b>	<b>90,340,585</b>	<b>138,487,623</b>
<b>Other movements without P&amp;L impact</b>				
Write-offs and other movements	–	–	(15,882,025)	(15,882,025)
<b>Total movements without P&amp;L impact</b>	<b>–</b>	<b>–</b>	<b>(15,882,025)</b>	<b>(15,882,025)</b>
<b>Loss allowance at December 31, 2020</b>	<b>₱56,538,610</b>	<b>₱–</b>	<b>₱160,496,786</b>	<b>₱217,035,396</b>

	2019			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Loss allowance at January 1, 2019</b>	<b>₱14,064,838</b>	<b>₱–</b>	<b>₱18,832,318</b>	<b>₱32,897,156</b>
<b>Movements with P&amp;L impact</b>				
Transfer from Stage 1 to Stage 2	(27,849)	27,849	–	–
Transfer from Stage 1 to Stage 3	(39,646,404)	–	39,646,404	–
New financial assets originated or purchased	47,728,131	–	–	47,728,131
Changes in PDs/LGDs/EADs	81,962	–	39,805,944	39,887,906
Financial assets derecognized during the period	(13,836,955)	–	(8,509,485)	(22,346,440)
<b>Total net P&amp;L charge during the period</b>	<b>(5,701,115)</b>	<b>27,849</b>	<b>70,942,863</b>	<b>65,269,597</b>
<b>Other movements without P&amp;L impact</b>				
Write-offs and other movements	–	–	(3,736,955)	(3,736,955)
<b>Total movements without P&amp;L impact</b>	<b>–</b>	<b>–</b>	<b>(3,736,955)</b>	<b>(3,736,955)</b>
<b>Loss allowance at December 31, 2019</b>	<b>₱8,363,723</b>	<b>₱27,849</b>	<b>₱86,038,226</b>	<b>₱94,429,798</b>

The movements in gross carrying amount of receivables from customers between stages follow:

	2020			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Gross carrying amount as at January 1, 2020</b>	<b>₱3,740,138,915</b>	<b>₱247,769</b>	<b>₱110,664,269</b>	<b>₱3,851,050,953</b>
Transfer from Stage 1 to Stage 3	(680,157,632)	–	680,157,632	–
Transfer from Stage 2 to Stage 3	–	(247,769)	247,769	–
Transfer from Stage 3 to Stage 1	2,063,946	–	(2,063,946)	–
New financial assets originated or purchased	3,456,118,217	–	–	3,456,118,217
Collection of principal and accrued interest	(206,041,156)	–	(164,969,388)	(371,010,544)
Financial assets derecognized during the period	(2,972,008,295)	–	(39,538,306)	(3,011,546,601)
Write-offs and other movements	–	–	(15,882,025)	(15,882,025)
<b>Gross carrying amount as at December 31, 2020</b>	<b>₱3,340,113,995</b>	<b>₱–</b>	<b>₱568,616,005</b>	<b>₱3,908,730,000</b>



	2019			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount as at				
January 1, 2019	₱3,094,961,550	₱-	₱50,217,403	₱3,145,178,953
Transfer from Stage 1 to Stage 2	(247,769)	247,769	-	-
Transfer from Stage 1 to Stage 3	(91,158,714)	-	91,158,714	-
New financial assets originated or purchased	3,792,311,914	-	-	3,792,311,914
Collection of principal and accrued interest	29,873,498	-	(2,150,872)	27,722,626
Financial assets derecognized during the period	(3,085,601,564)	-	(24,824,021)	(3,110,425,585)
Write-offs and other movements	-	-	(3,736,955)	(3,736,955)
Gross carrying amount as at December 31, 2019	₱3,740,138,915	₱247,769	₱110,664,269	₱3,851,050,953

While the Bank recognizes through 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 to at least 1% the allowance for credit losses on loans. The amount of surplus reserve recognized in the statements of financial position amounted to ₱17.86 million and ₱26.70 million as of December 31, 2020 and 2019, respectively.

#### Regulatory Reporting

In accordance with BSP regulations, the Bank considers a loan as part of portfolio-at-risk (PAR) when an installment payment is past due for one day. As at December 31, 2020 and 2019, the Bank's PAR amounted to ₱567.32 million and ₱112.29 million, respectively. The allowance for credit losses recognized for past due loans amounted to ₱160.50 million and ₱85.76 million as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, nonperforming loans (NPLs) based on Circular No. 941 and as reported to the BSP amounted to as follows:

	2020	2019
Performing loans	₱3,275,200,263	₱3,665,064,016
Nonperforming loans	566,631,988	110,664,269
Balance at end of year	₱3,841,832,251	₱3,775,728,285

Generally, NPLs refer to loans whose principal and/or interest are unpaid after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans receivable in lump sum and loans receivable 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 NPL. 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 to current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

The following table shows the secured and unsecured portions of receivable from customers as at December 31, 2020 and 2019 (at gross amount):

	2020	2019
Secured portion		
Deposit hold-out	₱858,887,917	₱899,717,566
Unsecured portion	2,982,944,334	2,876,010,719
	<b>₱3,841,832,251</b>	<b>₱3,775,728,285</b>

Collateral of loans includes deposit hold-out at 15.00% of loan disbursed (Note 10).

#### Investment securities at Amortized Cost

As at December 31, 2020 and 2019, investment securities at amortized cost consist of the following:

	2020	2019
Agrarian Reform 10-year bond	₱24,911,801	₱31,283,701
Small Business Corporation (SBC)	-	5,000,000
	<b>₱24,911,801</b>	<b>₱36,283,701</b>

Agrarian reform bonds pertain to long-term certificates issued by the National Government and earn annual interest rates from 0.99% to 3.00% and 2.15% to 2.25% in 2020 and 2019, respectively.

Investment security in SBC pertains to non-negotiable Micro, Small and Medium Enterprise Note with annual interest rate of 2.00% in 2020 and 2019. This matured in June 2020.

