



# **CARD BANK, INC.** **ANNUAL REPORT 2022**

**SAMA-SAMANG PAGSULONG**

PAGPUPUGAY NG MGA PUSONG NAGDIRIWANG AT NAGPAPASALAMAT





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## ABOUT THE COVER

In the past two years, we braved every challenge with a humble heart and a resilient mindset. While the recent global health crisis drove us into isolation — demanding us to change the way we normally do things — we took it as an opportunity to rediscover and reflect on our purpose of being. Like a seed buried into the deep earth, we found strength in the challenge to break out into the ground.

This 2022, we embarked on a journey towards recovery. We are again in full bloom.

*Sama-samang pagsulong: Pagpupugay ng mga pusong nagdiriwang at nagpapasalamat* (Moving forward together: A tribute from reverent and grateful hearts), this annual report's theme, captures our sentiment for all institutions and people, both clients and staff, who helped us achieve the many successes for every Filipino family. We take every step forward as a cause for celebration, a reason to be grateful.

The petals on the cover represent the stories of how we bounced back. The festive colors and lines signify each of our member-institutions, connecting at a certain point, ensuring that we continue to remain as institutions that mutually support and reinforce one another. Moreover, throughout the pages of the report, the products of CARD MRI clients are featured — from food items to souvenir products, to clothing — as we pay homage to their strength and dedication, their artistry, and their stories.

CARD MRI keeps a grateful heart that never falters to serve and empower people as we achieve a poverty-free Philippines.

# VISION

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

# MISSION

CARD Bank, Inc. is committed to:

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

## STARTING ANEW

The previous years have been a test of faith. Public health has been endangered; people's livelihoods, affected. With the global pandemic, economic activities have been reduced. The restricted mobility halted the operations of microenterprises. Among the heavily afflicted are our MSME clients.

We at CARD Bank have seen their struggles. We have heard stories of how the pandemic took a toll on our clients' livelihoods. As part of an institution whose mandate is to serve socially and economically challenged families, CARD Bank ensured that it was – and still is – able to provide continuous assistance to our constituents.

When the barangays were subjected to lockdowns, our field operations were put on hold. Yet this did not discourage us. CARD Bank adapted to the status quo. We created opportunities to continue delivering financial and non-financial services to our communities. We ensured that all our channels were open, whether online or verbal, so we could respond to our clients' concerns. We made our clients feel our support no matter the crisis we experienced together.

We used digital means to carry on our services. Since mobility was limited, we made financial transactions more



**DR. JAIME ARISTOTLE B. ALIP**

CARD BANK CHAIRMAN / CARD MRI  
FOUNDER AND CHAIRMAN EMERITUS

accessible. This is where our digital initiatives stepped in. CARD Bank's mobile banking application has been more useful than ever. konek2CARD allowed our clients to do their financial transactions. Users were able to pay their bills and loan dues, and transfer funds without leaving the comforts of their homes. Should they need to withdraw from their savings account, our clients can visit our konek2CARD agents in their areas.

Loan applications were also made possible through our chatbot platform. A chat with our Messenger was all it took to start applying for loans. Despite not having physical transactions in a brief period, we made sure that our clients could borrow money to support their needs. CARD's Puhunan Loan became supplemental to continue our clients' businesses. To a greater extent, it helped them start anew.

We also maximized our social media assets. Our Facebook page became our platform to keep in touch with the communities we serve. We were also able to respond to our clients' queries and concerns through our messenger. In addition, we learned about our clients' condition, through the Online Ugnayan and Kuwentuhan, CARD's online community.

As the restrictions were lifted, our staff went back to the field. We started reaching out to our clients. Gradually, we restored our center meetings. With this, we were able to provide real-time services to our clients. By directly listening to our clients' concerns, we were able to promptly address them.

This strategy was a success. Not only were we able to reinstate our presence in the areas we managed, but we were also able to expand our communities. We were able to provide our financial products and services

to more individuals. We saw a rise in our clientship.

The successes we had are all due to our staff. They are the backbone of our institution. If not for their unwavering dedication, our shared aspirations would remain a vision. Had they let their fears take control, we would not be able to support the families we vowed to serve. We will not be able to help rebuild our communities. Our dream of improving the lives of economically-challenged families will not come to fruition.

Now, two years after the crisis, we are back on our feet. Our clients may not have fully recovered yet, but they are definitely back on track. We have also emerged stronger than ever. And we vow to continue providing services to help our clients survive the economic hardships they have gone through.

The challenges we faced will be a lesson to remember. The successes we had will be our inspiration to persevere more. With hearts full of gratitude and minds with a strong sense of purpose, we welcome another year. Another year of providing development-oriented services to the community and vulnerable sectors. Another year closer to the realization of our dream: a nation free from poverty.

## A KEY TO SUCCESS

CARD Bank ends the year 2022 with celebration and thanksgiving. After overcoming the challenges we have faced, we have emerged triumphant and jubilant. The duty of CARD Bank to provide our integrated microfinance and social development services to our clients and communities was unimpeded, and our goal to widen our reach to more underserved areas in the Philippines vigorously continued. Being united in a common goal was our key to success, and the great results from all our work this year are a testament to that.

CARD Bank successfully continued to expand our presence throughout the country. It opened the door of our 100th branch in Sta. Cruz, Manila. The Bank also gained an additional 248,996 new members thanks in part to its strategic and focus assignment of its management members in specific areas. Because of these initiatives, CARD Bank was able to serve a total of 3,958,782 clients.

CARD Bank owes our successes in significant part to our adoption of digital initiatives.



**ARISTEO A. DEQUITO**  
CARD MRI MANAGING DIRECTOR

We saw how our services and operations became more efficient and accessible to our clients and communities as we utilize digital technology.

Our Core Banking System (CBS) initiative also had notable achievements this year. CARD Bank successfully completed the migration of our 18 remaining branches

to our T24 system, and so all its branches are fully migrated to CBS. In line with this migration was the completion of our Go-live LOS in CARD Bank branches as well. Our push for the full integration of konek2CARD, our mobile banking application, resulted in 467,658 new registered users.

### **Building upon Foundations**

CARD Bank also remained consistent with fine tuning and introducing new products and services to best fit the various needs of our clients and communities. CARD Bank successfully standardized and digitized some of its branches. We also initiated a capacity management project to resolve slowness of the system despite the increase in volume of transactions. Moreover, CARD Bank also fully implemented their “Back to Basic Strategy” which aims to reduce portfolio-at-risk in amount and percent to single digits. This strategy also brings back the center culture which further reconnected our field staff to our clients.

The year 2022 was also a time of recognition for CARD Bank and our clients and communities. Be it individual or institutional

achievements, CARD Bank will always take moments to recognize the humble accomplishments we were able to achieve and bestow. In this regard, exceptional agents/digital entrepreneurs bag the Digital Financial Inclusion Award. Additionally, our clients had the chance to showcase their talents through CARD MRI's online contests.

### **Braving another Tomorrow**

As CARD Bank prepares to face another year this 2023, we are once again thankful for how far we have come after more than 25 years of our work in microfinance and development. Throughout all those years, we have gained many valuable lessons, most recently from the pandemic, and we shall strive to continue to learn from all our experiences in the many years to come. One constant insight though seems to still ring true for us; the importance of our connection with our clients and communities. Being one with the people we serve was our key to success, and now that another door of opportunities has opened before us, rest assured CARD Bank shall bravely enter it, knowing that we have our clients and communities closely by our side.

## REBUILDING OUR COMMUNITIES

Over the past two years, our institution has faced numerous challenges, yet we continued to stand our ground. We remained unfazed despite the hurdles we encountered. Our undying passion and utmost commitment to our mission helped us rise again. From going back to the field to introducing digital initiatives, CARD Bank has continuously adapted and created solutions to overcome obstacles.

Our collective efforts, nonetheless, came to fruition. We have seen our nanays lead their families out of economic hardship. We have been witnesses to how our clients start anew. Most significantly, we have successfully accomplished our goals for 2022 – a step toward eradicating poverty through financial inclusion.

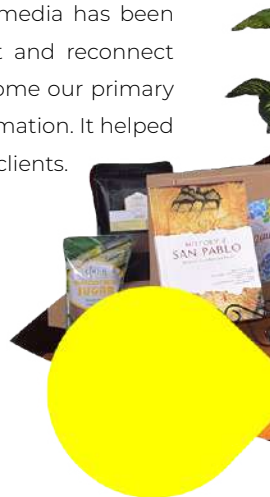
### **Strengthening our communities toward recovery**

Since its inception in September 1997, CARD Bank has been at the forefront of providing financial services to the Filipino people. Now in our 25th year, we continue to champion financial resilience for all. We make sure that the vulnerable sector, the unserved, and the underserved are not left behind.

The pandemic has been a learning experience for us at CARD Bank. More than ever, we have seen how important it is to develop a client-focused approach to delivering our services.

Our back-to-basic strategy has played a significant role in this undertaking. Our staff on the operations have been very proactive in delivering our services to the communities. We brought our weekly center meetings back, so our clients could physically interact with our staff. Not only are we able to provide real-time assistance. We are also able to gather concerns and resolve problems.

Aside from our on-the-ground approach, we used digital means to reach out to our clients. We saw the importance of social media in strengthening our digital communities. For the past two years, social media has been a valuable tool to connect and reconnect with our clients. It has become our primary channel for delivering information. It helped us stay connected with our clients.



### Widening our reach

The back-to-basic strategy we adapted was deemed a success. We were able to reach more communities – physical and digital – this year. Most significantly, it has helped us reconnect with our clients.

Among the highlights of our success is bringing CARD Bank's services to more communities. On our 25th anniversary, CARD Bank has opened its 100th branch in Sta. Cruz, Manila.

On top of that, we made sure that our existing offices have transitioned from manual procedures to digital workflows. We focused on digitizing our branch offices in

**“Two years have passed since. Now, we witness the lives of our clients progress. And we take this as a challenge to strive for more. With heads held high and hearts full of gratitude, we welcome another year, another opportunity to realize our dream: a financially resilient country.”**



**MARIVIC M. AUSTRIA**  
President and CEO

Mandaluyong, Tagkawayan, and Candelaria. The transition to digital processes enabled us to deliver our services faster and more efficiently.

We have also installed six additional Digital Cash Machines (DCMs), accumulating 105 DCMs nationwide. With the strategic locations of our DCMs, financial transactions are made more accessible. Our clients can easily withdraw from their savings accounts through our mobile application.

Aside from these physical manifestations of expansion, we have seen admirable growth in the number of individuals we serve. In just a year, we were able to attract 248,996 new clients. As of December 2022, CARD Bank has provided inclusive financial and non-financial services to our 3,958,782 clients nationwide.

**“We also appreciate and recognize our clients, whose unwavering support and dedication motivate us to strive for greater success. We ensure that all their efforts, whether through physical or digital means, will not go unnoticed.”**

Through our collective efforts, we now have 935,592 registered konek2CARD users since its implementation. Our success was made possible by everyone at CARD MRI, from the management team to our staff on the field. We also attribute this accomplishment to our konek2CARD agents. They have been CARD Bank's indispensable partners in reaching out to our communities. Through our 9,458 konek2CARD agents, we were able to provide agent-assisted cash-in and cash-out services to our clients. In the past year, we recorded a total of 106,512,391 financial transactions via konek2CARD, amounting to PHP 34,532,165,334.71.

