

**CARD MRI Rizal Bank, Inc.,
A Microfinance-Oriented Rural
Bank**

Financial Statements
December 31, 2024 and 2023

and

Independent Auditor's Report

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, 2024 and 2023, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the MORB in Note 22 and Revenue Regulations 15-2010 in Note 23 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and the Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of CARD 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.

Bryan Chrisnel M. Baes

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Partner

CPA Certificate No. 128627

Tax Identification No. 275-229-188

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

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

April 29, 2025



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

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Cash and other cash items	₱29,819,478	₱38,018,429
Due from Bangko Sentral ng Pilipinas (Notes 6 and 10)	10,906,377	27,824,391
Due from other banks (Note 6)	1,430,648,757	1,488,122,030
Loans and receivables (Note 7)	5,305,563,816	4,855,592,398
Investment securities at amortized cost (Note 7)	259,654,201	118,982,250
Property and equipment (Note 8)	246,564,329	212,021,448
Retirement asset (Note 15)	—	23,459,733
Deferred tax assets (Note 18)	53,602,209	44,821,551
Other assets (Note 9)	113,703,842	91,632,917
	₱7,450,463,009	₱6,900,475,147
LIABILITIES AND EQUITY		
Liabilities		
Deposit liabilities (Notes 10 and 19)		
Regular savings	₱4,303,855,376	₱3,919,126,252
Special savings	103,882,146	98,754,575
Demand	19,533,487	4,771,953
	4,427,271,009	4,022,652,780
Bills payable (Note 11)	109,875,757	498,424,236
Income tax payable	82,408,906	64,295,280
Retirement liability (Note 15)	534,478	—
Other liabilities (Note 11)	508,890,176	395,995,765
	5,128,980,326	4,981,368,061
Equity		
Capital stock (Note 13)		
Common stock	1,365,000,000	1,050,000,000
Preferred stock	200,000,000	200,000,000
	1,565,000,000	1,250,000,000
Surplus free	787,311,947	679,821,531
Remeasurement loss on retirement plan (Note 15)	(30,829,264)	(10,714,445)
	2,321,482,683	1,919,107,086
	₱7,450,463,009	₱6,900,475,147

See accompanying Notes to Financial Statements.



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

STATEMENTS OF INCOME

	Years Ended December 31	
	2024	2023
INTEREST INCOME		
Loans and receivables (Note 7)	₱2,596,188,052	₱2,241,980,940
Due from other banks (Note 6)	80,322,419	80,139,195
Investment securities at amortized cost (Note 7)	14,977,810	5,963,522
	2,691,488,281	2,328,083,657
INTEREST EXPENSE		
Deposit liabilities (Notes 10 and 19)	131,083,368	116,903,517
Bills payable (Note 11)	8,922,417	1,774,155
Lease liabilities (Note 16)	7,368,221	5,986,816
	147,374,006	124,664,488
NET INTEREST INCOME	2,544,114,275	2,203,419,169
OTHER INCOME	34,677,300	30,457,893
TOTAL OPERATING INCOME	2,578,791,575	2,233,877,062
OPERATING EXPENSES		
Compensation and benefits (Notes 14, 15 and 19)	654,933,406	567,909,556
Taxes and licenses	203,204,900	177,588,584
Information technology	136,871,532	171,423,136
Transportation and travel	193,785,862	165,657,318
Depreciation and amortization (Notes 8 and 9)	98,096,542	101,928,503
Provision for credit losses (Note 7)	93,377,842	61,078,786
Stationery and supplies	93,144,976	70,704,960
Training and development	52,527,837	44,440,109
Rent (Note 16)	40,074,400	36,201,877
Security, messengerial, janitorial services	27,429,993	24,259,155
Power, light and water	17,722,096	17,109,244
Postage, telephone, cables and telegrams	14,638,952	11,187,071
Insurance	11,951,789	15,817,578
Seminars and meetings	8,249,078	13,386,476
Fines, penalties and other charges	6,144,243	2,506,264
Professional fees	5,088,861	1,639,992
Miscellaneous (Note 17)	52,184,535	40,979,486
	1,709,426,844	1,523,818,095
INCOME BEFORE INCOME TAX	869,364,731	710,058,967
PROVISION FOR INCOME TAX (Note 18)	216,874,315	177,462,971
NET INCOME	₱652,490,416	₱532,595,996

See accompanying Notes to Financial Statements.



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

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2024	2023
NET INCOME	₱652,490,416	₱532,595,996
OTHER COMPREHENSIVE GAIN (LOSS)		
<i>Other comprehensive gain not recycled to profit or loss in subsequent periods:</i>		
Remeasurement on retirement plan (Note 15)	(26,819,758)	(18,471,667)
Income tax effect (Note 18)	6,704,939	4,617,917
	(20,114,819)	(13,853,750)
TOTAL COMPREHENSIVE INCOME	₱632,375,597	₱518,742,246

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 Free (Note 15)	Remeasurement Loss on Retirement Plan (Note 15)	Total
Balances at January 1, 2024	₱1,050,000,000	₱200,000,000	₱679,821,531	(₱10,714,445)	₱1,919,107,086
Total comprehensive income for the year	–	–	652,490,416	(20,114,819)	632,375,597
Declaration of stock dividends (Note 13)	315,000,000	–	(315,000,000)	–	–
Declaration of cash dividends (Note 13)	–	–	(230,000,000)	–	(230,000,000)
Balances at December 31, 2024	₱1,365,000,000	₱200,000,000	₱787,311,947	(₱30,829,264)	₱2,321,482,683
Balances at January 1, 2023	₱1,006,419,700	₱200,000,000	₱507,225,535	₱3,139,305	₱1,716,784,540
Issuance of shares (Note 13)	43,580,300	–	–	–	43,580,300
Total comprehensive income for the year	–	–	532,595,996	(13,853,750)	518,742,246
Declaration of cash dividends (Note 13)	–	–	(360,000,000)	–	(360,000,000)
Balances at December 31, 2023	₱1,050,000,000	₱200,000,000	₱679,821,531	(₱10,714,445)	₱1,919,107,086

See accompanying Notes to Financial Statements.



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

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱869,364,731	₱710,058,967
Adjustments for:		
Depreciation and amortization (Notes 8 and 9)	98,096,542	101,928,503
Provision for credit losses (Note 7)	93,377,842	61,078,786
Amortization of documentary stamp tax on bills payable (Notes 11 and 20)	1,690,993	255,058
Retirement expense (Note 15)	10,460,096	8,108,644
Amortization of financial assets at amortized cost	(7,046,256)	(511,754)
Operating income before changes in operating assets and liabilities:	1,073,312,169	880,918,204
Decrease (increase) in the amounts of:		
Loans and receivables	(543,349,260)	(632,738,084)
Other assets	(26,479,587)	21,932,145
Increase (decrease) in the amounts of:		
Deposit liabilities	404,618,229	(45,820,326)
Other liabilities	81,052,739	65,722,711
Net cash generated from operations	981,786,069	290,014,650
Income taxes paid	(200,836,408)	(121,091,719)
Contributions to retirement assets (Note 15)	(13,285,643)	(25,420,671)
Net cash provided by operating activities	767,664,018	143,502,260
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Notes 8 and 20)	(29,204,372)	(22,025,966)
Placement on investment securities at amortized cost (Note 7)	(396,385,945)	(40,933,524)
Proceeds from maturity of investment securities at amortized cost (Note 7)	262,760,250	6,232,699
Net cash used in investing activities	(162,830,067)	(56,726,791)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Subscription of shares (Notes 13 and 20)	—	43,580,300
Availment of bills payable (Notes 11 and 20)	109,760,528	498,169,178
Settlements of:		
Bills payable (Notes 11 and 20)	(500,000,000)	—
Dividend distribution (Notes 13 and 20)	(230,328,369)	(359,464,325)
Payment of principal portion of lease liabilities (Notes 16 and 20)	(66,856,348)	(63,661,381)
Net cash provided by financing activities	(687,424,189)	118,623,772
NET DECREASE IN CASH AND CASH EQUIVALENTS	(82,590,238)	205,399,241
<i>(Forward)</i>		

**CASH AND CASH EQUIVALENTS
AT BEGINNING OF YEAR**



	Years Ended December 31	
	2024	2023
Cash and other cash items	₱38,018,429	₱48,452,725
Due from Bangko Sentral ng Pilipinas	27,824,391	83,383,507
Due from other banks	1,488,122,030	1,216,729,377
	1,553,964,850	1,348,565,609
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	29,819,478	38,018,429
Due from Bangko Sentral ng Pilipinas	10,906,377	27,824,391
Due from other banks	1,430,648,757	1,488,122,030
	₱1,471,374,612	₱1,553,964,850
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱2,702,072,536	₱2,302,655,682
Interest paid	74,763,657	70,746,341

See accompanying Notes to Financial Statements.