Interest income on investment securities at amortized cost amounted to ₱1.21 million and ₱3.30 million in 2020 and 2019, respectively.



8. **Property and Equipment**

The composition of and movements in this account follow:

		2020								
Cost	Land	Building	Furniture, Fixtures and Equipment	Information Technology Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Right-of-Use Asset	Total	
Balance at beginning of year	<b>₱20,030,959</b>	<b>₱29,981,083</b>	<b>₱72,548,073</b>	<b>₱21,482,989</b>	<b>₱1,530,900</b>	<b>₱87,050,109</b>	<b>₱5,663,837</b>	<b>₱1,67,564,133</b>	<b>₱405,852,083</b>	
Additions	-	780,499	14,710,617	5,614,385	3,110,787	1,148,369	14,070,774	52,036,508	91,471,939	
Reclassification	-	1,908,581	-	-	-	11,473,524	(13,882,105)	-	-	
Disposals	-	-	(1,318,187)	(113,245)	-	-	-	(23,478,818)	(24,910,250)	
Balance at end of year	<b>20,030,959</b>	<b>32,670,163</b>	<b>85,940,503</b>	<b>26,984,129</b>	<b>4,641,687</b>	<b>99,672,002</b>	<b>6,352,506</b>	<b>196,121,823</b>	<b>472,413,772</b>	
<b>Accumulated Depreciation</b>										
Balance at beginning of year	-	14,270,740	36,672,146	7,453,107	285,278	29,213,437	-	40,825,105	128,719,813	
Depreciation	-	3,906,151	15,804,864	4,838,202	692,582	18,546,138	-	58,541,550	102,329,487	
Disposals	-	-	(1,318,187)	(113,243)	-	-	-	(23,478,818)	(24,910,248)	
Balance at end of year	-	18,176,891	51,158,823	12,178,066	977,860	47,759,575	-	75,887,837	206,139,052	
<b>Net Book Value</b>	<b>₱20,030,959</b>	<b>₱14,493,272</b>	<b>₱34,781,680</b>	<b>₱14,806,063</b>	<b>₱3,663,827</b>	<b>₱51,912,427</b>	<b>₱6,352,506</b>	<b>₱120,233,986</b>	<b>₱266,274,720</b>	
2019										
Cost	Land	Building	Furniture, Fixtures and Equipment	Information Technology Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Right-of-Use Asset	Total	
Balance at beginning of year	<b>₱20,030,959</b>	<b>₱29,981,083</b>	<b>₱44,767,124</b>	<b>₱9,540,723</b>	<b>₱2,144,417</b>	<b>₱58,370,497</b>	<b>₱7,737,584</b>	<b>₱90,499,380</b>	<b>₱261,141,767</b>	
Additions	-	-	27,797,549	11,942,266	1,316,483	1,968,075	24,637,790	77,064,753	144,726,916	
Reclassification	-	-	-	-	-	26,711,537	(26,711,537)	-	-	
Disposals	-	-	(16,600)	-	-	-	-	-	(16,600)	
Balance at end of year	<b>20,030,959</b>	<b>29,981,083</b>	<b>72,548,073</b>	<b>21,482,989</b>	<b>1,530,900</b>	<b>87,050,109</b>	<b>5,663,837</b>	<b>167,564,133</b>	<b>405,852,083</b>	
<b>Accumulated Depreciation</b>										
Balance at beginning of year	-	11,237,667	24,906,552	4,462,105	214,416	15,151,969	-	-	55,972,709	
Depreciation	-	3,033,073	11,782,194	2,991,002	70,862	14,061,468	-	40,825,105	72,763,704	
Disposals	-	-	(16,600)	-	-	-	-	-	(16,600)	
Balance at end of year	-	14,270,740	36,672,146	7,453,107	285,278	29,213,437	-	40,825,105	128,719,813	
<b>Net Book Value</b>	<b>₱20,030,959</b>	<b>₱15,710,343</b>	<b>₱35,875,927</b>	<b>₱14,029,882</b>	<b>₱1,245,622</b>	<b>₱57,836,672</b>	<b>₱5,663,837</b>	<b>₱126,739,028</b>	<b>₱277,132,270</b>	



The composition of depreciation and amortization as presented in the statements of income are as follows:

	2020	2019
Property and equipment	₱102,329,487	₱72,763,704
Intangible assets (Note 9)	147,055	-
	<b>₱102,476,542</b>	<b>₱72,763,704</b>

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.

As at December 31, 2020, the leasehold improvements under construction pertain to the renovation of bank premises of Trento and Buenavista branch. The projects were completed in January and February 2021, respectively. As at December 31, 2019, the leasehold improvements under construction pertain to the renovations of the Angeles' bank premises, teller's booth in San Fernando, Iba, and Solano branch-lite units and the head office's second floor. These were completed in February, May, and September 2020, respectively.

As of December 31, 2020 and 2019, the cost of fully depreciated property and equipment that are still in use amounted to ₱37.25 million and ₱25.07 million, respectively.

## 9. Other Assets

This account consists of:

	2020	2019
<b>Financial assets</b>		
Refundable rental deposits	₱16,296,956	₱16,481,748
<b>Nonfinancial assets</b>		
Prepaid expenses	68,983,438	37,371,319
Stationery and supplies on hand	60,511,677	28,792,588
Intangible asset	5,146,922	-
Prepaid rent	3,307,930	1,784,121
	<b>137,949,967</b>	<b>67,948,028</b>
	<b>₱154,246,923</b>	<b>₱84,429,776</b>

Prepaid expenses include advance lease payments of office and IT equipment from CARD Leasing and Finance Corporation (CLFC), as well as IT services from CARD MRI Information Technology, Inc. (CMIT). Prepaid rent pertains to advances paid on lease of offices.

No impairment loss was recognized on other assets in 2020 and 2019.

### *Intangible assets*

Intangible assets include software costs under development and purchased licenses.