We have also implemented konek2CARD in Community Economic Ventures Inc. - CEVI, our partner microfinance NGO in Bohol. Through our konek2CARD agents, the mobile app will assist in collecting semi-monthly dues. On its pilot implementation, there were 464 transactions made, amounting to PHP 726,781.

Along with our savings products, CARD Bank has continuously provided microfinance and SME loans to its clients. In 2022 alone, we disbursed loans amounting to more than PHP 31 million.

Our Loan Origination System (LOS) has also become operational in our 100 branches and processed a total of 1.11 million loan applications worth PHP 13.4 billion.

Finally, loan processing was made possible through our chatbot platform, now known as CARD Express Loan Assistant (CELA).

Our remittance services have also undergone improvement. CARD Sulit Padala now offers a remit-to-deposit option. Our new service allows our clients to transfer funds directly to any of their CARD savings accounts. Remittances can be made in our CARD Sulit Padala outlets, now with 1,716 kiosks. In the past year, our clients have made 96,686 remittances. We have recorded a cumulative amount of more than PHP 1.1 billion, generating a gross income of more than PHP 1.49 million.

Also, more clients can do their financial transactions through our partner institutions. We have introduced Bayad Center as a payment option in our 80 branches nationwide. In 2022, it processed 122,769 transactions, amounting to PHP 211,071,332. Our clients in 99 branches and 54 BLUs can also use ECPay for financial transactions, resulting in a total transaction of 53,893, amounting to PHP 71,587,631.65 in the same year.

Last but not the least, we have observed growth in our online communities, as well. Our official Facebook page has reached a total number of 201,000 page likes and has garnered 206,000 followers. The more we establish our presence in the digital realm, the better our chances of reaching prospective clients and expanding the reach of our services.

### **Paying homage to our success**

The milestones we had in the past year would not have been possible without the joint efforts of everyone in this undertaking. We acknowledge all the hard work and the selfless sacrifices our staff made in carrying out our mission. Without them, delivering CARD Bank's services and widening our outreach to the community would not be possible.

Therefore, it is only fitting that our staff receives all the recognition they deserve. We strive to provide our team with programs and incentives catering to their needs. We hope to inspire them as we work toward the realization of our goal: eradicating poverty by providing inclusive financial services.

We also appreciate and recognize our clients, whose unwavering support and dedication motivate us to strive for greater success. We ensure that all their efforts,

whether through physical or digital means, will not go unnoticed.

We held the koneKwentuhan, where our konek2CARD agents shared their experiences. Exceptional agents/digital entrepreneurs were also given the Digital Financial Inclusion Award. Additionally, our clients had the chance to showcase their talents through CARD MRI's online contests.

Through these simple means, we hope to show appreciation for everyone's hard work, not only for our institution but also for the larger community.

### **Advancing towards a financially inclusive future**

As we strive toward financial inclusion, we aim to extend our services, particularly to far-flung communities. We envision a community where more people can access banking services and other financial products.

In the coming year, we look forward to serving 4 million clients. Our goal aligns with CARD MRI's 10-20-80 strategic direction: a decade-

long commitment to serve 20 million clients and insure 80 million individuals. With our staff and agents working hand in hand, we are confident that we will achieve this milestone.

In addition to expanding our communities, we will also focus on re-engaging inactive clients. We will integrate online and physical means as our game plan. For the past two years, our back-to-basics strategy showed the significance of having a physical presence in the communities we serve. And we will continue to build on this.

We will also strengthen and grow our online communities. We have seen social media as a valuable tool to connect with our clients. As we head to another year, we plan to broaden our digital presence with the CARD MRI Center for Creative Ideas (CMCCI). We will maximize social media to increase engagement. Our online platforms will be crucial in promoting the products and services we will introduce.

Further, we plan to introduce new products to support our drive toward financial

inclusion. We will update konek2CARD to enhance its security features. As most CARD Bank's clients are nanays, we made the app easier to use. Aside from the app's icon-based interface, users can log in through biometric authentication and facial recognition. Our clients can also apply for loans through the app.

Additionally, we will introduce our online banking platform. The website will allow our clients to access their savings accounts online. Initiating fund transfers and making bill payments can now be done from the convenience of our website.

We are also looking forward to providing our loan products to more clients. We will simplify the requirements for our SME loans to make our loan products more accessible.

In all these undertakings, we ensure that our products and services are tailored to fit the needs of our communities. Our primary objective is to eradicate poverty through financial inclusion. Thus, all our actions will be aligned with this goal.

**“Through these simple means, we hope to show appreciation for everyone’s hard work, not only for our institution but also for the larger community.”**

### **Moving forward with a vision**

The past years have been a long, arduous journey. It was a journey of building and rebuilding. It was a journey to start anew. We saw the trials we had as opportunities to strive harder in fulfilling our mandate to our communities. We had gone back to the basics and advanced with digital means.

Amid the social and economic crisis, CARD Bank was able to provide its clients with continuous financial and non-financial services.

Two years have passed since. Now, we witness the lives of our clients progress. And we take this as a challenge to strive for more. With heads held high and hearts full of gratitude, we welcome another year, another opportunity to realize our dream: a financially resilient country.

# SEIZING OPPORTUNITIES

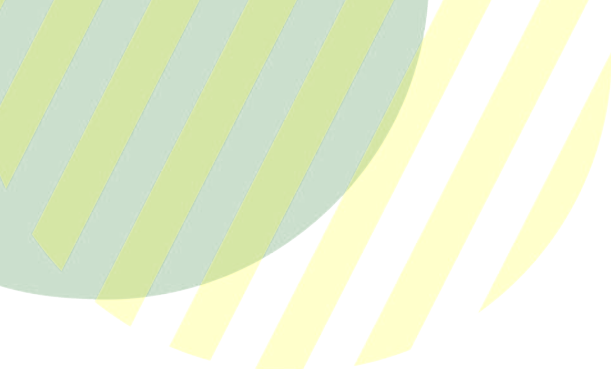
Opportunities come and go; you'll lose them if you don't seize them. Rosalyn Cortez's journey shows that seizing an opportunity is like catching the next wave of a better future. It is for the people who take courage and persevere.

"When you think you can't do something, you truly can't. But when an opportunity presents itself, and you believe you can do it and grab it, you can surely make it," Rosalyn shared.

Her journey started on June 23, 2008, when Rosalyn became a CARD Bank client. She used the loan she obtained from the microfinance-oriented rural bank to finance and open her first sari-sari store in their barangay in San Carlos City, Pangasinan.

Since then, Rosalyn has continued to seize every opportunity to expand her business with CARD Bank with her side. She





managed her financials wisely and opened two more sari-sari stores in their barangay and another in the city center.

However, some challenges upset her business. Demolitions occurred, and three of her stores were affected. Rosalyn found it difficult, but she persevered.

Rosalyn took another loan from CARD Bank, which enabled her to start a parlor business in their community. She even opened up three parlor branches.

Unfortunately, her perseverance was again put to the test by another setback – the COVID-19 pandemic. Rosalyn's business was seriously affected, but she remains unrelenting in her desire to succeed.


"As long as I am capable, I will keep the trust CARD Bank has given us," said Rosalyn. She

obtained another loan from the Bank to get up again and overcome the challenges.

During the pandemic, Rosalyn used another loan from CARD Bank to venture into a *talipapa* (makeshift wet market) business in their barangay. It became the means of support for their family during the trying times. As she soldiered on, she was again given the opportunity to build a stall for her *lechong manok* and *liempo* (charcoal-roasted chicken and pork belly) and a bakery.

Currently, Rosalyn owns seven stalls of Lechon Manok and Liempo, four bakeries, four chicken nugget outlets, and three sari-sari stores.

"From then until now, CARD Bank helped me to stand. The Bank trusts me to achieve my business goals, and I will keep that trust and use it to thrive," Rosalyn concluded.



# PAGPUPUGAY, PAGDIRIV



THIS IS  
OUR **2022**

# WANG, at PASASALAMAT

**Emma Sumagui**

Salamat sa CARD Bank March 2008 pa po ako member ng CARD Bank. Malaki po ang naitulong katulad na may mga anak na pinag aaral noon, salamat po at nakatapos na sila isa na lang po ang aking pag aaralin ng college.

**Maricon Cobal**

Thank you so much CARD Bank may matibay na kaming masasandalan at maaasahan para maabot ang among mga pangarap SA buhay ❤️

**Rocelen Dugan Guemo**

Maraming salamat po CARD Bank, dahil po sainyo napakalaking tulong para po sa aming mga member lalo na s mga nanggailangang financial..sa ngaun po mas matatag pa po ang aming samahan at sa awa po ng diyos mas lalong maraming nagtitiwala..GODBLESS US ALL 🙏❤️

**Lumen Andico Jarabata**

Salamat din po CARD Bank sa walang sawa pag serbisyo at patuloy tumululong sa nangangailangan ng puhunan..God bless po..

**Melanie Oliveros**

Salamat po CARD Bank..natutunan Kong mag ipon kht maliit n ipon pagdating Ng kagipitan my madudukot nko..at sa card bank Ako ntutong mgtpd dahil every week nailisip ko my babayaran Ako..npakalaking tulong Ng card sa aking pamilya..sa loob Ng 11 yrs Kong kasapi sa CARD Bank nkakasiguro n Ako sa Oras Ng kagipitan myroon akong mkunan..salamat CARD Bank

# 2022 YEAR-END REVIEW



Repayment Rate  
**98.13%**



Financial Self-Sufficiency  
**133.71%**



Operational Self-Sufficiency  
**141.19%**

Unit Offices /  
Branch-lite Offices  
**835**

Head Office  
**1**

Staff  
**5,387**

Branches  
**100**





**CLIENT SERVED**

**4,008,417**



**ACTIVE CLIENT WITH LOANS**

**1,355,724**



**CLIENT INCLUDING SAVERS**

**3,968,559**



**LOAN DISBURSED**

**PHP 33,985,872,677**



**LOANS OUTSTANDING**

**PHP 13,737,477,923**



**SAVINGS**

**PHP 14,890,990,447**

# FINANCIAL HIGHLIGHTS

| Minimum Required Data              | YEAR ENDED     |                |
|------------------------------------|----------------|----------------|
|                                    | 2022           | 2021           |
| <b>Profitability</b>               |                |                |
| Total Net Interest Income          | 6,377,494,655  | 5,551,959,958  |
| Total Non-Interest Income          | 187,156,546    | 57,308,662     |
| Total Non-Interest Expense         | 4,099,114,691  | 4,224,675,376  |
| <b>Pre-provision Profit</b>        |                |                |
| Allowance for Credit Loss          | 905,056,569    | 1,470,632,197  |
| Net Income                         | 2,000,011,576  | 1,058,235,144  |
| <b>Selected Balance Sheet</b>      |                |                |
| Liquid Asset                       | 3,311,641,595  | 3,528,391,396  |
| Gross Loans                        | 13,737,477,923 | 14,051,419,079 |
| Total Asset                        | 22,610,851,875 | 21,432,628,124 |
| Total Deposit                      | 14,890,990,446 | 14,847,335,448 |
| Total Equity                       | 6,559,463,777  | 5,011,005,745  |
| <b>Selected Ratios</b>             |                |                |
| Return on Average Equity           | 34.60%         | 22.70%         |
| Return on Average Assets           | 9.10%          | 5.20%          |
| Net Interest Margin                | 31.80%         | 29.50%         |
| <b>Selected Balance Sheet Data</b> |                |                |
| Cash Dividend Declared             | 770,603,326    | 540,779,816    |
| <b>Head Count</b>                  |                |                |
| Officers                           | 1,440          | 1,360          |
| Staff                              | 3,947          | 4,242          |