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

NOTES TO FINANCIAL STATEMENTS

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 (RA) 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 RA 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.

As of December 31, 2024 and 2023, 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, 2024, the Bank consists of its head office and thirty-seven (37) branches.

2. Material Accounting Policy Information

Basis of Preparation

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

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.

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.

Statement of Compliance

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



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, 2024. These changes in the accounting policies did not have any significant impact on the financial position or performance of the Bank.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
The amendments clarify:
 - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*
The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Material 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:

Financial assets at amortized cost

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

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

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

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the debt financial asset been measured at amortized cost.



As of December 31, 2024 and 2023, the Bank has not made such designation.

Financial liabilities

This category represents issued financial instruments or their components, which are not designated at FVTPL 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 statement of financial position 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 to 7 years
Information technology equipment	3 to 5 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 Nonfinancial 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.

Deposits 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.

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 plan 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:

	Years
Office space	2 - 12 years
Vehicles	1.5 - 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 statements of 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, 2024 and 2023, 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, 2025

- Amendments to PAS 21, *Lack of Exchangeability*

Effective beginning on or after January 1, 2026

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

Effective beginning on or after January 1, 2027

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

Deferred effectivity

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



3. Significant Accounting Judgments and Estimates

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

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

Judgments

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) 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).

Estimates

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



(a) *Expected credit losses on financial assets (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.
- 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

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

(b) *Present value of defined benefit obligation*

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

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

The Bank's net retirement asset are disclosed in Note 15.

4. **Fair Value Measurement**

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

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 rental deposits, current portion of deposit liabilities, bills payable, accrued interest payable, accounts payable, other 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, 2024 and 2023:

2024					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets and liabilities for which fair values are disclosed:					
Financial assets					
Investment securities at amortized cost	₱259,654,201	₱—	₱235,972,019	₱26,378,855	₱262,350,874
Other assets					
Refundable rental deposits	15,849,895	—	—	11,082,905	11,082,905
Investment in equity securities	1,000,000	—	—	1,063,090	1,063,090
Financial liabilities					
Deposit liabilities	4,427,271,009	—	—	2,750,403,155	2,750,403,155
2023					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets and liabilities for which fair values are disclosed:					
Financial assets					
Investment securities at amortized cost	₱118,982,250	₱—	₱102,970,973	₱18,297,531	₱121,268,504
Other assets					
Refundable rental deposits	14,681,850	—	—	10,522,138	10,522,138
Financial liabilities					
Deposit liabilities	4,022,652,780	—	—	3,666,265,450	3,666,265,450

Investment securities at amortized cost,

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 2 include risk-free rates and applicable risk premium ranging from 5.18% to 7.00% in 2024 and from 5.75% to 7.00% in 2023 and under Level 3 ranging from 5.62% and 5.90% in 2024 and 2023, respectively.

Non-current portion of refundable deposits

Fair values of non-current 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 3.84% to 7.12% and from 3.72% to 7.19% in 2024 and 2023, respectively.

Non-current 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 5.61% to 6.18% and from 5.87% to 5.94% in 2024 and 2023, 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 2024 and 2023.



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, 2024 and 2023:

	2024			
	Maximum Exposure	Fair Value of Collateral	Financial Effect of Collateral	Net Exposure
Loans and receivables				
Microfinance loans	₱4,462,658,469	₱1,057,402,515	₱1,036,199,240	₱3,426,459,229
Other loans	1,005,714,002	251,766,815	242,855,733	762,858,269
	2023			
	Maximum Exposure	Fair Value of Collateral	Financial Effect of Collateral	Net Exposure
Loans and receivables				
Microfinance loans	₱4,232,139,501	₱957,095,473	₱941,042,751	₱3,291,096,750
Other loans	781,237,996	185,459,545	179,826,906	601,411,090

As at December 31, 2024 and 2023, 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 receivables 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, 2024 and 2023.

The Bank has no financial instruments with rights of set-off in accordance to PAS 32, *Financial Instruments: Presentation*, as at December 31, 2024 and 2023. 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, *Financial Instruments: Disclosures*.



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

	2024				
	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 and motorcycles; and personal and household goods	₱2,743,412,236	₱—	₱—	₱11,571,237	₱2,754,983,473
Agriculture, forestry and fishing	1,047,318,065	—	—	—	1,047,318,065
Financial institutions	14,438,187	923,525,951	—	3,758,790	941,722,928
Government	5,895,178	518,029,183	259,654,201	—	783,578,562
Administrative and support service activities	315,434,810	—	—	—	315,434,810
Arts, entertainment and recreation	277,635,036	—	—	—	277,635,036
Real estate activities	198,556,092	—	—	519,868	199,075,960
Human health and social work activities	184,870,104	—	—	—	184,870,104
Manufacturing	164,631,496	—	—	—	164,631,496
Accommodation and food service activities	159,827,646	—	—	—	159,827,646
Construction	141,705,347	—	—	—	141,705,347
Education	79,995,593	—	—	—	79,995,593
Other community, social and personal service activities	69,522,057	—	—	—	69,522,057
Transportation and storage	37,082,462	—	—	—	37,082,462
Professional, scientific and technical activity	17,674,166	—	—	—	17,674,166
Information and communication	15,209,601	—	—	1,000,000	16,209,601
Electricity, gas and water supply	10,921,950	—	—	—	10,921,950
Water supply, sewerage, waste management, and remediation activities	5,929,151	—	—	—	5,929,151
Mining and quarrying	388,740	—	—	—	388,740
	5,490,447,917	1,441,555,134	259,654,201	16,849,895	7,208,507,147
Less: Allowance for credit losses	184,884,101	—	—	—	184,884,101
Total	₱5,305,563,816	₱1,441,555,134	₱259,654,201	₱16,849,895	₱7,023,623,046

*Pertains to refundable rental deposit

	2023				
	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 and motorcycles; and personal and household goods	₱2,586,356,732	₱—	₱—	₱10,647,776	₱2,597,004,508
Agriculture, forestry and fishing	925,647,080	—	—	—	925,647,080
Government	1,368,998	504,841,885	118,982,250	—	625,193,133
Financial institutions	10,670,056	1,011,104,536	—	3,385,008	1,025,159,600
Administrative and support service activities	328,134,333	—	—	—	328,134,333
Real estate activities	199,577,371	—	—	649,066	200,226,437
Manufacturing	172,833,023	—	—	—	172,833,023
Construction	130,347,718	—	—	—	130,347,718
Accommodation and food service activities	149,885,615	—	—	—	149,885,615
Human health and social work activities	142,823,033	—	—	—	142,823,033
Arts, entertainment and recreation	162,379,045	—	—	—	162,379,045
Other community, social and personal service activities	59,074,304	—	—	—	59,074,304
Education	71,141,868	—	—	—	71,141,868
Transportation and storage	36,728,360	—	—	—	36,728,360
Information and communication	15,814,351	—	—	—	15,814,351
Professional, scientific and technical activity	18,469,668	—	—	—	18,469,668
Electricity, gas and water supply	9,987,596	—	—	—	9,987,596
Water supply, sewerage, waste management, and remediation activities	5,639,499	—	—	—	5,639,499
Mining and quarrying	460,873	—	—	—	460,873
	5,027,339,523	1,515,946,421	118,982,250	14,681,850	6,676,950,044
Less :Allowance for credit losses	171,747,125	—	—	—	171,747,125
Total	₱4,855,592,398	₱1,515,946,421	₱118,982,250	₱14,681,850	₱6,505,202,929