The movements of intangible assets follow:

	2020
<b>Cost</b>	
Balance at beginning of year	P-
Additions	5,293,977
Balance at end of year	5,293,977
<b>Accumulated amortization</b>	
Balance at beginning of year	-
Amortization	147,055
Balance at end of year	147,055
<b>Net Book Value</b>	<b>₱5,146,922</b>

## 10. Deposit Liabilities

The Bank's deposit liabilities include regular savings amounting to ₱3.59 billion and ₱2.32 billion as at December 31, 2020 and 2019, respectively. These mostly comprise of the ₱50.00 per week aggregate compulsory savings collected from each member/nonmember/borrower plus any voluntary deposit. Under an assignment agreement, the "pledge" savings balances serve as security for loans granted by the Bank to its members. The "pledge" savings earn annual interest of 2.00% in 2020 and 2019. In 2020 and 2019, a member/borrower is required to maintain a pledge savings balance equivalent to 15.00% of the original loan amount (Note 7).

Other regular savings accounts are "Kusang-ipon", "Tagumpay", "Agap-ipon" and "Katuparan" savings deposit accounts which cater to non-members and Bank employees and carry interest rates from 1.50% and 5.00% in 2020 and 2019.

Special savings deposits have interest rates ranging from 2.00% to 4.25% in 2020 and 2019.

Interest expense on deposit liabilities are as follows:

	2020	2019
Regular savings deposits	<b>₱43,550,618</b>	₱38,757,750
Special savings deposit	<b>28,192,364</b>	22,482,038
Balance at end of year	<b>₱71,742,982</b>	₱61,239,788

Circular No. 1092 of the BSP prescribes 2.00% reserve requirements on demand and savings deposits.

As of December 31, 2020 and 2019, available reserves pertain to Due from BSP of ₱90.34 million and ₱97.61 million, respectively. The Bank is compliant with the applicable reserve requirements on demand and savings deposits, respectively.



## 11. Bills Payable and Other Liabilities

### Bills Payable

Bills payable represents borrowings from financing institutions which are subject to certain terms and conditions and bears annual nominal interest rates ranging from 3.00% to 5.88% in 2020 and from 3.90% to 7.25% in 2019. Maturity period for the outstanding bills payable ranges from one month to one year and from three months to one year in 2020 and 2019, respectively.

Interest expense recognized in the statements of income amounted to ₱32.38 million and ₱31.01 million in 2020 and 2019, respectively. Unpaid interest as at December 31, 2020 and 2019 amounted to ₱2.00 million and ₱2.15 million, respectively, is presented under 'Accrued interest payable' under 'Other liabilities'.

The composition of and movements in this account follow:

	2020	2019
<b>Face value</b>		
Balance at beginning of year	₱725,000,000	₱780,000,000
Availments	1,250,000,000	800,000,000
Principal payments	(1,112,500,000)	(855,000,000)
Balance at end of year	862,500,000	725,000,000
<b>Unamortized transaction cost</b>		
Balance at beginning of year	₱4,551,156	₱4,565,209
Availments	8,640,411	5,911,644
Amortization	(8,361,208)	(5,925,697)
Balance at end of year	4,830,359	4,551,156
<b>Carrying value</b>	₱857,669,641	₱720,448,844

### Other Liabilities

This account consists of the following:

	2020	2019
<b>Financial liabilities:</b>		
Lease liabilities (Note 16)	₱121,216,150	₱125,455,811
Accrued interest payable	19,286,430	13,938,087
Accrued other expenses	10,662,406	33,097,936
Accounts payable (Note 19)	6,571,243	25,153,305
Dividends payable	373,286	163,460
	158,109,515	197,808,599
<b>Nonfinancial liabilities:</b>		
Gross receipt taxes payable	18,243,064	23,734,701
Documentary stamp taxes payable	7,368,517	579,331
Withholding taxes payable	3,520,102	3,016,000
	29,131,683	27,330,032
	₱187,241,198	₱225,138,631

Accounts payable include due to suppliers and contractors, regulatory bodies, employees and related parties.

Accrued other expenses include accrued rent and other operating expenses.



## 12. 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 one year from statement of financial position dates:

	2020			2019		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
<b>Financial Assets</b>						
Cash and other cash items	₱16,122,720	₱-	₱16,122,720	₱15,071,444	₱-	₱15,071,444
Due from BSP	90,342,664	-	90,342,664	97,610,954	-	97,610,954
Due from other banks	2,058,136,940	-	2,058,136,940	858,365,760	-	858,365,760
Loans and receivables	3,927,728,675	2,468,993	3,930,197,668	3,854,765,507	1,927,967	3,856,693,474
Investment securities at amortized cost	5,091,758	19,820,043	24,911,801	11,447,566	24,836,135	36,283,701
Other assets (Note 9)	11,673,688	4,623,267	16,296,955	-	16,481,748	16,481,748
<b>Nonfinancial Assets</b>						
Property and equipment	-	472,413,772	472,413,772	-	405,852,083	405,852,083
Retirement asset	-	19,339,918	19,339,918	-	27,351,284	27,351,284
Deferred tax assets	-	70,679,797	70,679,797	-	30,202,238	30,202,238
Other assets (Note 9)	129,495,115	8,454,853	137,949,968	66,163,907	1,784,121	67,948,028
<b>Total Assets</b>	<b>₱6,238,591,560</b>	<b>₱597,800,643</b>	<b>₱6,836,392,203</b>	<b>₱4,903,425,138</b>	<b>₱508,435,576</b>	<b>₱5,411,860,714</b>
Allowance for credit and impairment losses			(217,035,396)			(94,429,798)
Unearned discount and interest			(13,279,945)			-
Accumulated depreciation and amortization			(206,139,052)			(128,719,813)
			<b>₱6,399,937,810</b>			<b>₱5,188,711,103</b>
<b>Financial Liabilities</b>						
Deposit liabilities	₱2,806,206,416	₱1,405,990,541	₱4,212,196,957	₱2,758,592,418	₱299,738,614	₱3,058,331,032
Bills payable	857,669,641	-	857,669,641	720,448,844	-	720,448,844
Other liabilities (Note 11)	71,647,543	86,461,972	158,109,515	92,954,215	104,854,384	197,808,599
Deposit for future stock subscription	-	-	-	110,637,200	-	110,637,200
<b>Nonfinancial Liabilities</b>						
Income tax payable	18,388,194	-	18,388,194	56,189,227	-	56,189,227
Other liabilities (Note 11)	29,131,683	-	29,131,683	27,330,032	-	27,330,032
<b>Total Liabilities</b>	<b>₱3,783,043,477</b>	<b>₱1,492,452,513</b>	<b>₱5,275,495,990</b>	<b>₱3,766,151,936</b>	<b>₱404,592,998</b>	<b>₱4,170,744,934</b>