### Capital Structure and Capital Adequacy

#### Tier 1 Capital

|   |                      |                      |
|---|----------------------|----------------------|
| Paid Up Common Stock                              | 2,700,738,000        | 1,999,896,500        |
| Retained Earnings                                 | 462,887,366          | 670,232,777          |
| Undivided Profit                                  | 2,000,011,576        | 1,058,235,144        |
| Deferred Tax Asset, net of deferred tax liability | -189,212,761         | -330,515,026         |
| <b>Total Core Tier 1 Capital</b>                  | <b>4,974,424,181</b> | <b>3,397,849,395</b> |

#### Tier 2 Capital

|  |                      |                      |
|--|----------------------|----------------------|
| Paid up perpetual and cumulative preferred stock | 1,361,010,600        | 1,259,069,800        |
| General Loan Loss Provision                      | 129,657,941          | 126,573,580          |
| <b>Total Core Tier 2 Capital</b>                 | <b>1,490,668,541</b> | <b>1,385,643,380</b> |
| Gross Qualifying Capital                         | 6,465,092,722        | 4,766,525,558        |
| Deductions from Tier 1 and Tier 2 Capital        | -679,572,915         | -467,629,646         |
| <b>TOTAL QUALIFYING CAPITAL</b>                  | <b>5,785,519,807</b> | <b>4,298,895,913</b> |
| Capital Requirements for Credit Risks            | 16,366,344,686       | 16,809,235,213       |

#### Capital Requirements for Market Risks

|   |               |               |
|---|---------------|---------------|
| Capital Requirements for Operations Risks | 7,248,960,031 | 6,640,585,888 |
| Total and Tier 1 Capital Adequacy Ratio   | 23.84%        | 18.3%         |

**MS. MA. LUISA P. CADAING**  
Director

**DR. JAIME ARISTOTLE B. ALIP**  
Chairman



**MR. ARTHUR A. BAUTISTA**  
Independent Director

**MS. MARIVIC M. AUSTRIA**  
Director / President

# BOARD OF DIRECTORS

**DR. DOLORES M. TORRES**

Vice Chairperson

**DR. GILBERTO M. LLANTO**

Director

**MS. RAQUEL I. LANABAN**

Independent Director



**MS. LORENZA DT. BAÑEZ**

Director / Corporate Treasurer

**MS. MALVAROSA P. PEROTE**

Independent Director

MANAGEMENT  
COMMITTEE





## Management Committee Members

**Ms. Marivic M. Austria**  
President

**Ms. May S. Dawat**  
Executive Vice President

**Ms. Rowena F. Galarde**  
Senior Vice President for  
Accounting and Finance

**Ms. Clarita G. Mercado**  
Vice President for Operation

**Ms. Glenda C. Magpantay**  
Vice President for Operation

**Ms. Rizaline A. Manalo**  
Assistant Vice President  
for Operation

**Ms. Jenet R. Constantino**  
Assistant Vice President  
for Operation

**Ms. Medy M. Valenzuela**  
Assistant Vice President  
for Operation

**Mr. Jonel A. Rapera**  
Assistant Vice President for  
Mobile Financial Services

**Mr. Paul Zedrick H. Dorado**  
Assistant Vice President for IT

**Ms. Arlene M. Corbantes**  
Deputy Director for Ottokonek

**Mr. Rex P. De Lumban**  
Deputy Director for Remittance

**Ms. Laarne D. Paje**  
Senior Vice President for Risk

**Mr. Jeffrey M. Rondina**  
Senior Vice President  
for Compliance

**Ms. Baby Analyn A. Malaborbor**  
Vice President for Operation

**Mr. Ronnie D. Fallega**  
Vice President for Operation

**Ms. Raquel B. Zaragoza**  
Assistant Vice President  
for Operation

**Ms. Marissa D. Carandang**  
Assistant Vice President  
for Operation

**Mr. Juanito I. Dela Cueva**  
Assistant Vice President for  
Mobile Financial Services

**Ms. Melody E. Escorsa**  
Assistant Vice President for  
Finance and Accounting

**Mr. Fidel P. Dumalog**  
Assistant Vice President for IT

**Ms. Haide B. Bautista**  
Deputy Director DCC

**Mr. Aldrin B. Quimoyog**  
Deputy Director for CSR

**Ms. Jessica J. Dichoso**  
Regional Director

**Ms. Marissa P. Escalona**  
Regional Director

**Mr. Fundard A. Buncaras**  
Regional Director

**Mr. Joseph I. Labastida**  
Regional Director

**Ms. Jocelyn L. Lampas**  
Regional Director

**Ms. Leslie C. Marcaida**  
Regional Director

**Ms. Genalyn L. Decillo**  
Regional Director

**Ms. Maria Fe C. Busadre**  
Regional Director

**Ms. Eilen A. Reanzares**  
Regional Director

**Ms. Venancia M. Salazar**  
Regional Director

**Mr. Michael L. Dimaano**  
Regional Director

**Ms. Ma. Luella S. Bulalacao**  
Regional Director

**Ms. Wilma D. Laurio**  
Regional Director

**Ms. Zabeth M. Opis**  
Regional Director

**Ms. Geralyn C. Macasinag**  
Regional Director

**Ms. Maridel C. Mendoza**  
Regional Director

**Ms. Maria Fe L. Yap**  
Regional Director

**Ms. Lucy G. Benedicto**  
Regional Director

**Mr. Ace B. Montes**  
Regional Director

**Ms. Shiela M. Nuñez**  
Regional Director

**Ms. Leonisa M. Manalo**  
Regional Director

**Mr. Venancio C. Elaurza**  
Regional Director



# OUR PARTNERS

- Asia United Bank (AUB)
- Ayannah Business Solutions, Inc. (SENDAH)
- BancNet
- Banco de Oro Universal Bank (MONEYGRAM)
- BDO Unibank, Inc.
- BDO Unibank, Inc. (BDO Remit)
- China Banking Corporation
- CIS Bayad Center, Inc. (Bayad Center)
- Electronic Commerce Payments, Inc. (ECPAY)
- Landbank Rizal (Former UCPB Rizal)
- Master Card Transaction Services (MTS) (TRANSFAST)
- Metropolitan Bank & Trust Company
- New York Bay Philippines, Inc. (NYBP TRANSFAST)
- Philippine National Bank
- Philippine Savings Bank
- PJLHULLIER Incorporated (Cebuana Lhullier)
- Security Bank
- Western Union Network Company (Western Union)
- Xpress Money



# OUR PHYSICAL PRESENCE

**SAN PABLO CITY, LAGUNA**

Head Office

## LUZON MAIN BRANCHES

- Agoo, La Union
- Alaminos City, Pangasinan
- Aroroy, Masbate
- Atimonan, Quezon
- Baguio City
- Bangued, Abra
- Barleta, San Pablo City
- Bay, Laguna
- Calapan City, Oriental Mindoro
- Calauag, Quezon
- Candelaria, Quezon
- Candon City, Ilocos Sur
- Cataingan, Masbate
- Daet, Camarines Norte
- Dimasalang, Masbate
- Dolores, Quezon
- Gasan, Marinduque
- Goa, Camarines Sur
- Gumaca, Quezon
- Infanta, Quezon
- La Trinidad, Benguet
- Labo, Camarines Norte
- Laoag City, Ilocos Norte
- Las Pinas City
- Legaspi City, Albay
- Libmanan, Camarines Sur
- Ligao City, Albay
- Lingayen, Pangasinan
- Lucban, Quezon
- Lucena City
- M. Paulino, San Pablo City
- Maharlika Highway, San Pablo City
- Makati City
- Mamburao, Occidental Mindoro
- Mandaluyong City
- Masbate City, Masbate
- Milagros, Masbate
- Mogpog, Marinduque
- Mulanay, Quezon
- Nabua, Camarines Sur
- Naga City
- Nagcarlan, Laguna
- Parañaque City
- Pasay City
- Pili, Camarines Sur
- Pinamalayan, Oriental Mindoro
- Puerto Galera, Oriental Mindoro
- Quezon, Quezon
- Roxas, Oriental Mindoro
- Sablayan, Occidental Mindoro
- San Carlos City, Pangasinan
- San Fernando City, La Union
- San Fernando, Masbate
- San Jose, Occidental Mindoro
- Sariaya, Quezon
- Sipocot, Camarines Sur
- Socorro, Oriental Mindoro
- Sorsogon City
- Sta. Cruz, Manila
- Sta. Cruz, Marinduque
- Tabaco City, Albay
- Tagkawayan, Quezon
- Talon, Las Pinas City
- Tarlac City, Tarlac
- Tiaong, Quezon
- Torrijos, Marinduque
- Urdaneta City, Pangasinan
- Victoria, Oriental Mindoro

## VISAYAS MAIN BRANCHES

- Balangiga, Eastern Samar
- Barotac Nuevo, Iloilo
- Baybay City
- Boracay, Aklan
- Borongan City
- Catbalogan City
- Culasi, Antique
- Danao, Cebu
- Estancia, Iloilo
- Guiuan, Eastern Samar
- Iloilo City
- Jordan, Guimaras
- Maasin City, Southern Leyte
- Miag-ao, Iloilo
- Naval, Biliran
- Passi City, Iloilo
- Roxas City, Capiz
- San Jose, Antique
- Tacloban City
- Tagbilaran City, Bohol
- Tanauan, Leyte

## MINDANAO MAIN BRANCHES

- Buhangin, Davao City
- Davao City
- Kabacan, Cotabato
- Kidapawan City, Cotabato
- Malalag, Davao del Sur
- Malita, Davao Occidental
- Mati City, Davao Oriental
- Matina, Davao City
- Midsayap, North Cotabato
- Nabunturan, Compostela Valley
- Tagum City, Davao del Norte

