



CARD Bank, Inc.  
A Microfinance-Oriented Rural Bank

Financial Statements  
December 31, 2008 and 2007

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of CARD Bank, Inc., A Microfinance-Oriented Rural Bank (the Bank), which comprise the balance sheets as at December 31, 2008 and 2007, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

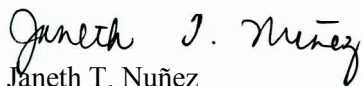
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of CARD Bank, Inc., A Microfinance-Oriented Rural Bank as of December 31, 2008 and 2007, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Janeth T. Nuñez

Partner

CPA Certificate No. 111092

SEC PA Control No. A-223-A

Tax Identification No. 900-322-673

PTR No. 1566451, January 5, 2009, Makati City

April 23, 2009



**CARD BANK, INC., A MICROFINANCE-ORIENTED RURAL BANK**  
**BALANCE SHEETS**

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
<b>Cash and Other Cash Items</b> (Note 10)	<b>₱10,828,579</b>	₱7,728,704
<b>Due from Bangko Sentral ng Pilipinas</b> (Note 10)	<b>16,357,218</b>	10,100,760
<b>Due from Other Banks</b>	<b>41,504,480</b>	50,051,375
<b>Loans and Receivables</b> (Notes 6 and 18)	<b>966,441,255</b>	547,398,815
<b>Held-to-Maturity Investments</b> (Note 7)	<b>105,301,542</b>	41,500,776
<b>Property and Equipment</b> (Note 8)	<b>59,541,339</b>	30,432,933
<b>Deferred Tax Asset</b> (Note 17)	<b>5,071,271</b>	2,028,326
<b>Other Assets</b> (Note 9)	<b>37,000,783</b>	30,260,731
	<b>₱1,242,046,467</b>	₱719,502,420
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>Deposit Liabilities</b> (Notes 10 and 18)		
Demand	<b>₱172,405</b>	₱303,070
Savings	<b>798,339,096</b>	503,387,388
	<b>798,511,501</b>	503,690,458
<b>Bills Payable</b> (Note 11)	<b>189,495,339</b>	65,121,342
<b>Income Tax Payable</b>	<b>12,086,896</b>	1,969,975
<b>Other Liabilities</b> (Note 12)	<b>48,527,863</b>	14,387,270
	<b>1,048,621,599</b>	585,169,045
<b>Equity</b>		
<b>Capital Stock</b> (Note 14)		
Preferred stock	<b>49,912,800</b>	49,884,100
Common stock	<b>67,400,236</b>	47,950,933
Deposit for future stock subscription	<b>38,143,469</b>	–
	<b>155,456,505</b>	97,835,033
<b>Surplus</b> (Note 14)	<b>37,968,363</b>	36,498,342
	<b>193,424,868</b>	134,333,375
	<b>₱1,242,046,467</b>	₱719,502,420

*See accompanying Notes to Financial Statements.*



**CARD BANK, INC., A MICROFINANCE-ORIENTED RURAL BANK**  
**STATEMENTS OF INCOME**

	Years Ended December 31	
	2008	2007
<b>INTEREST INCOME ON</b>		
Loans and receivables (Note 6)	₱392,344,140	₱216,795,899
Due from other banks	4,810,928	1,965,593
Held-to-maturity investments (Note 7)	3,226,787	1,118,972
	<b>400,381,855</b>	<b>219,880,464</b>
<b>INTEREST EXPENSE ON</b>		
Deposit liabilities (Note 10 and 18)	29,998,741	18,007,826
Bills payable (Note 11)	7,875,866	2,518,144
	<b>37,874,607</b>	<b>20,525,970</b>
<b>NET INTEREST INCOME</b>	<b>362,507,248</b>	<b>199,354,494</b>
Recovery from loans and receivables previously written-off	2,074,773	3,321,772
Loan fees and commission	780,621	1,097,160
Miscellaneous	2,233,963	3,342,666
<b>TOTAL OPERATING INCOME</b>	<b>367,596,605</b>	<b>207,116,092</b>
<b>OTHER EXPENSES</b>		
Compensation and fringe benefits (Notes 15 and 18)	167,941,042	78,947,184
Transportation and travel	24,214,623	19,572,098
Taxes and licenses (Note 17)	22,670,444	13,039,460
Occupancy (Note 18)	19,063,429	10,477,131
Stationery and office supplies	14,062,903	8,862,803
Depreciation and amortization (Note 8)	13,856,690	7,326,636
Provision for credit and impairment losses (Note 6)	15,925,725	2,687,468
Security, messengerial and janitorial	10,880,987	6,522,974
Insurance	9,831,898	3,797,035
Employee trainings	9,733,540	12,553,510
Power, light and water	5,819,736	3,499,494
Members' training and development	4,663,268	1,492,736
Postage, telephone and cable	3,962,914	2,671,785
Repairs and maintenance	3,767,729	1,591,900
Professional fees	1,018,161	580,114
Program monitoring and evaluation	820,935	2,722,929
Miscellaneous (Note 16)	6,317,301	12,119,084
<b>TOTAL OPERATING EXPENSES</b>	<b>334,551,325</b>	<b>188,464,341</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>33,045,280</b>	<b>18,651,751</b>
<b>PROVISION FOR INCOME TAX</b> (Note 17)	<b>12,584,531</b>	<b>6,923,822</b>
<b>NET INCOME</b>	<b>₱20,460,749</b>	<b>₱11,727,929</b>

See accompanying Notes to Financial Statements.