## 13. Equity

### Capital Stock

The Bank's authorized capital stock amounted to ₱1.00 billion, consisting of 8,000,000 shares of common stock with par value of ₱100 per share and 1,000,000 private preferred shares with par value of ₱200 per share, after capital increase for the year end 2020.

As at December 31, 2020 and 2019, the Bank's capital stock consists of:

	2020		2019	
	Shares	Amount	Shares	Amount
<b>Common stock - ₱100 par value, 8,000,000 authorized shares</b>				
Common stock at the beginning of the year	4,000,000	₱400,000,000	3,412,496	₱341,249,600
Application of DFS subscription to issued shares	1,106,372	110,637,200	-	-
Issuance of shares	590,855	59,085,500	587,504	58,750,400
Issuance of stock dividend	1,785,000	178,500,000	-	-
<b>Common stock at the end of the year</b>	<b>7,482,227</b>	<b>₱748,222,700</b>	<b>4,000,000</b>	<b>₱400,000,000</b>

(Forward)



	2020		2019	
	Shares	Amount	Shares	Amount
<b>Preferred stock - ₱200 par value, 1,000,000 authorized shares</b>				
Preferred stock at the beginning of the year	500,000	₱100,000,000	270,000	₱54,000,000
Issuance of shares	49,363	9,872,600	230,000	46,000,000
Preferred stock at the end of the year	549,363	₱109,872,600	500,000	₱100,000,000

Preferred shares have the following features: (a) cumulative, (b) non-voting, and (c) non-redeemable. Preferred shareholders shall be entitled to a dividend rate of eight percent (8.00%) per annum or whatever is determined by the BOD. As of December 31, 2020 and 2019, cumulative dividends paid on preferred shares amounted to ₱12.00 million and ₱32.00 million, respectively.

#### Deposit for Future Stock Subscriptions

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.

As of December 31, 2019, the application for approval of the proposed increase is not yet filed with the SEC. As such, the deposit for future stock subscriptions amounting to ₱110.64 million was classified under liabilities as of December 31, 2019. The increase in authorized capital was filed on March 4, 2020 and was approved on October 29, 2020.

In 2020, the Bank issued 590,855 common shares and 49,363 preferred shares at par amounting to ₱59.09 million and ₱9.82 million, respectively.

In 2019, the Bank issued 587,504 common shares and 230,000 preferred shares at par amounting to ₱58.75 million and ₱46.00 million, respectively.

#### Dividends

Cash dividends declared by the Bank in 2020 and 2019 are the following:

Date of declaration	Common shares		Preferred shares		Record date
	Per share	Total amount	% of Par	Total amount	
December 12, 2020	–	–	4.00%	₱4.00 million	November 30, 2020
March 14, 2020	₱15.00	₱60.00 million	8.00%	₱8.00 million	February 29, 2020
November 9, 2019	₱15.00	₱60.00 million	8.00%	₱8.00 million	October 31, 2019
August 10, 2019	₱23.00	₱92.00 million	8.00%	₱8.00 million	July 31, 2019
April 13, 2019	₱25.00	₱100.00 million	16.00%	₱16.00 million	March 31, 2019



As approved by the Banks's BOD and stockholders in their joint special meeting on December 12, 2020, stock dividends amounting ₱178.50 million or ₱34 per share was declared to stockholders on record as of November 30, 2020. No stock dividends were declared in 2019.

#### Capital Management

The Bank's capital management aims to ensure that it complies with regulatory capital requirements and 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 on the capital management objectives, policies and processes from previous years.

#### Regulatory Qualifying Capital

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

BSP Circular No. 688, Revised Risk-Based Capital Adequacy Framework for stand-alone thrift banks, rural banks and cooperative banks which took effect on January 1, 2012 represents BSP's commitment to align existing prudential regulations with international standards, which is consistent with the BSP's goal of promoting the soundness and stability of individual banks and of the banking system as a whole.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10.00%) of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excludes:

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

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

Under BSP Circular No. 360, effective July 1, 2003, the risk-based capital adequacy ratio (CAR) is to be inclusive of a market risk charge. BSP Circular No. 560 dated January 31, 2007 which took effect on February 22, 2007, requires the deduction of unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates from capital accounts for purposes of computing CAR.



On October 9, 2014, BSP issued the Circular No. 854, which states that rural banks with head offices in areas outside the National Capital Region and with up to ten branches are required to comply with the minimum capital requirement of P30.00 million. As at December 31, 2020 and 2019, the Bank is in compliance with the capitalization requirement.

Under BSP Circular No. 854, regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, surplus including current year profit less accrued dividends, net long positions in own shares and goodwill. The other component of regulatory capital is Tier 2 capital, which includes revaluation reserves. Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP.

The CAR of the Bank as at December 31, 2020 and 2019, as reported to the BSP, is shown in the table below (amounts in millions):

	2020	2019
Tier 1 capital	<b>₱973.57</b>	₱1,011.19
Tier 2 capital	<b>114.63</b>	145.23
<b>Total qualifying capital</b>	<b>₱1,088.20</b>	₱1,156.42
Risk weighted assets	<b>₱5,945.86</b>	₱5,705.48
Tier 1 capital ratio	<b>16.37%</b>	17.72%
Tier 2 capital ratio	<b>1.93%</b>	2.55%
<b>Total CAR</b>	<b>18.30%</b>	20.27%

As of December 31, 2020 and 2019, the Bank's CAR is in compliance with the regulatory requirements.