## LUZON BLUS

- Abra de Ilog, Occidental Mindoro
- Agdangan, Quezon
- Aguilar, Pangasinan
- Alabat, Quezon
- Alcala, Pangasinan
- Aringay, La Union
- Asingan, Pangasinan
- Baao, Camarines Sur
- Bacacay, Albay
- Bacnotan, La Union
- Baco, Oriental Mindoro
- Balaoan, La Union
- Balatan, Camarines Sur
- Baleno, Masbate
- Balud, Masbate
- Bangar, La Union
- Bani, Pangasinan
- Bansud, Camarines Norte
- Basud, Camarines Norte
- Batac City, Ilocos Norte
- Bato, Camarines Sur
- Batuan, Masbate
- Bauang, La Union
- Bayambang, Pangasinan
- Binmaley, Pangasinan
- Boac, Marinduque
- Bolinao, Pangasinan
- Bongabong, Oriental Mindoro
- Bucay, Abra
- Buenavista, Marinduque
- Buenavista, Quezon
- Bugallon, Pangasinan
- Buhi, Camarines Sur
- Bula, Camarines Sur
- Bulan, Sorsogon
- Bulalacao, Oriental Mindoro
- Bulusan, Sorsogon
- Burgos, Ilocos Sur
- Burgos, Pangasinan
- Caba, La Union
- Cabusao, Camarines Sur
- Calabanga, Camarines Sur
- Calauan, Laguna
- Calintaan, Occidental Mindoro
- Camalig, Albay
- Camiling, Tarlac
- Canaman, Camarines Sur
- Capalonga, Camarines Norte
- Caramoan, Camarines Sur
- Casiguran, Sorsogon
- Castilla, Sorsogon
- Catanauan, Quezon
- Cawayan, Masbate
- Concepcion, Tarlac
- Daraga
- Del Gallego
- Dingras, Ilocos Norte
- Dolores, Abra
- Garchitorena, Camarines Sur
- General Luna, Quezon
- General Nakar, Quezon
- Gerona, Tarlac
- Gloria, Oriental Mindoro
- Guinayangan, Quezon
- Guinobatan, Albay
- Iriga City, Camarines Sur
- Irosin, Sorsogon
- Itogon, Benguet
- Jose Panganiban, Camarines Norte
- Jovellar, Albay
- Kapangan, Benguet
- La Paz, Abra
- Labrador, Pangasinan
- Lagonoy, Camarines Sur
- La Paz, Tarlac
- Libon, Albay
- Liliw, Laguna
- Lopez, Quezon
- Los Baños, Laguna
- Luna, La Union
- Lupi, Camarines Sur
- Macalelon, Quezon
- Magallanes, Sorsogon
- Magarao, Camarines Sur
- Magsaysay, Occidental Mindoro
- Malasiqui, Pangasinan
- Malilipot, Albay
- Malinao, Albay
- Manabo, Abra
- Mandaon, Masbate
- Mangatarem, Pangasinan
- Manito, Albay
- Mansalay, Oriental Mindoro
- Matnog, Sorsogon
- Mauban, Quezon
- Mercedes, Camarines Norte
- Milaor, Camarines Sur
- Minalabac, Camarines Sur
- Monreal, Masbate
- Naguilian, La Union
- Narvacan, Ilocos Sur
- Naujan, Oriental Mindoro
- Oas, Albay
- Ocampo, Camarines Sur
- Padre Burgos, Quezon
- Pagbilao, Quezon
- Palanas, Masbate
- Paluan, Occidental Mindoro
- Pamplona, Camarines Sur
- Paniqui, Tarlac
- Paracale, Camarines Norte
- Pasacao, Camarines Sur
- Perez, Quezon
- Pidigan, Abra
- Pila, Laguna
- Pio Duran, Albay
- Pitogo, Quezon
- Placer, Masbate
- Plaridel, Quezon
- Pola, Oriental Mindoro
- Polangui, Albay
- Prieto Diaz, Sorsogon
- Ragay, Camarines Sur
- Real, Quezon
- Rizal, Laguna
- Rizal, Occidental Mindoro
- Rosales, Pangasinan
- Rosario, La Union
- Sablan, Benguet
- Sagnay, Camarines Sur
- Sampaloc, Quezon
- San Andres, Quezon
- San Antonio, Quezon
- San Fernando, Camarines Sur
- San Jacinto, Masbate
- San Jose, Camarines Sur
- San Jose, Romblon
- San Juan, Batangas
- San Juan, La Union
- San Narciso, Quezon
- San Nicolas, Ilocos Norte
- San Pablo City, Laguna
- San Teodoro, Oriental Mindoro
- Santiago, Ilocos Sur
- Siruma, Camarines Sur
- Sta. Cruz, Ilocos Sur
- Sta. Cruz, Occidental Mindoro
- Santa Elena, Camarines Norte
- Santa Ignacia, Tarlac
- Santa Maria, Pangasinan
- Sorsogon City, Sorsogon
- Sto. Domingo, Ilocos Sur
- Sto. Tomas, La Union

- Tagudin, Ilocos Sur
- Tayabas City, Quezon
- Tayug, Pangasinan
- Tayum, Abra
- Tigaon, Camarines Sur
- Tinambac, Camarines Sur
- Tiwi, Albay
- Tuba, Benguet
- Tubao, La Union

- Umingan, Pangasinan
- Unisan, Quezon
- Urbiztondo, Pangasinan
- Uson, Masbate

- Victoria, Laguna
- Victoria, Tarlac

## VISAYAS BLUS

- Alangalang, Leyte
- Anini-Y, Antique
- Antequera, Bohol

- Babatngon, Leyte
- Bacayon, Bohol
- Balilihan, Bohol
- Banate, Iloilo
- Barbaza, Antique
- Basey, Samar
- Bato, Leyte
- Baybay City, Leyte
- Belison, Antique
- Biliran, Biliran
- Buenavista, Guimaras
- Bugasong, Antique

- Cabatuan, Iloilo
- Caibiran, Biliran
- Calape, Bohol
- Calinog, Iloilo
- Carles, Iloilo
- Carmen, Bohol
- Carmen, Cebu
- Catmon, Cebu
- Clarin, Bohol
- Compostela, Cebu
- Concepcion, Iloilo
- Corella, Bohol
- Cuartero, Capiz
- Culaba, Biliran

- Dagami, Leyte
- Dauis, Bohol
- Donsol, Sorsogon
- Dueñas, Iloilo

- Dumalag, Capiz
- Dumangas, Iloilo
- Dumarao, Capiz
- General MacArthur, Eastern Samar
- Guimbal, Iloilo
- Hamtic, Antique

- Ibajay, Aklan
- Igbaras, Iloilo
- Inabanga, Bohol
- Ivisan, Capiz

- Jamindan, Capiz
- Janiuay, Iloilo

- Kawayan, Biliran

- Lambunao, Iloilo
- Laua-an, Antique
- Leganes, Iloilo
- Lemery, Iloilo
- Llorente, Eastern Samar
- Loon, Bohol

- Maayon, Capiz
- Malay, Aklan
- Mambusao, Capiz
- Maribojoc, Bohol
- Matalom, Leyte
- Mati City, Davao Oriental
- Motiong, Samar

- Nabas, Aklan
- Nueva Valencia, Guimaras

- Padre Burgos, Southern Leyte
- Palo, Leyte
- Panay, Capiz
- Pandan, Antique
- Panglao, Bohol
- Panitan, Capiz
- Pavia, Iloilo
- Pontevedra, Capiz
- Pototan, Iloilo
- President Roxas, Capiz

- Quinapondan, Eastern Samar

- Sagbayan, Bohol
- Salcedo, Eastern Samar
- San Enrique, Iloilo
- San Joaquin, Iloilo
- San Jorge, Samar
- San Jose de Buenavista, Antique

- San Miguel, Iloilo
- Sara, Iloilo
- Sebaste, Antique
- Sibalom, Antique
- Sigma, Capiz
- Santa Barbara, Iloilo
- Santa Rita, Samar
- Sta. Fe, Leyte
- Sulat, Eastern Samar

- Tapaz, Capiz
- Tacloban City, Leyte
- Tanauan City, Leyte
- Tibiao, Antique
- Tigbauan, Iloilo
- Tobias Fornier, Antique
- Zaraga, Iloilo

## MINDANAO BLUS

- Alamada, Cotabato
- Antipas, Cotabato

- Carmen, North Cotabato

- Digos City, Davao del Sur
- Don Marcelino, Davao Occidental

- Hagonoy, Davao del Sur

- Libungan, Cotabato

- Matalam, Cotabato
- Mawab, Davao de Oro
- M'lang, Cotabato
- Montevista, Davao de Oro

- New Bataan, Davao de Oro

- Padada, Davao del Sur
- Pigcawayan, Cotabato
- President Roxas

- Samal City, Davao del Norte
- Sta. Maria, Davao Occidental

- Tulunan, Cotabato



of **100** bank branches have  
Digital Cash Machine



of **100** bank branches have  
Automated Teller Machine



of **3,958,782** clients are  
registered to konek2CARD



of **946** offices are  
CARD Sulit Padala outlets

## OUR DIGITAL PRESENCE



# CORPORATE GOVERNANCE

# INSTITUTIONAL OBJECTIVES

As a microfinance-oriented rural bank, CARD Bank ultimately supports CARD MRI, a group of mutually reinforcing institutions dedicated to empowering the poor by upholding the core values of competence, family spirit, integrity, simplicity, humility, excellence, and stewardship. As one of the institutions of CARD MRI, CARD Bank envisions building a sustainable financial institution owned, managed, and controlled by the landless rural women. CARD Bank makes this possible by providing continued access to financial services to an expanding client base, organizing and empowering landless rural women, and instilling the values of discipline, hard work, and saving in an atmosphere of mutual respect.

- To provide banking services specially designed for landless rural workers by bringing bank services to community sites and accommodating the least financial transactions within their affordability;
- To provide non-collateralized loans to non-bankable but viable projects; and
- To ensure that eight million poorest Filipinos are provided with financial services by the year 2020 together with CARD MRI Group

## CORE VALUES AND PRINCIPLES

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

**F** **AMILY SPIRIT.** CARD Bank, guided by its genuine love for the poor, builds and nurtures an atmosphere of family spirit through mutual trust, demonstrating commitment and dedication, and sharing of learning experiences among staff and clients.

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

**S** **IMPLICITY.** As CARD Bank dedicates its life to the ultimate empowerment of the poor, CARD Bank opts to always live a simple life in words and in deeds.

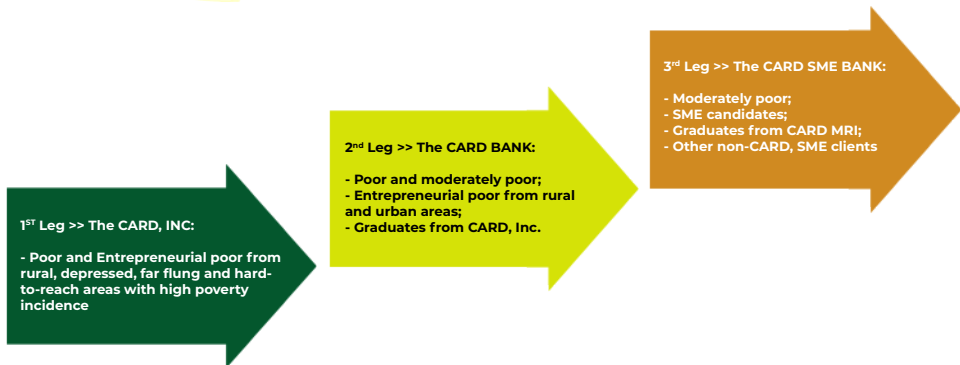
**H** **UMILITY.** CARD Bank recognizes the value of "*kababaang-loob*" towards achieving CARD MRI's overarching goal of poverty eradication with a heart. As such, all staff are enjoined and encouraged to celebrate the accomplishment and successes of CARD Bank at heart and not boast them publicly. All staff remain to have strong faith, determination, and commitment to working passionately and warmly towards achieving the CARD MRI vision.