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

	<b>Preferred Stock (Note 14)</b>	<b>Common Stock (Note 14)</b>	<b>Deposit for Future Stock Subscription (Note 14)</b>	<b>Surplus (Note 14)</b>	<b>Total</b>
Balance at January 1, 2008	<b>₱49,884,100</b>	<b>₱47,950,933</b>	<b>₱-</b>	<b>₱36,498,342</b>	<b>₱134,333,375</b>
Net income for the year	-	-	-	<b>20,460,749</b>	<b>20,460,749</b>
Collection of subscriptions receivable	<b>28,700</b>	<b>19,449,303</b>	-	-	<b>19,478,003</b>
Deposit for Future Subscription - Preferred Stock	-	-	<b>22,335,069</b>	-	<b>22,335,069</b>
Deposit for Future Subscription - Common Stock	-	-	<b>15,808,400</b>	-	<b>15,808,400</b>
Cash dividends	-	-	-	<b>(18,990,728)</b>	<b>(18,990,728)</b>
<b>Balance at December 31, 2008</b>	<b>₱49,912,800</b>	<b>₱67,400,236</b>	<b>₱38,143,469</b>	<b>₱37,968,363</b>	<b>₱193,424,868</b>
Balance at January 1, 2007	₱49,835,500	₱26,827,000	₱-	₱32,832,806	₱109,495,306
Net income for the year	-	-	-	11,727,929	11,727,929
Collection of subscriptions receivable	48,600	19,770,633	-	-	19,819,233
Stock dividends	-	1,353,300	-	(1,353,300)	-
Cash dividends	-	-	-	(6,709,093)	(6,709,093)
Balance at December 31, 2007	₱49,884,100	₱47,950,933	₱-	₱36,498,342	₱134,333,375

*See accompanying Notes to Financial Statements.*



**CARD BANK, INC., A MICROFINANCE-ORIENTED RURAL BANK**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱33,045,280</b>	₱18,651,751
Adjustments for:		
Provision for credit and impairment losses (Note 6)	<b>15,925,725</b>	2,687,468
Depreciation and amortization (Note 8)	<b>13,856,690</b>	7,326,636
Loss on disposal of property and equipment	<b>710,534</b>	–
Changes in operating assets and liabilities:		
Increase in the amounts of:		
Loans and receivables	<b>(434,968,165)</b>	(230,193,787)
Other assets	<b>(6,740,052)</b>	(190,677)
Increase in the amounts of:		
Deposit liabilities	<b>294,821,043</b>	201,452,409
Other liabilities	<b>34,041,177</b>	9,054,781
Net cash provided by (used in) operations	<b>(49,307,768)</b>	8,788,581
Income taxes paid	<b>(5,510,556)</b>	(3,893,484)
Net cash provided by (used in) operating activities	<b>(54,818,324)</b>	4,895,097
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Held-to-maturity investments	<b>(91,499,857)</b>	(20,000,000)
Property and equipment (Note 8)	<b>(43,675,630)</b>	(26,885,738)
Proceeds from sale/maturity of:		
Held-to-maturity investments	<b>27,699,091</b>	18,500,133
Property and equipment (Note 8)	–	2,697,325
Net cash used in investing activities	<b>(107,476,396)</b>	(25,688,280)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availment of bills payable	<b>173,497,997</b>	57,124,000
Settlement of bills payable	<b>(49,124,000)</b>	(28,864,329)
Proceeds from (Note 14):		
Collection of subscriptions receivable - common stock	<b>19,449,303</b>	19,770,633
Collection of subscriptions receivable - preferred stock	<b>28,700</b>	48,600
Deposit for future stock subscription	<b>38,143,469</b>	–
Dividends paid (Notes 12 and 14)	<b>(18,891,311)</b>	(8,106,754)
Net cash provided by financing activities	<b>163,104,158</b>	39,972,150
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>809,438</b>	19,178,967

(Forward)



	<b>Years Ended December 31</b>	
	<b>2008</b>	<b>2007</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		
Cash and other cash items	<b>₱7,728,704</b>	₱5,095,662
Due from Bangko Sentral ng Pilipinas	<b>10,100,760</b>	7,162,233
Due from other banks	<b>50,051,375</b>	36,443,977
	<b>67,880,839</b>	48,701,872
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
Cash and other cash items	<b>10,828,579</b>	7,728,704
Due from Bangko Sentral ng Pilipinas	<b>16,357,218</b>	10,100,760
Due from other banks	<b>41,504,480</b>	50,051,375
	<b>₱68,690,277</b>	₱67,880,839

**OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS**

	<b>Years Ended December 31</b>	
	<b>2008</b>	<b>2007</b>
Interest received	<b>₱394,717,060</b>	₱214,441,717
Interest paid	<b>34,496,215</b>	15,664,569
Dividend received	<b>400</b>	400

*See accompanying Notes to Financial Statements.*