Liquidity Coverage Ratio for universal and commercial banks, which also applies to their subsidiary and affiliate thrift banks (TBs), rural banks (RBs), cooperative banks (CBs), and quasi-banks (QBs) is 90% beginning January 1, 2018 and 100% beginning January 1, 2019 onwards. Meanwhile, stand-alone TBs, RBs, CBs, and QBs will be subjected to a Minimum Liquidity Ratio (MLR) of 20% for 2020 and 2019.

The Bank's MLR as at December 31, 2020 and 2019, as reported to the BSP is shown in the table below (amounts in millions):

	2020	2019
Stock of liquid assets	<b>₱2,163.72</b>	₱968.12
Qualifying liabilities	<b>3,395.81</b>	2,315.03
<b>MLR</b>	<b>63.72%</b>	41.82%

As at December 31, 2020 and 2019, the Bank's MLR is in compliance with the regulatory requirement.

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.

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



Covered banks and quasi-banks are enjoined to consider the forthcoming regulatory changes in capital planning exercises and conduct preliminary assessments of the likely impact of the changes.

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#### 14. Compensation and Benefits

This account consists of:

	<b>2020</b>	2019
Salaries and wages	<b>₱207,262,940</b>	₱200,092,702
Employee benefits	<b>124,530,473</b>	149,625,330
Retirement expense (Note 15)	<b>7,583,003</b>	2,926,043
Other short-term benefits	<b>25,826,035</b>	22,714,295
	<b>₱365,202,451</b>	₱375,358,370

Other short term benefits pertain to the Bank's share in contribution to employee's SSS, and health benefit plans.

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#### 15. Retirement Plan

The Bank, CARD Bank, Inc., CARD MRI Development Institute, Inc., CARD Mutual Benefit Association, Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency, Inc., CARD Business Development Service Foundation, Inc., CMIT, CARD Employees Multi-Purpose Cooperative, Responsible Investments for Solidarity and Empowerment Financing Co., BotiCARD Inc., CLFC, CARD, Inc., Mga Likha ni Inay Inc., CARD MRI Property Holdings Inc., CARD MRI Publishing House Inc. and CARD MRI Hijos Tours 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 (New Plan) applicable to employees hired on or after July 1, 2016. MERP and New Plan comply with the requirements of Republic Act No. 7641, *Retirement Pay Law*.

MERP is valued using the projected unit cost method and is financed solely by the Bank and its related parties. MERP provides lump sum benefits equivalent to up to 120% of final salary for every year of credited service, a fraction of at least six (6) 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.

In addition to MERP, the Bank is also a participant to the CARD Group Employees' Retirement Plan referred to as "New Plan" which provides a retirement benefit equal to 100% of the member's employer accumulated value (the Bank's contributions of 8% plan salary to Fund A plus credited earnings) and 100% of the member's employee accumulated value (member's own contributions up to 10% of plan salary to Fund B plus credited earnings), if any, provided that in no case shall 100% of the employee accumulated value in Fund A be less than 100% of plan salary for every year of credited service.

The date of the latest actuarial valuation report is December 31, 2020.





The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions. The fair value of plan assets by each class as at December 31, 2020 and 2019 follows:

	2020	2019
Cash and cash equivalents	<b>₱61,202,930</b>	₱37,658,707
Government securities	<b>54,286,523</b>	48,817,735
Loans and receivables	<b>11,055,672</b>	9,104,573
Other bond instruments	<b>2,023,346</b>	12,516,191
Mutual fund	<b>648,000</b>	553,026
Other assets	<b>3,028,408</b>	1,906,742
<b>Fair value of plan assets</b>	<b>₱132,244,879</b>	₱110,556,974

All plan assets do not have quoted prices in an active market except for government bonds and mutual fund. Cash and cash equivalents are with reputable financial institutions and related parties and are deemed to be standard grade. Loans and other assets are unrated.

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:

	2020	2019
Discount rate		
January 1	<b>5.54%</b>	7.70%
December 31	<b>3.99%</b>	5.54%
Future salary increases	<b>3.00%</b>	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:

	2020		2019	
	<b>Increase (decrease) in basis points</b>	<b>Increase (decrease) in present value of obligation</b>	Increase (decrease) in basis points	Increase (decrease) in present value of obligation
Discount rates	+100 (100)	(₱13,094,600) 15,920,187	+100 (100)	(₱10,150,587) 12,441,563
Future salary increases	+100 (100)	15,918,491 (13,326,122)	+100 (100)	12,381,772 (10,286,303)



The Bank plans to contribute ₱10.54 million to the defined benefit retirement plan in 2021. As at December 31, 2020, the average duration of defined benefit obligations is 13.0 years.

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

	2020	2019
Less than one year	<b>₱6,214,069</b>	₱3,927,902
More than one year to five years	<b>34,331,616</b>	22,915,756
More than five years to ten years	<b>45,491,831</b>	36,164,404
More than 10 years to 15 years	<b>65,904,494</b>	60,079,160
More than 15 years to 20 years	<b>83,582,576</b>	88,112,154
More than 20 years to 25 years	<b>120,956,407</b>	148,009,368
More than 25 years	<b>254,225,171</b>	438,841,638

## 16. Leases

The Bank has lease contracts for various items of office space for its branches and staff house, transportation, and IT equipment used in its operations. The lease contracts are for periods ranging from six months to 12 years and are renewable upon mutual agreement between the Bank and lessors. Various lease contracts include escalation clauses ranging from 5.00% to 50.00%, starting on the year stated in the contract.