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

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

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

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



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

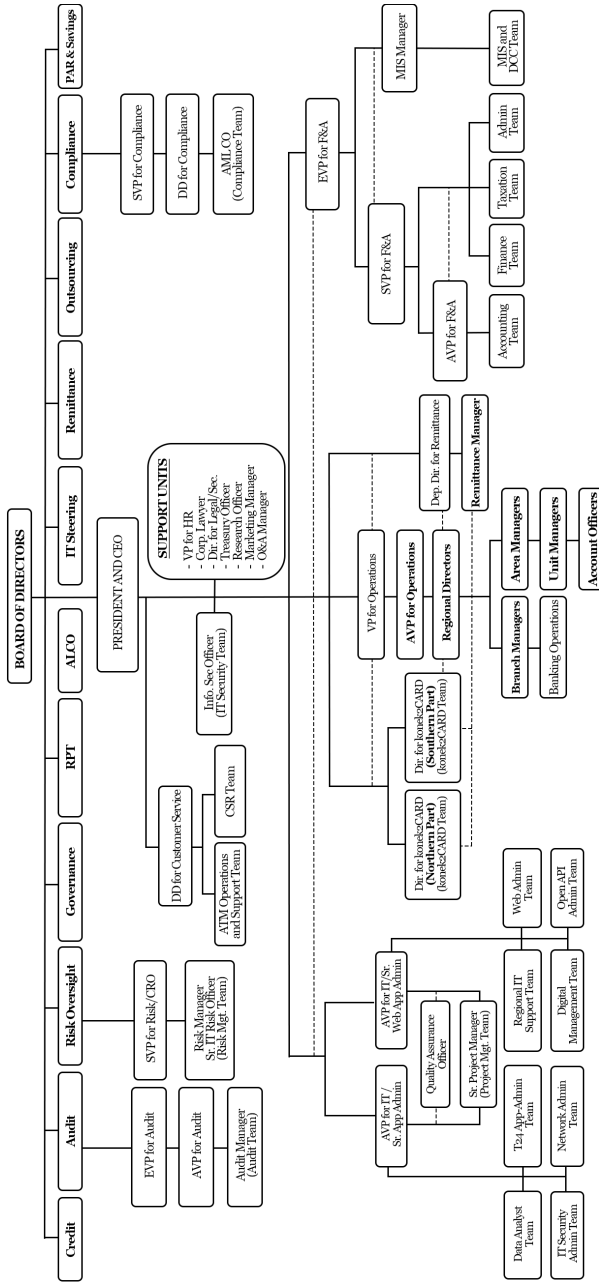
As a methodology, transitioning of matured CARD, Inc. clients or borrowers to CARD Bank will be its mainstream. Transitioning of clients means that the CARD, Inc. clients with good or prime credit standing may avail of the microfinance, small and medium enterprise (MSME) facilities or services from CARD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

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



# CORPORATE INFORMATION

## Organizational Structure



**LEGEND:** EVP (Executive Vice President); SVP (Sr. Vice President); VP (Vice President); AVP (Assistant Vice President); DD (Deputy Director); IT (Information Technology); F&A (Finance and Accounting); MIS (Management Information System); Apps (Application); ADC (Alternative Delivery Channel); CO (Compliance Officer); DPO (Data Privacy Officer); CSO (Customer Service Officer); SO (Savings Officer); DCX (Data Control Center)

# RISK MANAGEMENT AND CORPORATE GOVERNANCE



CARD Bank's corporate governance practice adheres to seven core values: competence, family spirit, integrity, simplicity, humility, excellence, and stewardship. The Bank's exemplary corporate governance is anchored to its strong corporate culture and values. It is guided by a clearly defined governance framework promoting transparency, fairness, and accountability.

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

## BOARD OF DIRECTORS

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

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

## COMPOSITION

The Board is composed of nine members pursuant to the Bank's Articles of Incorporation and by-laws, where three of whom are independent directors. All are professionals from various fields of expertise such as banking, law, accounting and finance, bank regulation, information technology, microfinance, and social development.

## QUALIFICATIONS OF THE BOARD OF DIRECTORS

### Directors

The Board of Directors must be at least 25 years of age at the time of his election or appointment. They must be a college graduate or have at least five years of experience in related business. The Board should have at least attended a special seminar on corporate governance for the Board of Directors conducted or accredited by the Bangko Sentral ng Pilipinas (BSP). They must be fit and proper for the position of a director of the bank considering the following: integrity/probity, physical/mental fitness, relevant education/financial literacy/training, possession of competencies relevant to job, such as knowledge and experience, skills, diligence, and independence of mind; sufficiency of time to fully carry out responsibilities. No member of the Board of Directors shall be appointed as Corporate Secretary nor Compliance Officer during their term.

### Independent Directors

The independent directors must and have not been an officer or employee of the Bank, its subsidiaries, or affiliates or related interest during the past three years counted from the date of the Board's election. They are not a director or officer of the related companies of the institution's majority stockholders. They are not stockholders with shares of stock sufficient to elect one seat in the Board of Directors of the institution, or any of its related companies, or of its majority corporate stockholders. They should not have a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer, or a stockholder holding a share of stock sufficient to elect one seat in the Board of the Bank or any of its related companies. They are not acting as a nominee or representative of any director or substantial shareholder of the Bank, any of its related companies, or any of its substantial shareholders. They are not retained as professional advisers, consultants, agents, or counsels of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm. The independent director is also independent of management and free from any business or other relationship, and has not engaged and does not engage in any transaction with the institution or with any of its related companies or with other persons or through the firm of which, he is a partner or a company of which he is a director or substantial shareholder, other than transaction which is conducted at arm's length and could not materially interfere with or influence the exercise of his judgment. An independent director may only serve as such for a maximum cumulative term of nine years. After which, the independent director shall be perpetually

barred from serving as an independent director of the Bank but may continue to serve as a regular director.

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

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

The Chairman of the Board of Directors shall be a non-executive director or an independent director and the position of the Chairman and the Chief Executive Officer (CEO) shall not be held by one person. The Chairman must not serve as CEO of the Bank within the past three years. However, it will be allowed in exceptional cases, provided that:

1. This is consistent with the provisions of its succession plan; and
2. There are no major supervisory concerns in the quality of the Bank's governance, risk management systems, and internal controls and compliance system, and the Bank is not subject to escalated enforcement action.

The Chairman of the Board shall:

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

**There are nine Board of Directors elected dated March 19, 2022; three of whom are independent directors.**

| Name of Director            | Type of Directorship | No. of Years as Director | No. of Direct Common Shares Held | Percentage of Shares | Board Meeting's Attendance |      |
|-----------------------------|----------------------|--------------------------|----------------------------------|----------------------|----------------------------|------|
|                             |                      |                          |                                  |                      | Jan. - Dec. 2022           |      |
| Dr. Jaime Aristotle B. Alip | Non-Executive        | 19 Years                 | 3,504,323                        | 13%                  | 13/13                      | 100% |
| Dr. Dolores M. Torres       | Non-Executive        | 25 Years                 | 3,050,279                        | 11%                  | 12/13                      | 92%  |
| Ms. Lorenza dT. Bañez       | Non-Executive        | 25 Years                 | 2,762,439                        | 10%                  | 13/13                      | 100% |
| Dr. Gilberto M. Llanto      | Non-Executive        | 19 Years                 | 221,639                          | 1%                   | 9/13                       | 69%  |
| Ms. Ma. Luisa P. Cadaing    | Non-Executive        | 19 Years                 | 378,320                          | 1%                   | 10/13                      | 77%  |
| Ms. Marivic M. Austria      | Executive            | 7 Years                  | 280,144                          | 1%                   | 13/13                      | 100% |
| Mr. Arthur A. Bautista      | Independent          | 2 Years                  | 1                                | 0%                   | 13/13                      | 100% |
| Ms. Raquel I. Lanaban*      | Independent          | 4 Months                 | 1                                | 0%                   | 4/4                        | 100% |
| Ms. Malvarosa P. Perotte    | Independent          | 5 Years                  | 41                               | 0%                   | 12/13                      | 92%  |

*Note: Board of Directors who have not able to attend board meetings have sent comments and approvals on the advance copy of board materials.  
Director Raquel I. Lanaban has replaced the deceased Board of Director Gloria Pedeglorio effective September 2022 Board Meeting. Ms. Gloria Pedeglorio has served as Board from March 2021 - August 2022.*