*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 30 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 31 up to 90 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

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

Business Loans and Salary Loans

Those that are considered in default or past due of more than 90 days, 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, 2024 and 2023:

	2024			
	Stage 1	Stage 2	Stage 3	Total
Due from BSP	₱10,906,377	₱—	₱—	₱10,906,377
Due from other banks	1,430,648,757	—	—	1,430,648,757
Loans receivable:				
Microfinance loans	4,270,930,032	—	97,315,948	4,368,245,980
Other loans	972,582,284	4,539,916	10,037,325	987,159,525
Other receivables:				
Accrued interest receivable	123,824,863	—	—	123,824,863
Accounts receivable	10,600,549	490,395	126,605	11,217,549
Investment securities at amortized cost	259,654,201	—	—	259,654,201
Other assets:				
Refundable rental deposits	15,849,895	—	—	15,849,895
	₱7,094,996,958	₱5,030,311	₱107,479,878	₱7,207,507,147



	2023			Total
	Stage 1	Stage 2	Stage 3	
Due from BSP	₱27,824,391	₱–	₱–	₱27,824,391
Due from other banks	1,488,122,030	–	–	1,488,122,030
Loans receivable:				
Microfinance loans	4,007,956,273	–	108,262,307	4,116,218,580
Other loans	751,232,239	3,179,320	7,826,792	762,238,351
Other receivables:				
Accrued interest receivable	141,975,303	–	–	141,975,303
Accounts receivable	6,907,289	–	–	6,907,289
Investment securities at amortized cost	118,982,250	–	–	118,982,250
Other assets:				
Refundable rental deposits	14,681,850	–	–	14,681,850
	₱6,557,681,625	₱3,179,320	₱116,089,099	₱6,676,950,044

As at December 31, 2024 and 2023, 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, 2024 and 2023.

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:

	2024					Total
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	
Financial Assets						
Cash and other cash items	₱29,819,478	₱–	₱–	₱–	₱–	₱29,819,478
Due from BSP	10,906,377	–	–	–	–	10,906,377
Due from other banks*	451,328,891	832,464,187	154,232,692	–	–	1,438,025,770
Loans and receivable*	75,592,801	101,711,173	811,024,836	5,329,092,204	8,464,331	6,325,885,345
Financial asset at amortized cost*	37,589	73,675,192	206,960,837	4,053,751	101,199,705	385,927,074
Other assets	9,727,619	396,505	210,000	1,791,157	5,939,742	18,065,023
Total Financial Assets	577,412,755	1,008,247,057	1,172,428,365	5,334,937,112	115,603,778	8,208,629,067

(Forward)

Financial Liabilities						
Deposit liabilities*	₱1,677,528,646	₱139,180,771	₱350,370,698	₱2,457,799,862	₱137,535,247	₱4,762,415,224
Bills payable*	–	85,568,333	25,120,833	–	–	110,689,166
Other liabilities:						
Lease liabilities	–	5,959,291	11,622,712	45,460,728	99,005,219	162,047,950
Accounts payable	11,954,479	7,665,980	–	–	–	19,620,459
Dividends payable	366,853	–	–	–	–	366,853
Accrued other expenses	36,000	–	–	–	–	36,000
Total Financial Liabilities	1,695,845,269	244,037,796	420,952,259	2,548,145,379	146,194,949	5,055,175,652
Net	(₱1,118,432,514)	₱764,209,261	₱751,476,106	₱2,786,791,733	(₱30,591,171)	₱3,153,453,415

*Includes future interest

	2023					Total
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	
Financial Assets						
Cash and other cash items	₱38,018,429	₱–	₱–	₱–	₱–	₱38,018,429
Due from BSP	27,824,391	–	–	–	–	27,824,391
Due from other banks*	231,699,810	962,369,481	302,730,257	–	–	1,496,799,548
Loans and receivable*	82,813,798	125,597,168	812,205,810	4,712,028,866	12,131,421	5,744,777,063
Financial asset at amortized cost*	–	42,405,691	741,110	7,642,520	90,932,139	141,721,460
Other assets	9,177,339	315,500	365,250	2,057,972	3,618,417	15,534,478
Total Financial Assets	389,533,767	1,130,687,840	1,116,042,427	4,721,729,358	106,681,977	7,464,675,369
Financial Liabilities						
Deposit liabilities*	1,468,224,328	149,907,711	315,398,635	753,655,939	1,668,078,065	4,355,264,678
Bills Payable*	–	–	257,353,125	253,532,813	–	510,885,938
Other liabilities:						
Lease liabilities	–	4,774,460	9,220,448	34,577,359	65,601,699	114,173,966
Accounts payable	11,909,902	6,562,114	–	–	–	18,472,016
Accrued other expenses	366,060	–	–	–	–	366,060
Dividends payable	695,222	–	–	–	–	695,222
Total Financial Liabilities	1,481,195,512	161,244,285	581,972,208	1,041,766,111	1,733,679,764	4,999,857,880
Net	(₱1,091,661,745)	₱969,443,555	₱534,070,219	₱3,679,963,248	(₱1,626,997,787)	₱2,464,817,489

*Includes future interest

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 0.05% to 6.00% and from 0.05% to 6.35% in 2024 and 2023, respectively. Interest earned on due from other banks amounted to ₱80.32 million and ₱80.14 million in 2024 and 2023, respectively.

7. Loans and Receivables and Investment Securities at Amortized Cost

Loans and Receivables

This account consists of:

	2024	2023
Loans and receivables		
Microfinance loans	₱4,368,245,980	₱4,116,218,580
Other loans	987,159,525	762,238,351
	5,355,405,505	4,878,456,931
Accrued interest receivable	123,824,863	141,975,303
Accounts receivable (Note 19)	11,217,549	6,907,289
	5,490,447,917	5,027,339,523
Less: Allowance for credit losses	184,884,101	171,747,125
	₱5,305,563,816	₱4,855,592,398

Microfinance and other loans carry annual effective interest rates ranging from 8.17% to 66.23% and from 0.47% to 88.98% in 2024 and 2023, respectively. Interest earned on loans and receivables amounted to ₱2.60 billion and ₱2.24 billion in 2024 and 2023, respectively.