The Bank's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Bank is restricted from assigning and subleasing the leased assets and some contracts require the Bank to maintain certain financial ratios.

The carrying amounts of right-of-use assets recognized and the movements during the period are disclosed in Note 8.

The following are the amounts recognized in statements of income:

	2020	2019
Lease payments relating to short-term leases and leases with low value assets (included in 'Rent')	<b>₱25,043,367</b>	₱29,639,491
Depreciation expense of ROU assets included in property and equipment	<b>52,036,508</b>	40,825,105
Interest expense on lease liabilities	<b>7,749,617</b>	6,874,343
<b>Total amount recognized in the statements of income</b>	<b>₱84,829,492</b>	₱77,338,939

Rent expense in 2020 and 2019 pertains to expenses from short-term leases and leases of low-value assets. As of December 31, 2020, and 2019, the Bank has no contingent rent payable.

Set out below are the carrying amounts of lease liabilities (included under other liabilities) and the movements during the period:

	2020	2019
<b>As at beginning of year</b>	<b>₱125,455,811</b>	₱87,419,908
Additions	<b>49,892,141</b>	74,197,601
Accretion of interest	<b>7,749,617</b>	6,874,343
Payments	<b>(61,881,419)</b>	(43,036,041)
<b>As at end of year</b>	<b>₱121,216,150</b>	₱125,455,811



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

	2020
Within 1 year	P20,154,591
more than 1 years to 2 years	4,072,449
more than 2 years to 3 years	382,770

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#### 17. Miscellaneous Expenses

This account consists of:

	2020	2019
Covid-19 preventive measures	7,271,525	-
Vaccination	3,243,460	-
Banking fees	2,479,260	667,397
Donations and charitable contributions	2,152,000	8,368,800
Repairs and maintenance	1,763,220	2,619,127
Scholarship allowance	407,400	-
Periodicals and magazines	349,948	376,867
Company events and celebrations	316,722	3,168,139
Recruitment and training expenses	293,560	967,104
Membership fees and dues	235,480	157,720
Hospitalization and other medical expense	219,011	-
Processing fee of approved branches	218,963	392,273
Advertising and publicity	61,137	598,008
Legal fees	18,150	412,566
Program and monitoring	-	76,718
Other expenses	1,497,195	4,967,998
	<b>P20,527,031</b>	<b>P22,772,717</b>

Covid-19 preventive measures include cost of quarantine facilities, transportation, meals during quarantine period, vitamins for employees, disinfection of office premises, others.

Vaccination expenditures which include cost of flu vaccines for employees.

Other expenses include various expenses such as replenishment of emergency fund, representation and entertainment expenses, awards to top performing branches and staffs, and other small value expenses that are non-recurring.

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#### 18. Income Taxes

Provision for income tax consists of:

	2020	2019
Current:		
RCIT	P36,601,691	P177,711,000
Final tax	3,322,133	5,650,248
	<b>39,923,824</b>	183,361,248
Deferred	<b>(37,565,842)</b>	(18,600,570)
	<b>P2,357,982</b>	<b>P164,760,678</b>



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

Income taxes include RCIT, as discussed below and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

Republic Act No. 9337, *An Act Amending National Internal Revenue Code*, provides that the RCIT rate shall be 30.00%, and deductible interest expense shall be reduced by 33.00% of interest income subjected to final tax. Current tax regulations also provide for MCIT of 2.00% on modified gross income and allow a NOLCO. The MCIT and 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. Further, current tax regulations set a limit for entertainment, amusement and recreation (EAR) expenses that can be deducted for income tax purposes. EAR expenses are limited to 1.00% of net revenue for sellers of services. EAR expenses are presented under 'Miscellaneous expenses' in the statements of income. The Bank incurred no EAR expenses in 2020 and 2019.

As at December 31, 2020 and 2019, net deferred tax assets are as follows:

	2020	2019
<b>Deferred tax assets</b>		
Allowance for credit losses	P65,110,619	P28,328,939
Net loan modification loss	3,983,983	-
Unamortized past service cost	4,193,562	4,985,272
Accumulated vacation leave	2,898,959	5,478,377
Net lease liabilities over right-of-use assets	294,649	-
	<b>76,481,772</b>	<b>38,792,588</b>
<b>Deferred tax liability</b>		
Retirement asset	5,801,975	8,205,385
Net right-of-use assets over lease liabilities	-	384,965
	<b>5,801,975</b>	<b>8,590,350</b>
	<b>P70,679,797</b>	<b>P30,202,238</b>

Deferred tax recognized in OCI amounted to a provision of P2.91 million and P4.87 million for the years ended December 31, 2020 and 2019, respectively. There are no unrecognized deferred tax assets as of December 31, 2020 and 2019.

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

	2020	2019
Statutory income tax	P2,409,701	P164,230,417
Income tax effects of:		
Interest income subject to final tax	(1,752,579)	(2,784,352)
Nondeductible expenses	1,700,860	3,314,613
Provision for income tax	<b>2,357,982</b>	<b>P164,760,678</b>



## 19. 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. Entities are considered to be related if they are subjected under common control or significant influence. 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, and
- post-employment benefit plans for the benefit of the Bank's employees.

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 PFRS, certain post-employment benefit plans are considered as related parties. CARD MRI's MERP is a stand-alone entity assigned in facilitating the contributions to retirement starting 2015. The plan assets are mostly invested in time deposits and special savings accounts and government bonds (Note 15). As at December 31, 2020 and 2019, the retirement funds do not hold or trade the Bank's shares of stock.

### Remunerations of 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 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 benefits' in the statement of income are as follows:

	2020	2019
Short-term employee benefits	<b>₱8,985,419</b>	₱8,918,194
Post-employment benefits	<b>217,382</b>	699,283
	<b>₱9,202,801</b>	₱9,617,477

The Bank also provides banking services to directors and other key management personnel and persons connected to them. These transactions are presented in the tables that follow.

### 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 related parties within the CARD-MRI, also qualify as related party transactions.