## PROFILES OF THE BOARD OF DIRECTORS

| NAME   | QUALIFICATIONS   |
|--|--|
| <p><b>Dr. Jaime Aristotle B. Alip</b><br/> <i>Chairman of the Board</i><br/> 65, Filipino<br/> <i>(BOD since November 2003)</i></p> <p><b>Other Current Directorship and Officership:</b><br/> <i>Chairman:</i></p> <ul style="list-style-type: none"> <li>CARD SME Bank, CMDI, MIDAS</li> </ul> <p><i>Director/Trustee:</i></p> <ul style="list-style-type: none"> <li>ICMIF, ICMIF Foundation, IGNITE Foundation, CARAGA Renewable Energy Corp., Rizal College Laguna, The Hunger Project (Philippines), Matapat Holding Inc., Topscores Holdings, Inc., Union College of Laguna, Strong Prosperity PTE. LTD., Makati Business Club</li> </ul> | <p>With more than 30 years of experience and expertise in the field of microfinance, banking, microinsurance, and related fields.</p> <p><b>Educational Attainment:</b><br/> BS Agriculture Major in Agricultural Economics, MS in Professional Studies, Ph. D. in Organization Development, OPM Program in Harvard Business School.</p> <p><b>BSP and other Trainings Attended:</b><br/> Corporate Governance for Board of Directors, Risk Management Seminar, Briefing on Updated AML Rules and Regulations, Exposure in MABS Program, Exposure in SME in BRAC Bank, Grameen Bank, ASA, Seminar in SME Banking, IT Governance Seminar, Updates on Institutional Risk Assessment and Targeted Financial Sanctions, Training Program on Supervisory Assessment Framework (SAFr), Virtual Training Program on Sustainable Finance Framework</p>   |
| <p><b>Dr. Dolores M. Torres</b><br/> <i>Board of Director</i><br/> 67, Filipino<br/> <i>(BOD since November 1997)</i></p> <p><b>Other Current Directorship and Officership:</b><br/> <i>Chairman:</i></p> <ul style="list-style-type: none"> <li>CARD, Inc.</li> </ul> <p><i>Director/Trustee:</i></p> <ul style="list-style-type: none"> <li>CMDI, MIDAS, CARD MRI Rizal Bank Inc., FDF Best Corporation</li> </ul>   | <p>With more than 30 years of experience and expertise in the field of microfinance, banking, microinsurance, and related fields</p> <p><b>Educational Attainment:</b><br/> Bachelor of Science in Commerce Major in Accountancy, MS in Community Development, Global Excellence in Management, Microfinance Training at Boulder Colorado, Executive MBA at AIM, Key Executive management Course at Harvard Business School, Ph.D. in Organization Development</p> <p><b>BSP and Other Trainings Attended:</b><br/> Corporate Governance for Board of Directors, Risk Management Seminar, Microfinance Training, Basic Rural Banking Course, Exposure Training in Savings Mobilization, Grameen and ASA Training, Basic and Advance Microfinance Training, Appreciative Inquiry at University of USA, ITIL Foundation Certificate in IT Service Management, ITIL Intermediate Certificate in Service Strategy, Succession Planning: Developing Leaders from Within, Risk Management Excellence in Microfinance, IT Governance Seminar, Anti-Money Laundering/Combating the Financing of Terrorism, Updates on Institutional Risk Assessment and Targeted Financial Sanctions, Training Program on Supervisory Assessment Framework (SAFr), Virtual Training Program on Sustainable Finance Framework</p> |
| <p><b>Mr. Gilberto M. Llanto</b><br/> <i>Board of Director</i><br/> 72, Filipino<br/> <i>(BOD since March 2003)</i></p> <p><b>Other Current Directorship and Officership:</b><br/> <i>Director/Trustee:</i></p> <ul style="list-style-type: none"> <li>CARD SME Bank, Inc., CMDI, Philippine Institute for Development Studies</li> </ul>  | <p>His areas of expertise are Money and Banking, Public Finance, and International Trade. A professional economist who has held various executive and technical (research) positions at the National Tax Research Center of the DOF, BSP, DAR and NEDA. He has been a consultant on financial markets, microfinance, public finance, and public economics to international organizations.</p> <p><b>Educational Attainment:</b><br/> A. B. Philosophy, M.S. Economic Program, M.A. Economics, and Ph.D. Economics.</p> <p><b>BSP and other trainings attended:</b><br/> Governance for Board of Directors, Briefing on BSP Cir:706 Updated AML Rules and Regulations, and Agricultural Banking, Updates on Institutional Risk Assessment and Targeted Financial Sanctions, CTB Training Program on Supervisory Assessment Framework (SAFr), Virtual Training Program on Sustainable Finance Framework</p>  |

| NAME  | QUALIFICATIONS   |
|---|--|
| <p><b>Ms. Lorenza dT. Bañez</b><br/> <i>Board of Director</i><br/> 63, Filipino<br/> <i>(BOD since September 1997)</i></p> <p><b>Other Current Directorship and Officership:</b><br/> <i>Chairman:</i><br/> <ul style="list-style-type: none"> <li>CARD Inc., CMDI, De Torres Banez Development Inc</li> </ul> <i>Director/Trustee:</i><br/> <ul style="list-style-type: none"> <li>CARD SME Bank (<i>Corporate Treasurer</i>), De Torres Banez Development Inc (<i>President</i>)</li> </ul></p>               | <p>With more than 30 years of experience in microfinance, banking, and other related fields.</p> <p><b>Educational Attainment:</b><br/> BS Commerce, MS in Development Mat., MA in CED, CFA Course Review Program for Development Manager, and CPA Review Course.</p> <p><b>BSP and other trainings attended:</b><br/> Enterprise-Wide Risk Management, Financial Statement Compilation Engagements, FATCA Orientation, Succession Plan - CRAFTING THE PROTOTYPE, Briefing on BSP Cir.706 Updated AML Rules and Regulations, International Finance Seminar, Financial Risk Management Workshop, MFI's Financial Performance Analysis, Corporate Governance &amp; Risk Management, Basic Rural Banking Course, IT Governance Seminar, Anti-Money Laundering/Combating the Financing of Terrorism, Updates on Institutional Risk Assessment and Targeted Financial Sanctions, Training Program on Supervisory Assessment Framework (SAFr), Virtual Training Program on Sustainable Finance Framework</p> |
| <p><b>Ms. Ma. Luisa P. Cadaing</b><br/> <i>Board of Director</i><br/> 61, Filipino<br/> <i>(BOD since March 2003)</i></p> <p><b>Other Current Directorship and Officership:</b><br/> <i>Director/Trustee:</i><br/> <ul style="list-style-type: none"> <li>CARD Inc., CMDI, Norwegian Mission Alliance</li> </ul> <i>Officer:</i><br/> <ul style="list-style-type: none"> <li>Tearfund UK (<i>Manager</i>), World Vision International (<i>Manager</i>), Open Door International (<i>Manager</i>)</li> </ul></p> | <p>With more than 25 years of experience in banking and finance.</p> <p><b>Educational Attainment:</b><br/> BS Human Ecology, MS Urban &amp; Regional Planning, and Program for Women Managers</p> <p><b>BSP and other trainings attended:</b><br/> Corporate Governance and Risk Management, IT Governance Seminar, Anti-Money Laundering/Combating the Financing of Terrorism, Updates on Institutional Risk Assessment and Targeted Financial Sanctions, CTB Training Program on Supervisory Assessment Framework (SAFr)</p>  |
| <p><b>Ms. Marivic M. Austria</b><br/> <i>Board of Director / President and CEO</i><br/> 49, Filipino<br/> <i>(BOD since March 2015)</i></p> <p><b>Other Current Directorship and Officership:</b><br/> <i>Director/Trustee:</i><br/> <ul style="list-style-type: none"> <li>CARD MRI Information Technology, Inc.</li> </ul></p>  | <p>With more than 25 years of experience in microfinance operations, banking and finance.</p> <p><b>Educational Attainment:</b><br/> BS Commerce-Accounting, Executive Master's in Business Administration, and Advanced Management Program.</p> <p><b>BSP and other trainings attended:</b><br/> Governance and Risk Management Training, Boulder Microfinance Training, High Potentials Leadership Program, Managing Portfolio-at-Risk, IVP Training on Micro Banking Internal Practices, Basic Internal Audit Course, Basic Rural Banking Course, and Exposure Study Visit on Banking Operations, IT Governance Seminar, Updates on Institutional Risk Assessment and Targeted Financial Sanctions, Training Program on Supervisory Assessment Framework (SAFr), Virtual Training Program on Sustainable Finance Framework, Study Tour on Digital Finance and Agent in Nairobi, Kenya, Anti-Money Laundering &amp; Combating the Financing of Terrorism.</p>  |

| NAME  | QUALIFICATIONS  |
|---|---|
| <b>Mr. Arthur A. Bautista</b><br><i>Independent Board</i><br>72, Filipino<br><i>(BOD since March 2021)</i><br><br><b>Other Current Directorship and Officership:</b><br><i>Director/Trustee:</i><br>• CARD MRI Information Technology, Inc.<br><i>Officer:</i><br>• CARD MRI Information Technology, Inc., Kuya's Grill House, Kuya's Restaurant, Timebound Trading | He is an experienced banker with expertise in the areas of risk management, internal control, and treasury and financial management.<br><br><b>Educational Attainment:</b><br>Master's in Business Administration, Bachelor of Science in Business Administration<br><br><b>BSP and other trainings attended:</b><br>Corporate Governance for Board of Directors, Briefing on BSP Cir.706 Updated AML Rules and Regulations, and Agricultural Banking, Updates on Institutional Risk Assessment and Targeted Financial Sanctions, CTB Training Program on Supervisory Assessment Framework (SAFr), Virtual Training Program on Sustainable Finance Framework. |
| <b>Ms. Malvarosa P. Perote</b><br><i>Independent Board</i><br>66, Filipino<br><i>(BOD since March 2018)</i>   | <b>Educational Attainment:</b><br>Bachelor in Elementary Education<br><br><b>BSP and other Trainings Attended:</b><br>Corporate Governance Seminar, Risk Management Seminar, IT Governance Seminar, Anti-Money Laundering/Combating the Financing of Terrorism, Updates on Institutional Risk Assessment and Targeted Financial Sanctions, CTB Training Program on Supervisory Assessment Framework (SAFr), Virtual Training Program on Sustainable Finance Framework.  |
| <b>Ms. Raquel I. Lanaban*</b><br><i>Independent Board</i><br>47, Filipino<br><i>(BOD since September 2022)</i>  | <b>Educational Attainment:</b><br>Bachelor in Elementary Education<br><br><b>BSP and other Trainings Attended:</b><br>Corporate Governance Seminar, Risk Management Seminar, CARD MRI IT Roadmap Orientation  |

*\*Note: Director Raquel I. Lanaban replaced the deceased Director Gloria Pedeglorio in September 2022. Ms. Pedeglorio has served as Board of Director of the bank from March 2021 - August 2022.*

## BOARD COMMITTEES

The Board is supported by 10 different committees with their respective functions and directives as follows:

### A. Corporate Governance Committee

| Committee Member         | Attendance              |      | Position    |
|--------------------------|-------------------------|------|-------------|
|                          | January - December 2022 |      |             |
| Ms. Malvarosa P. Perote  | 12/12                   | 100% | Chairperson |
| Ms. Ma. Luisa P. Cadaing | 10/12                   | 83%  | Member      |
| Mr. Arthur A. Bautista   | 12/12                   | 100% | Member      |

The Corporate Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities. The Committee is composed of three (3) members of the Board of Directors who are all non-executive directors, and the majority are independent directors, including the chairperson. The committee regularly meets every 3rd Saturday of the month or as the need arises.

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

- a. Oversees the nomination process for members of the Board of Directors and for positions appointed by the Board of Directors
- b. Oversees the continuing education program for the Board of Directors
- c. Oversees the performance evaluation process
- d. Oversees the design and operation of the remuneration and other incentives policy
- e. Assists the Board carry out its due diligence duty in reviewing and revising the Board-level committees' job descriptions and/or structural changes to ensure that the Board is in compliance with its legal and fiduciary duties.
- f. Shall stay current on governance trends and changes around governance topics in promoting and monitoring effective board operations, board performance and governance policies.

## B. Risk Oversight Committee

| Committee Member       | Attendance              |      | Position    |
|------------------------|-------------------------|------|-------------|
|                        | January - December 2022 |      |             |
| Mr. Arthur A. Bautista | 12/12                   | 100% | Chairperson |
| Ms. Raquel I. Lanaban  | 3/3                     | 100% | Member      |
| Ms. Marivic M. Austria | 12/12                   | 100% | Member      |

**Note:** *Director Raquel I. Lanaban has replaced the deceased Board of Director Gloria Pedeglorio effective October 2022 Risk Oversight Committee meeting.*

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

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

- a. Responsible for the development and oversight of the risk management program of the bank and its trust unit.
- b. Oversee the system of limits to discretionary authority that the board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.
- c. The Bank's risk management unit and the Chief Risk Officer shall communicate formally and informally to the risk oversight committee any material information relative to the discharge of its function.
- d. The risk oversight committee, shall, where appropriate, have access to external expert advice, particularly in relation to proposed strategic transactions, such as mergers and acquisitions.
- e. The core responsibility of the risk management committee are:
  1. Oversee the risk management framework.
  2. Oversee adherence to risk appetite.
  3. Oversee the risk management function.
  4. Identify and evaluate exposures.
  5. Develop risk management strategies.
  6. Oversee the implementation of the risk management plan.
  7. Review and revise the risk management plan as needed.