The movements in the allowance for credit losses follow:

	2024	2023
Balance at beginning of year	₱171,747,125	₱349,471,450
Provision for credit losses	93,377,842	61,078,786
Write-offs	(80,240,866)	(238,803,111)
Balance at end of year	₱184,884,101	₱171,747,125

The tables below illustrate the movements of the allowance for impairment and credit losses during the year 2024 and 2023 (effect of movements in ECL due to transfers between stages are shown in the total column):

	2024			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2024	₱114,414,112	₱906,936	₱56,426,077	₱171,747,125
Movements with P&L impact				
Transfer from Stage 1 to Stage 2	(1,265,379)	1,265,379	—	—
Transfer from Stage 1 to Stage 3	(40,048,909)	—	40,048,909	—
Transfer from Stage 2 to Stage 3	—	(1,185,677)	1,185,677	—
Transfer from Stage 3 to Stage 1	116	—	(116)	—
New financial assets originated or purchased	166,633,756	—	—	166,633,756

(Forward)



	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Changes in PDs/LGDs/EADs	₱10,885,134	₱800,897	₱76,023,381	₱87,709,412
Financial assets derecognized during the period	(112,752,565)	(522,156)	(47,690,605)	(160,965,326)
Total net P&L charge during the period	23,452,153	358,443	69,567,246	93,377,842
Other movements without P&L impact				
Write-offs and other movements	—	—	(80,240,866)	(80,240,866)
Total movements without P&L impact	—	—	(80,240,866)	(80,240,866)
Loss allowance at December 31, 2024	₱137,866,265	₱1,265,379	₱45,752,457	₱184,884,101

	2023			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2023	₱50,495,235	₱236,989	₱298,739,226	₱349,471,450
Movements with P&L impact				
Transfer from Stage 1 to Stage 2	(906,867)	906,867	—	—
Transfer from Stage 1 to Stage 3	(45,269,700)	—	45,269,700	—
Transfer from Stage 2 to Stage 3	—	(65,995)	65,995	—
New financial assets originated or purchased	140,071,339	—	—	140,071,339
Changes in PDs/LGDs/EADs	(3,962,067)	(105,553)	(11,473,244)	(15,540,864)
Financial assets derecognized during the period	(26,013,828)	(65,372)	(37,372,489)	(63,451,689)
Total net P&L charge during the period	63,918,877	669,947	(3,510,038)	61,078,786
Other movements without P&L impact				
Write-offs and other movements	—	—	(238,803,111)	(238,803,111)
Total movements without P&L impact	—	—	(238,803,111)	(238,803,111)
Loss allowance at December 31, 2023	₱114,414,112	₱906,936	₱56,426,077	₱171,747,125

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

	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Microfinance loans				
Gross carrying amount as at January 1, 2024	₱4,123,877,194	₱—	₱108,262,307	₱4,232,139,501
Transfer from Stage 1 to Stage 3	(84,803,022)	—	84,803,022	—
Transfer from Stage 3 to Stage 1	6,712	—	(6,712)	—
New financial assets originated or purchased	4,423,670,350	—	—	4,423,670,350
Collection of principal and accrued interest	(21,159,493)	—	(4,294,857)	(25,454,350)
Financial assets derecognized during the period	(4,076,249,220)	—	(18,096,327)	(4,094,345,547)
Write-offs and other movements	—	—	(73,351,486)	(73,351,486)
	4,365,342,521	—	97,310,687	4,462,658,468
Other loans				
Gross carrying amount as at January 1, 2024	770,231,884	3,179,320	7,826,792	781,237,996
Transfer from Stage 1 to Stage 2	(4,539,916)	4,539,916	—	—
Transfer from Stage 1 to Stage 3	(8,567,079)	—	8,567,079	—
Transfer from Stage 2 to Stage 3	—	(1,958,197)	1,958,197	—
New financial assets originated or purchased	996,054,535	—	—	996,054,535
Collection of principal and accrued interest	(5,366,215)	(190,947)	(214,002)	(5,771,164)
Financial assets derecognized during the period	(756,676,449)	(1,030,176)	(1,618,992)	(759,325,617)
Write-offs and other movements	—	—	(6,481,748)	(6,481,748)
	991,136,760	4,539,916	10,037,326	1,005,714,002
Gross carrying amount as at December 31, 2024	₱5,356,479,281	₱4,539,916	₱107,353,273	₱5,468,372,470



	2023			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Microfinance loans				
Gross carrying amount as at January 1, 2023	₱3,724,163,419	₱—	₱277,361,074	₱4,001,524,493
Transfer from Stage 1 to Stage 3	(87,681,133)	—	87,681,133	—
New financial assets originated or purchased	4,176,803,262	—	—	4,176,803,262
Collection of principal and accrued interest	(3,638,888,280)	—	(15,820,775)	(3,654,709,055)
Financial assets derecognized during the period	(50,520,074)	—	(18,789,832)	(69,309,906)
Write-offs and other movements	—	—	(222,169,293)	(222,169,293)
	4,123,877,194	—	108,262,307	4,232,139,501
Other loans				
Gross carrying amount as at January 1, 2023	604,033,223	1,043,004	22,253,629	627,329,856
Transfer from Stage 1 to Stage 2	(3,179,131)	3,179,131	—	—
Transfer from Stage 1 to Stage 3	(7,464,215)	—	7,464,215	—
Transfer from Stage 2 to Stage 3	—	(183,015)	183,015	—
New financial assets originated or purchased	768,795,522	—	—	768,795,522
Collection of principal and accrued interest	(590,237,086)	(506,646)	(2,953,627)	(593,697,359)
Financial assets derecognized during the period	(1,716,429)	(353,154)	(2,486,622)	(4,556,205)
Write-offs and other movements	—	—	(16,633,818)	(16,633,818)
	770,231,884	3,179,320	7,826,792	781,237,996
Gross carrying amount as at December 31, 2023	₱4,894,109,078	₱3,179,320	₱116,089,099	₱5,013,377,497

While the Bank recognizes through the statements of income the movements in the expected credit losses computed using the ECL 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.

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, 2024 and 2023 (at gross amount):

	2024	2023
Secured portion		
Deposit hold-out	₱1,309,169,330	₱1,142,555,018
Unsecured portion	4,046,236,175	3,735,901,913
	₱5,355,405,505	₱4,878,456,931

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

Investment Securities at Amortized Cost

As at December 31, 2024 and 2023, investment securities at amortized cost consist of the following:

	2024	2023
Government debt securities	₱60,000,000	₱60,000,000
Treasury bills	174,378,796	41,303,885
Agrarian Reform 10-year bonds	25,275,405	17,678,365
	₱259,654,201	₱118,982,250

Agrarian Reform bonds pertain to long-term certificates issued by the National Government and earn annual interest rates from 5.23% to 5.97% and from 4.20% to 6.00% in 2024 and 2023, respectively.

Treasury bills pertain to short-term investments with maturity from 76 days to 336 days that earn annual interest rate from 5.18% to 6.00% and 6.04% per annum in 2024 and 2023, respectively.

The government debt securities are quoted debt securities that earn nominal and effective interest rates ranging from 5.75% to 7.00% in 2024 and 2023. The investment will mature between three (3) years and five (5) years from the statement of financial position date.

Interest income on investment securities at amortized cost amounted to ₱14.98 million and ₱5.96 million in 2024 and 2023, respectively.