### *Loans receivable*

As of December 31, 2020 and 2019, the Bank has no outstanding loan that was granted to related parties.



*Deposit liabilities, accounts receivable and accounts payable*

Deposit liabilities, accounts receivable and accounts payable held by the Bank for key management personnel, shareholder and other related parties as at December 31, 2020 and 2019 follow:

December 31, 2020			
Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Key management personnel</b>			
Deposit liabilities		<b>₱11,012,909</b>	Consists of regular savings deposit account with annual interest rate of 1.50% and 5.00%, and special savings deposit account with annual interest rate ranging from 2.75% to 4.25%.
Deposits	7,758,800		
Withdrawals	13,472,212		
Interest expense/payable	360,498		
<b>Shareholders</b>			
Deposit liabilities		<b>161,186,453</b>	Consists of regular savings deposit account with annual interest rate of 1.50% to 5.00% and special savings deposit account with annual interest rate ranging from 2.75% to 4.25%.
Deposits	430,818,607		
Withdrawals	466,263,751		
Interest expense/payable	4,751,922		
Accounts receivable		<b>86,474</b>	Pertains to shareholders' non-trade payable (e.g. share of expenses) still due to the Bank
Billings	2,548,931		
Collection	2,462,457		
Accounts payable		<b>432</b>	Pertains to share on various expenses.
Billings	1,985,132		
Payment	2,040,197		

December 31, 2019			
Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Key management personnel</b>			
Deposit liabilities		<b>₱16,365,823</b>	Consists of regular savings deposit account with annual interest rate of 1.50% to 5.00%, and special savings deposit account with annual interest rate ranging from 2.75% to 4.25%.
Deposits	23,153,770		
Withdrawals	13,140,692		
Interest expense/payable	219,486		
<b>Shareholders</b>			
Deposit liabilities		<b>191,879,675</b>	Consists of regular savings deposit account with annual interest rate of 1.50% and special savings deposit account with annual interest rate ranging from 3.00% to 4.00%.
Deposits	388,251,990		
Withdrawals	357,455,689		
Interest expense/payable	3,132,234		
Accounts receivable		-	Pertains to shareholders' share in share in expenses still payable to the Bank.
Billings	2,397,159		
Collection	3,337,475		
Accounts payable		<b>55,497</b>	Pertains to share on various expenses.
Billings	2,463,835		
Payment	2,435,866		

**20. Supplementary Information for Cash Flow Analysis**

The following table shows the reconciliation analysis of liabilities arising from financing activities for the years ended December 31, 2020 and 2019, respectively.

December 31, 2020						
	Bills payable (Note 11)	Deposit for future stocks subscription (Notes 13)	Dividends payable (Note 11)	Lease liabilities (Note 16)	Capital stock (Note 13)	Total
Beginning balance	₱720,448,844	₱110,637,200	₱163,460	₱125,455,811	₱500,000,000	₱1,456,705,315
Cash flows	128,859,589	-	(71,790,174)	(61,881,419)	68,958,100	64,146,096
Non-cash items						
Application of DFS to equity	-	(110,637,200)	-	-	110,637,200	-
Dividend declaration	-	-	72,000,000	-	-	72,000,000

(Forward)



December 31, 2020						
	Bills payable (Note 11)	Deposit for future stocks subscription (Notes 13)	Dividends payable (Note 11)	Lease liabilities (Note 16)	Capital stock (Note 13)	Total
New lease contracts entered during the year	P-	P-	P-	P49,892,141	P-	P49,892,141
Amortization of discount of bills payable	8,361,208	-	-	-	-	8,361,208
Amortization of interest expenses of lease liability	-	-	-	7,749,617	-	7,749,617
Declaration of stock dividend	-	-	-	-	178,500,000	178,500,000
<b>Balances as of December 31, 2020</b>	<b>P857,669,641</b>	<b>P-</b>	<b>P373,286</b>	<b>P121,216,150</b>	<b>P858,095,300</b>	<b>P1,837,354,377</b>

December 31, 2019						
	Bills payable (Note 11)	Deposit for future stocks subscription (Notes 13)	Dividends payable (Note 11)	Lease liabilities (Note 16)	Capital stock (Note 13)	Total
Balances as at January 1, 2019	P775,434,791	P-	P57,672	P87,419,908	P395,249,600	P1,258,161,971
Cash flows	(60,911,644)	110,637,200	(283,894,212)	(43,036,041)	104,750,400	(172,454,297)
Non-cash items						
Dividend declaration	-	-	284,000,000	-	-	284,000,000
New lease contracts entered during the year	-	-	-	74,197,601	-	74,197,601
Amortization of discount of bills payable	5,925,697	-	-	-	-	5,925,697
Amortization of interest expenses of lease liability	-	-	-	6,874,343	-	6,874,343
<b>Balances as of December 31, 2019</b>	<b>P720,448,844</b>	<b>P110,637,200</b>	<b>P163,460</b>	<b>P125,455,811</b>	<b>P500,000,000</b>	<b>P1,456,705,315</b>

## 21. Approval for the Release of Financial Statements

The BOD of the Bank has reviewed and approved the release of the accompanying financial statements on April 29, 2021.

## 22. Events after the Reporting Date

### *CREATE Law*

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Bank.

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land



on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Bank would have been subjected to lower regular corporate income tax rate of 25% and MCIT rate of 1% effective July 1, 2020.

- Based on revenue regulations No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Bank is 27.5%. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, amounting to ₱33.25 million and ₱15.04 million, respectively, or a reduction of ₱3.35 million. The reduced amounts will be reflected in the Bank's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.
- This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱58.90 million and ₱31.30 million respectively. These reductions will be recognized in the 2021 financial statements.