### C. Audit Committee

| Committee Member        | Attendance              |      | Position    |
|-------------------------|-------------------------|------|-------------|
|                         | January - December 2022 |      |             |
| Ms. Raquel I. Lanaban   | 4/4                     | 100% | Chairperson |
| Dr. Gilberto M. Llanto  | 9/13                    | 69%  | Member      |
| Ms. Malvarosa P. Perote | 13/13                   | 100% | Member      |

**Note:** *Director Raquel I. Lanaban has replaced the deceased Board of Director Gloria Pedeglorio effective October 2022 Audit Committee meeting.*

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

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

- Oversee the financial reporting framework.
- Monitor and evaluate the adequacy and effectiveness of the internal control system.
- Oversee the internal audit function.
- Oversee the external audit function.
- Oversee implementation of corrective actions.
- Investigate significant issues/concerns raised.
- Establish a whistleblowing mechanism.

### D. Related Party Transactions (RPT) Committee

| Committee Member        | Attendance              |      | Position            |
|-------------------------|-------------------------|------|---------------------|
|                         | January - December 2022 |      |                     |
| Ms. Malvarosa P. Perote | 12/12                   | 100% | Chairperson         |
| Mr. Arthur A. Bautista  | 12/12                   | 100% | Member              |
| Ms. Raquel I. Lanaban   | 3/3                     | 100% | Member              |
| Mr. Jeffrey M. Rondina  | 12/12                   | 100% | Member (Non-voting) |
| Ms. Marissa M. De Mesa  | 12/12                   | 100% | Member (Non-voting) |

**Note:** *Director Raquel I. Lanaban has replaced the deceased Board of Director Gloria Pedeglorio effective October 2022 RPT Committee meeting.*

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

The RPT Committee shall assist the Bank in handling transactions with related parties. It shall review and evaluate each transaction to assess its fairness. The committee is composed of three members of the Board of Directors, two of whom are independent directors, including the chairperson. Committee members are entirely composed of independent and non-executive directors, with independent directors comprising the majority. In case a member has a conflict of interest in a particular RPT, he/she refrains from evaluating such a particular transaction. Independent Units such as Compliance Officer or Internal Auditor shall sit as resource person of the committee. The committee regularly meets every 3rd Saturday of the month or as the need arises.

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

- a. Evaluate on an ongoing basis existing relation between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.
- b. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.
- c. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank's RPTs exposures, and policies on conflicts of interest or potential conflicts of interest.
- d. Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- e. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.

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

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

**E. Compliance Committee**

| Committee Member          | Attendance              |      | Position    |
|---------------------------|-------------------------|------|-------------|
|                           | January - December 2022 |      |             |
| Ms. Ms. Lorenza dT. Bañez | 12/12                   | 100% | Chairperson |
| Ms. Malvarosa P. Perote   | 12/12                   | 100% | Member      |
| Mr. Arthur A. Bautista    | 12/12                   | 100% | Member      |
| Mr. Jeffrey M. Rondina    | 12/12                   | 100% | Member      |
| Ms. Marissa M. De Mesa    | 10/12                   | 83%  | Member      |

The Compliance Committee is composed of three members of the Board of Directors including the head of audit and head of compliance who shall possess a range of expertise as well as adequate knowledge on the business risks. The committee was chaired by a non-executive member of the Board. The Head or the Chief Compliance Officer (CCO) regularly prepares and submits Compliance and AML Reports to the Compliance Committee containing the results of the Compliance and AML Testing and Monitoring conducted by the Compliance and AML units. The CCO updates the committee members on the new regulatory issuances. The committee, through its Committee Chairperson, reports to the Board during monthly regular Board of Directors meeting any updates, agreements, and policy recommendation discussed by the members of the committee during monthly compliance committee meeting.

The Compliance Committee shall have a regular once a month meeting. This shall be held every month a day before the Board meeting or as the need arises. This is to ensure that the committee is updated on the status of the implementation of the compliance program and the Board, through the compliance committee, is updated on the new relevant Philippine laws, rules and regulations and pertinent BSP Circulars governing the operations of the banks.

The Compliance Committee's tasks include the following:

- a. Ensure that the compliance system of the bank is defined, established and updated to facilitate an effective management of compliance with bank policies and regulatory requirements.
- b. Ensure that updated compliance program was approved by the Board, oversee and promote its effective implementation.
- c. Ensure that compliance issues encountered by the Bank were immediately resolved and acted upon.
- d. Ensure that duties and responsibilities of Board of Directors stated under Section 132 of the MORB: Powers/responsibilities and duties of Director were done.
- e. It shall provide oversight on AML policy development and execution such that AML Policies and Procedures established by the Sr. management, led by the compliance office are adequate to ensure compliance and are kept updated/remains relevant to best react on the changing AML regulatory scenarios and conditions.
- f. Review and take action, as necessary, on AML related reports coming from the bank's compliance office.
- g. Shall oversee and ensure the effective performance of the AML/TF functions of the Bank's Compliance Office.
- h. Approve institutional risk assessment, AML/CTPF related policies, manuals and guidelines, including the design and implementation of the MTPP of the Bank.
- i. Promote a sound AML/CTPF compliance culture across the Bank, and oversee the efforts of all concerned personnel in the prevention of money laundering, counter terrorism and proliferation financing activities.
- j. Review the completeness of the processes in reporting compliance to identified ML/TF/PF breaches, including review of findings of the Bangko Sentral ng Pilipinas (BSP), and the Anti-Money Laundering Council (AMLC), as applicable.
- k. Deliberate and/or act on significant regulatory AML/CTPF matters, such as new initiatives, BSP/AMLC supervisory mandates, directives, inquiry and/or investigation, and ML/TF/PF observations raised by Compliance and Internal Audit functions.
- l. Deliberate and approve the filing of suspicious transaction reports to the AMLC.

## F. Outsourcing Oversight Committee

| Committee Member              | Attendance              |      | Position    |
|-------------------------------|-------------------------|------|-------------|
|                               | January - December 2022 |      |             |
| Ms. Marivic M. Austria        | 12/12                   | 100% | Chairperson |
| Ms. May S. Dawat              | 12/12                   | 100% | Member      |
| Mr. Jeffrey M. Rondina        | 12/12                   | 100% | Member      |
| Mr. Fidel P. Dumalaog         | 12/12                   | 100% | Member      |
| Mr. Paul Zedrick H. Dorado    | 10/12                   | 83%  | Member      |
| Ms. Maria Herra S. Dela Sala  | 12/12                   | 100% | Member      |
| Ms. Maria Analyn H. Maglalang | 10/12                   | 83%  | Member      |

CARD Bank continuously expands over the years. With the continuous growth towards achieving its strategic technical and operational objectives along with the cost reduction measures, the Bank started to outsource some of its activities.

The Outsourcing Oversight Committee is comprised of the senior management of the Bank. The Outsourcing Oversight Committee shall have a regular quarterly meeting or as the need arises. This shall be held a day before the schedule of the Board of Directors' Meeting. The President and CEO regularly updates the Board of Directors on the status of outsourcing activities of the bank.

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

- Define operational, technical, and financial objectives, the service levels and the desired outcomes of the process to be outsourced;
- Establish the effect to the bank of such outsourcing transaction such as loss of skills;
- Monitor the service provider's expertise, size, financial health, operational capability, and experience levels to ensure that the bank's service requirements are met;
- Establish tool and policies in evaluating the quality of service delivered to keep abreast of the changing business needs, regulations, policies, standards and priorities;

- e. Review and approve key aspects of the bank's security control program and process, such as the development and maintenance of security control policies and infrastructure that properly safeguard systems and data from both internal and external threats;
- f. Manage risks associated with increased complexity of and increasing reliance on outsourcing relationships and third-party dependencies to perform critical functions;
- g. Regularly manage, monitor, and review performance of the service providers;
- h. Review and finalize vendor accreditation and dis-accreditation process.
- i. Secure regular monthly report of the activities.

## G. IT Steering Committee

| Committee Member            | Attendance              |      | Position    |
|-----------------------------|-------------------------|------|-------------|
|                             | January - December 2022 |      |             |
| Ms. Marivic M. Austria      | 12/12                   | 100% | Chairperson |
| Ms. May S. Dawat            | 12/12                   | 100% | Member      |
| Mr. Jeffrey M. Rondina      | 12/12                   | 100% | Member      |
| Ms. Laarne D. Paje          | 12/12                   | 100% | Member      |
| Mr. Fidel P. Dumalaog       | 10/12                   | 83%  | Member      |
| Mr. Paul Zedrick H. Dorado  | 12/12                   | 100% | Member      |
| Mr. Jose Romulo S. Karagdag | 10/12                   | 83%  | Member      |

The IT Steering Committee serves as a formalized group that is responsible for ensuring the IT Risk Management and Monitoring and Control is started and maintained through regular meetings. The committee is also responsible for updating the Board on the current and future IT-related issues and initiatives and in submitting recommendations to the Board. Part of the IT Risk Management is integrating risk management into regular IT practices. By establishing a formalized committee, IT Risk Management becomes part of IT's agenda and priorities.

The IT Steering Committee oversees the Information Technology-related issues and initiatives. The committee meets every first Monday of the month. It is chaired by the Bank's President and CEO. The committee will be responsible for the following:

- a. Define project priorities.
- b. Assess strategic fit of project proposals.
- c. Perform portfolio reviews for continuing strategic relevance.

- d. Review, approve and fund initiatives, assessing how these would improve the business process.
- e. Ensure identification of all costs and fulfilment of cost/benefit analysis.
- f. Perform portfolio reviews for cost optimization.
- g. Balance investments between supporting and growing the enterprise.
- h. Ensure all projects have a project risk management component.
- i. Act as sponsor of the control, risk and governance framework.
- j. Make key IT governance decisions.
- k. Define project success measures.
- l. Follow progress on major IT projects.
- m. Monitor and direct key IT governance processes.
- n. Act as the Emergency Change Advisory Board
- o. Review IT operations accomplishments
- p. Review on the Information Security Officers Reports
- q. Review ATM operations
- r. Review on Disaster Recovery Test Result.