8. Property and Equipment

The composition of and movements in this account follow:

2024									
	Land	Building	Furniture, Fixtures and Equipment	Information Technology Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Right-of-Use Asset	Total
Cost									
Balance at beginning of year	₱20,030,959	₱31,761,722	₱115,540,905	₱43,405,878	₱9,522,752	₱141,233,014	₱2,248,392	₱215,766,431	₱579,510,053
Additions	—	1,485,862	5,918,510	2,238,027	5,342,579	182,000	14,037,394	102,962,339	132,166,711
Reclassification	—	2,807,678	43,000	(43,000)	—	—	(2,807,678)	—	—
Disposals	—	—	(77,599)	(293,593)	—	—	—	(61,312,666)	(61,683,858)
Balance at end of year	20,030,959	36,055,262	121,424,816	45,307,312	14,865,331	141,415,014	13,478,108	257,416,104	649,992,906
Accumulated Depreciation									
Balance at beginning of year	—	25,750,011	90,905,834	27,501,859	4,103,644	107,512,842	—	111,714,415	367,488,605
Depreciation	—	2,658,331	10,587,601	6,049,145	2,289,736	13,545,711	—	62,467,056	97,597,580
Reclassification	—	—	8,361	(8,361)	—	—	—	—	—
Disposals	—	—	(77,599)	(267,343)	—	—	—	(61,312,666)	(61,657,608)
Balance at end of year	—	28,408,342	101,424,197	33,275,300	6,393,380	121,058,553	—	112,868,805	403,428,577
Net Book Value	₱20,030,959	₱7,646,920	₱20,000,619	₱12,032,012	₱8,471,951	₱20,356,461	₱13,478,108	₱144,547,299	₱246,564,329

2023									
	Land	Building	Furniture, Fixtures and Equipment	Information Technology Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Right-of-Use Asset	Total
Cost									
Balance at beginning of year	₱20,030,959	₱31,761,722	₱110,187,811	₱35,799,021	₱5,304,319	₱131,479,337	₱7,154,489	₱244,590,073	₱586,307,731
Additions	—	—	5,353,094	7,606,857	4,218,433	2,599,188	2,248,392	31,009,955	53,035,919
Reclassification	—	—	—	—	—	7,154,489	(7,154,489)	—	—
Disposals	—	—	—	—	—	—	—	(59,833,597)	(59,833,597)
Balance at end of year	20,030,959	31,761,722	115,540,905	43,405,878	9,522,752	141,233,014	2,248,392	215,766,431	579,510,053
Accumulated Depreciation									
Balance at beginning of year	—	22,843,136	78,635,220	22,354,560	2,656,288	89,145,997	—	110,856,746	326,491,947
Depreciation	—	2,906,875	12,270,614	5,147,299	1,447,356	18,366,845	—	59,222,842	99,361,831
Disposals	—	—	—	—	—	—	—	(58,365,173)	(58,365,173)
Balance at end of year	—	25,750,011	90,905,834	27,501,859	4,103,644	107,512,842	—	111,714,415	367,488,605
Net Book Value	₱20,030,959	₱6,011,711	₱24,635,071	₱15,904,019	₱5,419,107	₱33,720,172	₱2,248,392	₱104,052,017	₱212,021,448



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

	2024	2023
Property and equipment	₱97,597,580	₱99,361,831
Intangible assets (Note 9)	498,962	2,566,672
	₱98,096,542	₱101,928,503

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, 2024, the construction in progress pertains to the construction of bank premises in Sindangan branch and building renovation for Ormoc and San Fernando branches. The construction and renovation are expected to be completed in the second quarter of 2025. As at December 31, 2023, the leasehold improvements under construction pertain to the renovation of bank premises of Head Office and of Taguig branch.

As of December 31, 2024 and 2023, the cost of fully depreciated property and equipment that are still in use amounted to ₱194.33 million and ₱148.35 million, respectively.

9. Other Assets

This account consists of:

	2024	2023
Financial assets		
Refundable rental deposits	₱15,849,895	₱14,681,850
Investment in equity securities	1,000,000	—
	16,849,895	14,681,850
Non-financial assets		
Prepaid expenses	58,384,873	36,281,818
Stationery and supplies on hand	30,468,678	32,267,459
Prepaid rent	4,684,520	5,362,482
Bills deposit	3,132,536	2,357,006
Artwork	183,340	183,340
Intangible assets	—	498,962
	96,853,947	76,951,067
	₱113,703,842	₱91,632,917

Prepaid expenses include advance payments for IT-related services, insurance premiums and downpayments for fixed asset acquisition. Prepaid rent pertains to advances paid on lease of offices and advance lease payment of office and IT equipment. Bills deposit pertains to the amount required as a guarantee for payment of electric bills.

Investment in equity securities pertains to investment in non-allied undertakings, pending approval from the BSP. Until the approval is received, the investment is classified as other asset.



No impairment loss was recognized on other assets in 2024 and 2023.

Intangible assets

Intangible assets include software costs under development and purchased licenses.

The movements of intangible assets follow:

	2024	2023
Cost		
Balance at beginning of year	₱8,142,078	₱8,142,078
Balance at end of year	8,142,078	8,142,078
Accumulated amortization		
Balance at beginning of year	7,643,116	5,076,444
Amortization (Note 8)	498,962	2,566,672
Balance at end of year	8,142,078	7,643,116
Net Book Value	₱—	₱498,962

10. Deposit Liabilities

The Bank's deposit liabilities include regular savings amounting to ₱4.30 billion and ₱3.92 billion as at December 31, 2024 and 2023, 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 2.50% in 2024 and 2023. In 2024 and 2023, 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", "Katuparan", "Matatag", "Gabay-ipon", and "Kalingang-ipon" savings deposit accounts which cater to non-members and Bank employees and carry interest rates from 0.50% and 5.00% in 2024 and 2023.

Special savings deposits have interest rates ranging from 3.60% to 4.00% and from 1.00% to 4.00% in 2024 and 2023, respectively.

Interest expense on deposit liabilities are as follows:

	2024	2023
Regular savings deposits	₱127,139,681	₱114,332,125
Special savings deposit	3,943,687	2,571,392
	₱131,083,368	₱116,903,517

On June 23, 2023, the BSP issued Circular No. 1175 which prescribes the 1.00% reserve requirements on demand and savings deposits. On September 30, 2024, the BSP issued Circular No. 1201 which prescribes the 0.00% reserve requirements on demand and savings deposits for rural banks. As of December 31, 2024 and 2023, available reserves pertain to Due from BSP of ₱10.91 million and ₱27.82 million, respectively (Note 6). The Bank is compliant with the applicable reserve requirements on demand and savings deposits.



11. Bills Payable and Other Liabilities

Bills Payable

Bills payable represent borrowings from financing institutions which are subject to certain terms and conditions and bears annual nominal interest rates of 6.00% and from 5.75% to 6.50% in 2024 and 2023, respectively. The maturity period for the outstanding bills payable is six (6) months in the year 2024 and 2023.

Interest expense recognized in the statements of income amounted to ₱8.92 million and ₱1.77 million in 2024 and 2023, respectively.

The composition of and movements in this account follow:

	2024	2023
Face value		
Balance at beginning of year	₱500,000,000	₱—
Availments	110,000,000	500,000,000
Principal payments	(500,000,000)	—
Balance at end of year	110,000,000	500,000,000
Unamortized transaction cost		
Balance at beginning of year	1,575,764	—
Availments	239,472	1,830,822
Amortization	(1,690,993)	(255,058)
Balance at end of year	124,243	1,575,764
Carrying value	₱109,875,757	₱498,424,236

Other Liabilities

This account consists of the following:

	2024	2023
Financial liabilities:		
Accrued interest payable	₱286,444,062	₱219,510,941
Lease liabilities (Note 16)	145,013,702	105,475,440
Accounts payable	19,620,459	18,472,016
Dividends payable	366,853	695,222
Accrued other expenses	36,000	366,060
	451,481,076	344,519,679
Non-financial liabilities:		
Gross receipt taxes payable	35,267,925	31,337,146
Accumulated leave credits	12,443,765	11,565,607
Withholding taxes payable	5,352,678	4,854,648
Documentary stamp taxes payable	4,344,732	3,718,685
	57,409,100	51,476,086
	₱508,890,176	₱395,995,765

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

Accrued other expenses include 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:

	2024			2023		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	₱29,819,478	₱—	₱29,819,478	₱38,018,429	₱—	₱38,018,429
Due from BSP	10,906,377	—	10,906,377	27,824,391	—	27,824,391
Due from other banks	1,430,648,757	—	1,430,648,757	1,488,122,030	—	1,488,122,030
Loans and receivables	5,483,511,633	6,936,284	5,490,447,917	5,017,396,413	9,943,110	5,027,339,523
Investment securities at amortized cost	175,670,903	83,983,298	259,654,201	45,832,309	73,149,941	118,982,250
Other assets (Note 9)	12,026,198	4,823,697	16,849,895	11,839,412	2,842,438	14,681,850
Nonfinancial Assets						
Property and equipment	—	649,992,906	649,992,906	—	579,510,053	579,510,053
Retirement asset	—	—	—	—	23,459,733	23,459,733
Deferred tax assets	—	53,602,209	53,602,209	—	44,821,551	44,821,551
Other assets (Note 9)	90,061,356	6,792,591	96,853,947	74,439,353	2,511,714	76,951,067
	₱7,232,644,702	₱806,130,985	8,038,775,687	₱6,703,472,337	₱736,238,540	7,439,710,877
Allowance for credit and impairment losses (Note 7)			(184,884,101)			(171,747,125)
Accumulated depreciation and amortization (Note 8)			(403,428,577)			(367,488,605)
			₱7,450,463,009			₱6,900,475,147
Financial Liabilities						
Deposit liabilities	₱4,307,594,624	₱119,676,385	₱4,427,271,009	₱2,675,117,492	₱1,347,535,288	₱4,022,652,780
Bills payable	109,875,757	—	109,875,757	498,424,236	—	498,424,236
Other liabilities (Note 11)	350,838,269	100,642,807	451,481,076	271,691,133	72,828,546	344,519,679
Nonfinancial Liabilities						
Income tax payable	82,408,906	—	82,408,906	64,295,280	—	64,295,280
Retirement liability	—	534,478	534,478	—	—	—
Other liabilities (Note 11)	44,965,335	12,443,765	57,409,100	51,476,086	—	51,476,086
	₱4,895,682,891	₱233,297,435	₱5,128,980,326	₱3,561,004,227	₱1,420,363,834	₱4,981,368,061

13. Equity

Capital Stock

The Bank's authorized capital stock amounted to ₱2.00 billion, consisting of 18,000,000 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.

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

	2024		2023	
	Shares	Amount	Shares	Amount
Common stock - ₱100 par value, 18,000,000 authorized shares				
Common stock at the beginning of the year	10,500,000	₱1,050,000,000	9,892,870	₱989,287,000
Issuance of shares through stock dividends	3,150,000	315,000,000	—	—
Issuance of shares	—	—	607,130	60,713,000
Common stock at the end of the year	13,650,000	₱1,365,000,000	10,500,000	₱1,050,000,000



	2024		2023	
	Shares	Amount	Shares	Amount
Preferred stock - ₱200 par value, 1,000,000 authorized shares				
Preferred stock at the beginning of the year	1,000,000	₱200,000,000	1,000,000	₱200,000,000
Preferred stock at the end of the year	1,000,000	₱200,000,000	1,000,000	₱200,000,000

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, 2024 and 2023, cumulative dividends paid on preferred shares amounted to ₱20.00 million and ₱24.00 million, respectively.

Dividends

Cash dividends declared by the Bank in 2024 and 2023 are the following:

Date of declaration	Common shares		Preferred shares		Record date
	Per share	Total amount	% of Par	Total amount	
August 10, 2024	₱10.00	₱105.00 million	4%	₱8.00 million	December 31, 2023
April 13, 2024	₱10.00	₱105.00 million	6%	₱12.00 million	December 31, 2023
September 9, 2023	₱20.00	₱210.00 million	4%	₱8.00 million	August 31, 2023
April 13, 2023	₱12.00	₱126.00 million	8%	₱16.00 million	March 31, 2023

As approved by the Bank's BOD and stockholders in their joint special meeting on May 11, 2024, stock dividends amounting to ₱210.00 million or ₱20.00 per share were declared to stockholders on record as of December 31, 2023. As approved by the Bank's stockholders in their special stockholders meeting on October 12, 2024, stock dividends amounting to ₱105.00 million or ₱10.00 per share were declared to stockholders on record as of December 31, 2023.

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 PFRSs 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, the BSP issued 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 ₱30.00 million. As at December 31, 2024 and 2023, 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 PFRSs-based results and reserves, as prescribed by the BSP.

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

	2024	2023
Tier 1 capital	₱2,145.58	₱1,726.64
Tier 2 capital	266.66	247.59
Total qualifying capital	2,412.24	₱1,974.23
Risk-weighted assets	9,572.06	₱8,522.63
Tier 1 capital ratio	22.42%	20.26%
Tier 2 capital ratio	2.79%	2.91%
Total CAR	25.20%	23.16%

As of December 31, 2024 and 2023, 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 90.00% 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 20.00% for 2024 and 2023.



The Bank's MLR as at December 31, 2024 and 2023, as reported to the BSP is shown in the table below (amounts in millions):

	2024	2023
Stock of liquid assets	₱1,470.17	₱1,554.81
Qualifying liabilities	3,588.22	3,226.59
MLR	40.97%	48.19%

As at December 31, 2024 and 2023, 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.

14. Compensation and Benefits

This account consists of:

	2024	2023
Salaries and wages	₱337,399,464	₱290,269,683
Employee benefits	258,672,257	229,133,191
Retirement expense (Note 15)	10,460,096	8,108,644
Other short-term benefits	48,401,589	40,398,038
	₱654,933,406	₱567,909,556

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

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., CARD MRI Hijos Tours Inc., CARD MRI Astro Laboratories Inc., and CARD Masikhay Consultancy Services 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 RA 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 120.00% 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 100.00% of the member's employer accumulated value (the Bank's contributions of 8.00% plan salary to Fund A plus credited earnings) and 100.00% of the member's employee accumulated value (member's own contributions up to 10.00% of plan salary to Fund B plus credited earnings), if any, provided that in no case shall 100.00% of the employee accumulated value in Fund A be less than 100.00% of plan salary for every year of credited service.

The date of the latest actuarial valuation report is December 31, 2024.



Changes in net retirement asset in 2024 and 2023 are as follow:

	2024												
	Net benefit cost in statement of income					Remeasurements in other comprehensive income							
	January 1	Current service cost	Net interest	Subtotal	Transfer to the Plan Net of Benefits Paid	Benefits paid from plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in the effect of asset ceiling	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31
Fair value of plan assets	₱173,984,605	₱–	₱10,730,513	₱10,730,513	₱1,810,861	(₱12,967,396)	(₱2,878,717)	₱–	₱–	₱–	(₱2,878,717)	₱13,285,643	₱183,965,509
Present value of defined benefit obligation	(148,222,459)	(11,963,434)	(9,086,037)	(21,049,471)	(1,810,861)	12,967,396	(27,107,519)	–	1,524,059	(801,132)	(26,384,592)	–	(184,499,987)
Asset ceiling	(2,302,413)	–	(141,138)	(141,138)	–	–	–	2,443,551	–	–	2,443,551	–	–
Net defined benefit asset	₱23,459,733	(₱11,963,434)	₱1,503,338	(₱10,460,096)	₱–	₱–	(₱29,986,236)	₱2,443,551	₱1,524,059	(₱801,132)	(₱26,819,758)	₱13,285,643	(₱534,478)

	2023												
	Net benefit cost in statement of income					Remeasurements in other comprehensive income							
	January 1	Current service cost	Net interest	Subtotal	Transfer to the Plan Net of Benefits Paid	Benefits paid from plan assets	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in the effect of asset ceiling	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31
Fair value of plan assets	₱150,262,939	₱–	₱11,626,487	₱11,626,487	(₱2,747,828)	(₱4,664,821)	(₱5,912,843)	₱–	₱–	₱–	(₱5,912,843)	₱25,420,671	₱173,984,605
Present value of defined benefit obligation	(122,256,933)	(10,563,151)	(8,924,756)	(19,487,907)	2,747,828	4,664,821	2,092,448	–	201,633	(16,184,349)	(13,890,268)	–	(148,222,459)
Asset ceiling	(3,386,633)	–	(247,224)	(247,224)	–	–	–	1,331,444	–	–	1,331,444	–	(2,302,413)
Net defined benefit asset	₱24,619,373	(₱10,563,151)	₱2,454,507	(₱8,108,644)	₱–	₱–	(₱3,820,395)	₱1,331,444	₱201,633	(₱16,184,349)	(₱18,471,667)	₱25,420,671	₱23,459,733

In 2024 and 2023, net benefit cost is recognized under ‘Compensation and benefits’ in the statements of income.