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### 23. Supplementary Information Required under BSP Circular No. 1074

Presented below is the supplementary information required by BSP under Appendix 55 of BSP Circular No. 1074 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

#### *Basic quantitative indicators of financial performance*

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

	<b>2020</b>	2019
Return on average equity	<b>0.53%</b>	41.51%
Return on average assets	<b>0.10%</b>	8.23%
Net interest margin	<b>18.73%</b>	38.19%

#### *Description of capital instruments issued*

As of December 31, 2020 and 2019, the Bank has two classes of capital stock, preferred and common stocks.

#### *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.



As at December 31, 2020 and 2019, information on the concentration of receivables from customers as to industry follows (at gross amount):

	2020		2019	
	Amount	%	Amount	%
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	<b>₱1,737,456,608</b>	<b>45.22%</b>	₱1,521,962,427	40.31%
Agriculture, hunting, forestry and fishing	<b>987,283,485</b>	<b>25.70%</b>	904,479,261	23.96%
Accommodation and food service activities	<b>326,886,032</b>	<b>8.51%</b>	359,503,238	9.52%
Construction	<b>209,855,301</b>	<b>5.46%</b>	222,479,578	5.89%
Manufacturing	<b>205,638,813</b>	<b>5.35%</b>	174,228,212	4.61%
Administrative and support service activities	<b>85,133,074</b>	<b>2.22%</b>	76,478,905	2.03%
Transportation and storage	<b>77,532,170</b>	<b>2.02%</b>	80,852,417	2.14%
Human health and social work activities	<b>54,709,669</b>	<b>1.42%</b>	64,664,066	1.71%
Education	<b>54,443,168</b>	<b>1.42%</b>	146,793,401	3.89%
Real estate activities	<b>48,643,936</b>	<b>1.27%</b>	176,671,692	4.68%
Arts, entertainment and recreation	<b>19,388,339</b>	<b>0.50%</b>	20,146,486	0.53%
Water supply, sewerage, waste management and remediation activities	<b>14,855,834</b>	<b>0.39%</b>	13,898,219	0.37%
Information and communication	<b>13,248,508</b>	<b>0.34%</b>	8,105,630	0.22%
Professional, scientific and technical services	<b>6,299,131</b>	<b>0.16%</b>	4,604,657	0.12%
Other services activities	<b>458,183</b>	<b>0.01%</b>	860,096	0.02%
	<b>₱3,841,832,251</b>	<b>100.00%</b>	<b>₱3,775,728,285</b>	<b>100.00%</b>

#### Loans per security

The following table shows the secured and unsecured portions of receivable from customers as at December 31, 2020 and 2019 (at gross amount):

	2020	2019
Secured portion		
Deposit hold-out	<b>₱858,887,917</b>	₱899,717,566
Unsecured portion	<b>2,982,944,334</b>	2,876,010,719
	<b>₱3,841,832,251</b>	<b>₱3,775,728,285</b>

Collateral of loans includes deposit hold-out at 15.00% of loan disbursed (Note 10).

#### Status of loans per product line

Information on the amounts of performing and NPL receivables (gross of allowance for credit losses) of the Bank, as reported to BSP, are as follows:

	2020			2019		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Loans and receivables						
Microfinance loans	<b>₱3,003,352,418</b>	<b>₱497,360,988</b>	<b>₱3,500,713,406</b>	₱3,309,669,785	₱100,325,378	₱3,409,995,163
Other loans	<b>271,847,845</b>	<b>69,271,000</b>	<b>341,118,845</b>	355,394,231	10,338,891	365,733,122
Balance at end of year	<b>₱3,275,200,263</b>	<b>₱566,631,988</b>	<b>₱3,841,832,251</b>	₱3,665,064,016	₱110,664,269	₱3,775,728,285

#### Related party loans

As required by BSP, the Bank discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (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 deposits and book value of their respective investments in the lending company within the Bank.

As of December 31, 2020 and 2019, DOSRI includes fringe benefit loans to officer amounting to ₱1.69 million and ₱1.43 million, respectively. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower. As at December 31, 2020 and 2019, the Bank is in compliance with the regulatory requirements.



BSP Circular No. 423 dated March 15, 2004, as amended by BSP Circular No. 914 dated June 23, 2016, 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 regulations existing prior to BSP Circular No. 423 and new DOSRI loans and other credit accommodations granted under said circular as of December 31, 2020 and 2019:

	2020	2019
Total outstanding DOSRI loans	2,410,644	1,688,082
Percent of DOSRI accounts to total loans	0.06%	0.04%

There are no unsecured DOSRI accounts in total outstanding DOSRI loans.

*Secured liability and assets pledged as security*

As of December 31, 2020 and 2019, the Bank has no liability that is secured by pledged assets.

*Commitments and contingencies*

There are no commitments and contingencies as at December 31, 2020 and 2019.

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**24. Supplementary Information Required under RR 15-2010**

On November 25, 2010, the Bureau of Internal Revenue (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 and licenses paid or accrued during the year. The components of 'Taxes and licenses' recognized in the statement of income for the year ended December 31, 2020, follow:

GRT	₱55,175,966
DST	28,046,488
Business permits and licenses	7,290,480
Real property tax	165,110
Others	2,494,973
	₱93,173,017

Withholding taxes in 2020 are categorized into:

	Amount remitted	Outstanding as of December 31, 2020
Final withholding tax on interest expense and dividends declared	₱12,800,414	₱2,783,858
Expanded withholding tax	7,873,846	736,244
Withholding taxes on compensation and benefits	687,411	-
	₱21,361,671	₱3,520,102



Tax Assessments and Cases

On Sept. 14, 2020, the BIR rendered a letter of authority to examine the books of accounts and other accounting records for all internal revenue taxes including documentary stamp taxes and other taxes for the taxable period January 1, 2019 to December 31, 2019. The examination resulted in a total deficiency tax assessment of ₱1.75 million which was settled by the Bank on November 26, 2020.

As at December 31, 2020, the Bank has no outstanding tax assessment notice from the BIR or cases in court or bodies outside the BIR.









## **CARD RBI Head Office**

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[www.cardmri.com/rbi/](http://www.cardmri.com/rbi/)

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