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, 2024 and 2023 follows:

	2024	2023
Cash and cash equivalents	₱22,002,275	₱20,460,590
Government securities	109,349,099	118,205,141
Loans and receivables	43,250,291	25,923,706
Other bond instruments	7,340,224	7,463,940
Other assets	2,023,620	1,931,228
Fair value of plan assets	₱183,965,509	₱173,984,605

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:

	2024	2023
Discount rate		
January 1	6.13%	7.30%
December 31	6.09%	6.13%
Future salary increases	5.00%	5.00%

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

	2024		2023	
	Increase (decrease) in basis points	Increase (decrease) in present value of obligation	Increase (decrease) in basis points	Increase (decrease) in present value of obligation
Discount rates	+100 (100)	(₱18,499,010) 21,932,863	+100 (100)	(₱14,022,087) 16,617,988
Future salary increases	+100 (100)	21,953,129 (18,840,319)	+100 (100)	16,640,188 (14,285,710)

The Bank plans to contribute ₱13.00 million to the defined benefit retirement plan in 2025. As at December 31, 2024, the average duration of defined benefit obligations is 11.0 years.



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

	2024	2023
Less than one year	₱14,660,523	₱19,540,854
More than one year to five years	63,299,011	50,123,799
More than five years to ten years	94,219,574	75,515,215
More than 10 years to 15 years	138,100,577	98,050,768
More than 15 years to 20 years	205,043,670	127,559,529
More than 20 years to 25 years	242,078,971	178,609,584
More than 25 years	341,442,262	268,121,513

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 of 5.00%, 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:

	2024	2023
Lease payments relating to short-term leases and leases with low value assets (included in 'Rent')	₱40,074,400	₱36,201,877
Depreciation expense of ROU assets included in property and equipment (Note 8)	62,467,056	59,222,842
Interest expense on lease liabilities	7,368,221	5,986,816
Total amount recognized in the statements of income	₱109,909,677	₱101,411,535

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

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

	2024	2023
As at beginning of year	₱105,475,440	₱134,849,298
Additions	99,026,389	29,711,750
Accretion of interest	7,368,221	5,986,816
Payments	(66,856,348)	(63,661,381)
Lease modification	—	(1,411,043)
As at end of year	₱145,013,702	₱105,475,440



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

	2024	2023
Within 1 year	₱63,042,731	₱48,572,267
More than 1 year to 5 years	90,345,517	64,080,570
More than 5 years	8,659,702	1,521,129

17. Miscellaneous Expenses

This account consists of:

	2024	2023
Payments to on-call security, drivers and messengerial	₱9,491,883	₱9,587,437
Repairs and maintenance	9,368,020	7,547,618
Donations and charitable contributions	8,000,000	5,393,000
Meals during meetings and trainings	6,716,213	6,369,361
Periodicals and magazines	3,672,339	1,547,088
Marketing, advertising and publicity	2,761,089	1,721,410
Vaccination	2,033,780	751,027
Review and advisory fee	1,638,671	1,532,160
Banking fee	1,544,982	1,498,085
Company events and celebrations	1,237,504	807,958
Data information sharing fee	829,022	806,586
Recruitment and training expenses	694,706	628,447
Calamity and burial assistance	638,917	453,427
Legal fees	534,609	637,768
Scholarship allowance	222,030	339,000
Hospitalization and other medical expense	200,197	525,349
Membership fees and dues	100,188	73,387
Processing fee of approved branches	64,564	90,773
Other expenses	2,435,821	669,605
	₱52,184,535	₱40,979,486

Donations and charitable contributions pertain to donation for scholarship program to educational institution.

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.

18. Income Taxes

Provision for (benefit from) income tax consists of:

	2024	2023
Current tax	₱201,899,620	₱115,645,687
Final tax	17,050,414	16,498,413
Deferred tax	(2,075,719)	45,318,871
	₱216,874,315	₱177,462,971



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.

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. This aimed to attract more investments and maintain fiscal prudence and stability in the Philippines. RA No.11534 or the CREATE Act introduced reforms to the corporate income tax and incentives systems.

Following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Bank:

- Effective July 1, 2021, RCIT was reduced for domestic and resident foreign corporations from 30.0% to 25.0%. For domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000 (excluding land on which the particular business entity’s office, plant, and equipment are situated) during the year, RCIT rate is reduced to 20.0%.
- The bill also provides that effective July 1, 2021 to June 30, 2023, the MCIT will be lowered from 2.0% to 1.0%, starting July 1, 2023 MCIT reverted to 2.0%.
- Interest expense allowed as a deduction against taxable income shall be reduced by 20.0% of interest income subjected to final tax.

An optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. For the 2024 and 2023 RCIT computation, the Bank elected to claim itemized expense deductions instead of the OSD.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.0% of the Bank’s net revenue. EAR expenses are presented under ‘Miscellaneous expenses’ in the statements of income. The Bank incurred no EAR expenses in 2024 and 2023.

The regulations also provide that 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.

As at December 31, 2024 and 2023, net deferred tax assets are as follows:

	2024	2023
Deferred tax assets		
Allowance for credit losses	₱46,221,025	₱42,936,781
Unamortized past service cost	4,136,623	4,858,301
Accumulated vacation leave	3,110,941	2,891,402
Retirement liability	133,620	—
	53,602,209	50,686,484
Deferred tax liability		
Retirement asset	—	5,864,933
	₱53,602,209	₱44,821,551



Deferred tax recognized in OCI amounted ₱6.70 million and ₱4.62 million for the years ended December 31, 2024 and 2023, respectively.

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

	2024	2023
Statutory income tax	₱217,341,183	₱177,514,742
Income tax effects of:		
Interest income subject to final tax	(6,774,643)	(5,027,267)
Nondeductible expenses	6,612,280	4,975,496
Movements of deferred taxes	(304,505)	—
Provision for income tax	₱216,874,315	₱177,462,971

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 Accounting Standards, 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, 2024 and 2023, 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:

	2024	2023
Short-term employee benefits	₱13,046,183	₱14,505,752
Post-employment benefits	1,647,309	2,814,406
	₱14,693,492	₱17,320,158



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, 2024 and 2023, 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, 2024 and 2023 follow:

December 31, 2024			
Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
Key management personnel			
Deposit liabilities		₱3,289,052	Consists of regular savings deposit account with annual interest rate ranging from 0.50% to 5.00%, and special savings deposit account with annual interest rate ranging from 1.00% to 4.00%.
Deposits	10,991,381		
Withdrawals	9,043,321		
Interest expense/payable	13,268		
Shareholders			
Deposit liabilities		134,470,218	Consists of regular savings deposit account with annual interest rate ranging from 0.50% to 5.00% and special savings deposit account with annual interest rate ranging from 3.90% to 4.25%.
Deposits	1,212,217,527		
Withdrawals	1,188,371,186		
Interest expense/payable	2,855,587		
December 31, 2023			
Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
Key management personnel			
Deposit liabilities		₱14,354,396	Consists of regular savings deposit account with annual interest rate of 0.50% and 5.00%, and special savings deposit account with annual interest rate ranging from 1.00% to 4.25%.
Deposits	₱65,154,742		
Withdrawals	62,579,455		
Interest expense/payable	25,053		
Shareholders			
Deposit liabilities		94,505,835	Consists of regular savings deposit account with annual interest rate of 0.50% and special savings deposit account with annual interest rate ranging from 1.60% to 4.00%.
Deposits	1,235,676,686		
Withdrawals	1,295,881,617		
Interest expense/payable	1,207,255		

20. Supplementary Information for Cash Flow Analysis

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

	2024	2023
Additions to property and equipment through lease contracts (Note 8)	₱102,962,339	₱31,009,955



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

	December 31, 2024			Total
	Bills payable (Notes 11)	Dividends payable (Note 11)	Lease liabilities (Note 16)	
Balances as at January 1, 2024	₱498,424,236	₱695,222	₱105,475,440	₱604,594,898
Cash flows	(390,239,472)	(230,328,369)	(66,856,348)	(687,424,189)
Non-cash items				
Dividend declaration	—	230,000,000	—	230,000,000
New lease contracts entered during the year	—	—	99,026,389	99,026,389
Amortization of discount of bills payable	1,690,993	—	—	1,690,993
Amortization of interest expenses of lease liability	—	—	7,368,221	7,368,221
Balances as of December 31, 2024	₱109,875,757	₱366,853	₱145,013,702	₱255,256,312

	December 31, 2023			Total
	Bills payable (Note 11)	Dividends payable (Note 11)	Lease liabilities (Note 16)	
Balances as at January 1, 2023	₱—	₱159,547	₱134,849,298	₱135,008,845
Cash flows	498,169,178	(359,464,325)	(63,661,381)	75,043,472
Non-cash items				
Dividend declaration	—	360,000,000	—	360,000,000
New lease contracts entered during the year	—	—	29,711,750	29,711,750
Amortization of discount of bills payable	255,058	—	—	255,058
Amortization of interest expenses of lease liability	—	—	5,986,816	5,986,816
Closing of lease liability on lease modification	—	—	(1,411,043)	(1,411,043)
Balances as of December 31, 2023	₱498,424,236	₱695,222	₱105,475,440	₱604,594,898

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, 2025.

22. Supplementary Information Required under Section 174 of the Manual of Regulations for Banks (MORB)

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

Basic quantitative indicators of financial performance

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

	2024	2023
Return on average equity	30.77%	29.30%
Return on average assets	9.09%	8.13%
Net interest margin	37.60%	34.90%



Description of capital instruments issued

As of December 31, 2024 and 2023, 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, 2024 and 2023, information on the concentration of receivables from customers as to industry follows (at gross amount):

	2024		2023	
	Amount	%	Amount	%
Wholesale and retail trade; repair of motor vehicles and motorcycles and personal and household goods	₱2,685,087,862	50.14%	₱2,514,433,712	51.54%
Agriculture, forestry and fishing	1,025,727,791	19.15%	900,523,923	18.46%
Administrative and support service activities	308,922,220	5.77%	319,131,508	6.54%
Real estate activities	194,472,492	3.63%	194,171,532	3.98%
Manufacturing	161,230,682	3.01%	168,163,384	3.45%
Arts, entertainment and recreation	271,842,337	5.08%	158,179,093	3.24%
Accommodation and food service activities	156,520,030	2.92%	145,881,928	2.99%
Human health and social work activities	180,989,118	3.38%	139,396,031	2.86%
Construction	138,786,349	2.59%	126,768,801	2.60%
Education	78,341,147	1.46%	69,437,259	1.42%
Transportation and storage	36,310,093	0.68%	35,778,463	0.73%
Professional, scientific and technical activities	17,317,604	0.32%	17,983,598	0.37%
Information and communication	14,897,395	0.28%	15,381,529	0.32%
Water supply, sewerage, waste management and remediation activities	5,805,427	0.11%	5,487,301	0.11%
Other services activities	79,154,958	1.48%	67,738,869	1.39%
	₱5,355,405,505	100.00%	₱4,878,456,931	100.00%

Loans per security

The following table shows the secured and unsecured portions of receivable from customers as at December 31, 2024 and 2023 (at gross amount):

	2024	2023
Secured portion		
Deposit hold-out	₱1,309,169,330	₱1,142,555,018
Unsecured portion	4,046,236,175	3,735,901,913
	₱5,355,405,505	₱4,878,456,931

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:

	2024			2023		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Loans and receivables						
Microfinance loans	₱4,270,845,523	₱97,315,948	₱4,368,161,471	₱4,007,896,871	₱108,321,709	₱4,116,218,580
Other loans	973,757,072	13,486,962	987,244,034	751,586,423	10,651,928	762,238,351
Balance at end of year	₱5,244,602,595	₱110,802,910	₱5,355,405,505	₱4,759,483,294	₱118,973,637	₱4,878,456,931



Portfolio-at-risk (PAR)

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, 2024 and 2023, the Bank's PAR amounted to ₱111.89 million and ₱119.33 million, respectively. The allowance for credit losses recognized for past due loans amounted to ₱65.75 million and ₱56.87 million as of December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, non-performing loans (NPLs) based on Circular No. 941 and as reported to the BSP amounted to as follows:

	2024	2023
Performing loans	₱5,244,602,595	₱4,759,483,294
Non-performing loans	110,802,910	118,973,637
Balance at end of year	₱5,355,405,505	₱4,878,456,931

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.

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, 2024 and 2023, 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, 2024 and 2023:

Particulars	DOSRI Loans	2024 Related Party Loans (inclusive of DOSRI Loans)	DOSRI Loans	2023 Related Party Loans (inclusive of DOSRI loans)
Outstanding loans	₱33,543	₱33,543	₱18,080	₱18,080
Percent of DOSRI accounts to total Loans	0.00063%	0.00063%	0.00037%	0.00037%
Percent of unsecured DOSRI/Related Party loans to total loan portfolio	0.00039%	0.00039%	0.00017%	0.00017%
Percent of past due DOSRI/Related Party loans to total loan portfolio	—	—	—	—
Percent of non-performing DOSRI/Related Party loans to total loan portfolio	—	—	—	—

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

Secured liability and assets pledged as security

As of December 31, 2024 and 2023, the Bank has no liability that is secured by pledged assets.

Commitments and contingencies

There are no commitments and contingencies as at December 31, 2024 and 2023.



23. Supplementary Information Required under RR 15-2010

On November 25, 2010, the BIR issued RR 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes 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, 2024, follow:

Gross receipt tax	₱138,871,435
Documentary stamp tax	49,352,365
Business permits and licenses	10,987,825
Real property tax	341,280
Others	3,651,995
	<u>₱203,204,900</u>

Withholding taxes in 2024 are categorized into:

	Amount remitted	Outstanding as of December 31, 2024
Final withholding tax on interest expense and dividends declared	₱14,316,455	₱3,243,803
Expanded withholding tax	9,990,215	1,080,308
Withholding taxes on compensation and benefits	4,298,136	1,028,567
	<u>₱28,604,806</u>	<u>₱5,352,678</u>

Tax Assessments and Cases

On August 25, 2023, the BIR served the Letter of Authority No. *eLA20150004122/AUDM29-056-2023-042207* dated August 17, 2023, 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, 2022 to December 31, 2022. The examination resulted in a total deficiency tax assessment of ₱2.83 million which was paid by the Bank on February 23, 2024.

On July 28, 2024, the BIR served the Letter of Authority No. *eLA201500041709/AUDM29-056-2024-083147* dated July 8, 2024, 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, 2023 to December 31, 2023. The examination resulted in a total deficiency tax assessment of ₱3.31 million which was paid by the Bank on December 17, 2024.

As at December 31, 2024, the Bank has no outstanding tax assessment notice from the BIR or cases in court or bodies outside the BIR.