## H. Asset and Liability Committee

| Committee Member            | Attendance              |      | Position    |
|-----------------------------|-------------------------|------|-------------|
|                             | January - December 2022 |      |             |
| Ms. May S. Dawat            | 10/10                   | 100% | Chairperson |
| Ms. Marivic M. Austria      | 11/12                   | 92%  | Member      |
| Ms. Laarne D. Paje          | 5/6                     | 83%  | Member      |
| Ms. Maria Rowena F. Galarde | 12/12                   | 100% | Member      |
| Ms. Melody E. Escorsa       | 12/12                   | 100% | Member      |
| Ms. Jenelyn C. Melgar       | 11/12                   | 92%  | Member      |

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

The Asset and Liability Committee (ALCO) is comprised of senior management who are responsible to carry out Financial Risk Management (FRM) responsibilities. The ALCO Committee shall have a regular once a month meeting. This shall be held on Monday of the week of Board of Directors meeting or as the need arises. The ALCO Chairperson updates to the Risk Management Committee any risk identified, concerning financial management of the Bank.

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

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

## I. Remittance Committee

| Committee Member       | Attendance              |      | Position    |
|------------------------|-------------------------|------|-------------|
|                        | January - December 2022 |      |             |
| Dr. Dolores M. Torres  | 6/6                     | 100% | Chairperson |
| Ms. Marivic M. Austria | 6/6                     | 100% | Member      |
| Ms. Lorenza dT. Bañez  | 6/6                     | 100% | Member      |
| Ms. May S. Dawat       | 5/6                     | 83%  | Member      |
| Mr. Rex P. De Lumban   | 6/6                     | 100% | Member      |

The Remittance Committee was established to provide oversight functions and guidance to the senior management of the Bank in its implementation of remittance services. The committee, through its Committee Chairperson, reports to the Board during monthly regular Board of Directors meeting the performance of remittance activities of the bank, any agreements and policy recommendation discussed by the members of the committee during quarterly remittance committee meeting.

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

- a. Provide strategic direction to the management to achieve the objectives of the Bank's remittance services;
- b. Recommend strategies to improve the accessibility of the Bank's remittance services;
- c. Developing processes and strategies to monitor and mitigate risk areas identified in the implementation of remittance services;
- d. Review and assess the performance of the remittance operations of the Bank;
- e. Review and evaluate possible third-party remittance partnership;
- f. Assess and recommends marketing strategies to improve remittance operations and promotional activities; and
- g. Perform the other functions and duties as the Board may delegate.

### **J. Joint Member-Board / Observer and PAR and Savings**

| Committee Member            | Attendance              |     | Position    |
|-----------------------------|-------------------------|-----|-------------|
|                             | January - December 2022 |     |             |
| Ms. Malvarosa P. Perote     | 3/4                     | 75% | Chairperson |
| Ms. Raquel I. Lanaban       | 2/4                     | 50% | Member      |
| Ms. Maria Norma M. Malforte | 2/4                     | 50% | Member      |

The purpose of the Committee is to assist the Board of Directors to have direct access to the issues and concerns of the members and to develop an appropriate policies and guidelines that helps improved the bank's services to the members. The Committee likewise ensure that the Portfolio-at-Risk (PAR) of the bank will be closely monitored, efficiently managed and will be recovered. The committee shall also be responsible in providing oversight function on the savings mobilization program of the bank.

The Committee shall be composed of Member-Board of Directors and Observers representing island of Luzon, Visayas and Mindanao. Also invited in the meetings are other members representing different regions who as previously elected as member-board of directors or board of trustees. The committee was guided by the Senior Management Advisers and invited representatives from Senior Management of the bank.

The Joint Member-Board / Observer and PAR and Savings Committee's tasks include, but are not limited to, the following:

- a. Shall discuss results of committee members field monitoring activities conducted for the quarter.

- b. The Committee shall discuss issues and concerns solicited from their co-members during their field monitoring and recommend appropriate solutions.
- c. The committee shall assist the Board of Directors and Sr. Management in formulating suitable products and services coming from the suggestions/recommendations of the members.
- d. The committee shall assist the Board of Directors in formulating strategies on how to encourage members experiencing repayment problems to recover from their poor performance.
- e. The committee shall assist the Board of Directors and Sr. Management in developing new topics for Credit with Education (CwE) to discuss during center meetings that help improve the lifestyle of members and their family.
- f. The committee shall assist the Board of Directors and Sr. Management in formulating strategies to promote products and services to other members including awareness on digital initiatives of the bank.
- g. The committee monitors the loan portfolio quality and recommends operational strategy to recover portfolio at risk of respective branches.
- h. The committee recommends a monitoring plan on how to assist past due members in recovering from their unpaid loan outstanding.
- i. The committee recommends strategies on how to encourage members instilling the habit of making regular savings deposit.
- j. The committee assists the management in the center-level implementation of the digital initiative of the bank.
- k. The committee performs other duties and responsibilities as authorized by the board of directors.

## SENIOR MANAGEMENT PROFILE

| NAME   | PROFILE   |
|--|---|
| <b>MS. MARIVIC M. AUSTRIA</b><br>President and Chief Executive Officer<br><br><b>Age:</b> 49<br><b>Nationality:</b> Filipino         | Ms. Austria serves as President and CEO since December 2015. She also serves as Director of CARD MRI Information Technology, Inc., a related institution of the Bank. She has been with CARD Bank for 25 years, having joined the Bank as Cashier during its establishment in September 1997. She has established the internal audit and compliance unit of the CARD MRI and spearhead its operations for 13-years, before being promoted as Senior Vice President for Risk in 2012. Ms. Austria has more than 29 years of experience in microfinance and banking operations joining the CARD MRI group in 1994. She took her Executive Master's in Business Administration in Asian Institute of Management and Advance Management Program in Harvard Business School. She finished her Bachelor of Science in Commerce-Accounting at the Laguna College.  |
| <b>MS. MAY S. DAWAT</b><br>Executive Vice President for Finance and Accounting<br><br><b>Age:</b> 49<br><b>Nationality:</b> Filipino | Ms. Dawat serves as Executive Vice President for Finance and Accounting since July 2021 and Corporate Secretary since March 2022. She also serves as Director of CARD MRI Insurance Agency, a related institution of the Bank. She has more than 24 years of experience in microfinance, micro-insurance and banking operations, joining CARD MRI group in 1998. Before joining CARD Bank, she served as Internal Audit Assistant in Center for Agriculture in Rural Development, Inc. (CARD Inc.), Finance Officer and Manager Administration and Finance in CARD Mutual Benefit Association, Inc. (CARD MBA, Inc.), before being promoted as General Manager and eventually Chief Executive Officer of CARD MBA, Inc. She also served as Director of CARD Pioneer Microinsurance, Inc., CARD MRI Holdings, Inc., CARD MRI Information Technology, Inc., CARD MRI Hijos Tours, BOTICARD, Inc., CARD MRI Astro Laboratories, Inc., MEADA Rabrong (Microinsurance In Cambodia), UNIHEALTH Quezon Hospital And Medical Center, Inc., and CARD Leasing and Finance Corporation (CLFC). She took her Master's in Community Economic Development in Southern New Hampshire University, New Hampshire, USA, Executive Program in General Management in Massachusetts Institute of Technology, Cambridge, Massachusetts, USA and Certified Management Accountant Program in Institute of Certified Management Accountants, Philippines and Australia. She finished her Bachelor of Science in Accountancy at the Laguna College. |
| <b>MS. MARISSA M. DE MESA</b><br>Executive Vice President for Audit<br><br><b>Age:</b> 51<br><b>Nationality:</b> Filipino            | Ms. De Mesa serves as Executive Vice President for Audit since April 2019. She also serves as Senior Vice President for Risk Management from 2015-2019. She has more than 25 years of experience in microfinance and banking operations, internal control and risk management practices, joining CARD MRI group in 1997. Ms. De Mesa have rose from the rank as she also serves as Loan Officer during her early years in the institution. She then become Branch Manager, Head of Organization and Administration unit, Assistant Vice President, Assistant Vice President and First Vice President for Operation. She also serves as Branch Manager, Regional Director and Operation Director of Center for Agriculture in Rural Development, Inc. (CARD Inc.). She took her Master's in Business Administration in University of Asia (previously known as Trinity College of Quezon City), Executive Master's in Business Administration in Asian Institute of Management and Senior Executive Leadership Program in Harvard Business School (India and US Campus). She completed her Bachelor of Science in Social Work at the Sacred Heart College in Lucena City, Quezon.  |

| NAME   | PROFILE   |
|--|---|
| <b>MS. MA. ROWENA F. GALARDE</b><br>Senior Vice President for Finance and Accounting<br><br><b>Age:</b> 47<br><b>Nationality:</b> Filipino | Ms. Galarde serves as Senior Vice President for Finance and Accounting since March 2019. She has been with CARD Bank for 25 years, having joined the Bank as Teller during its establishment in September 1997. She then gained her deep expertise in banking finance with her exposures to different field of finance, accounting and banking administration. Ms. Galarde has rosed from the rank serving as teller, bookkeeper and cashier during her early years of service before she got promoted in the positions of Accounting Manager, General Accountant and Assistance Vice President for Finance and Accounting. She took her Master of Arts in Organizational Development Specializing in Microfinance Management in SAIDI School of Organization and Development and Certified Management Accountant Program in Institute of Certified Management Accountant (Philippines and Australia Campus). She finished her Bachelor of Science in Accountancy at the San Pablo Colleges, Laguna.  |
| <b>MS. LAARNE D. PAJE</b><br>Senior Vice President for Risk Management<br><br><b>Age:</b> 45<br><b>Nationality:</b> Filipino               | Ms. Paje serves as Senior Vice President for Risk Management since March 2021 and supervising the risk management unit since 2019. She also serves as Assistant Corporate Secretary. She has been with CARD Bank for 11 years, spearheading the internal audit unit prior to her stint into risk management. Ms. Paje has joined CARD MRI in 2001 and developed her expertise in internal control and risk management practices serving the group for more than 21 years. She rosed from the rank serving as internal audit assistant during her early years of service before she got promoted in the positions of Internal Audit Manager, General Internal Audit Manager and Assistance Vice President for Audit. She took her Master of Science in International Community Economic Development in Southern New Hampshire University (Philippines and US Campus) and Senior Executive Leadership Program in Harvard Business School (India and US Campus). She finished her Bachelor of Science in Accountancy at the Aquinas University of Legazpi. |
| <b>MR. JEFFREY M. RONDINA</b><br>Senior Vice President for Compliance<br><br><b>Age:</b> 40<br><b>Nationality:</b> Filipino                | Ms. Rondina serves as Senior Vice President for Compliance since July 2021 and supervising the Compliance unit since 2017. He has been servicing the Bank for 8 years, previously supervising the internal audit unit operation prior to his stint into compliance function. Mr. Rondina has joined CARD MRI in 2003 and developed his expertise in internal control practices and compliance program serving the group for more than 19 years. He rose from the rank serving as internal audit assistant during his early years of service before he got promoted in the positions of Internal Audit Manager and Chief Compliance Officer in CARD SME Bank. He took his Executive Master's in Business Administration in Asian Institute of Management. He finished his Bachelor of Science in Accountancy at the Laguna College.  |
| <b>MS. ROSAFE M. MATUNAN</b><br>Vice President for Human Resource<br><br><b>Age:</b> 43<br><b>Nationality:</b> Filipino                    | Ms. Matunan serves as Vice President for Human Resource since 2021 and supervising the HR unit since 2013. She has joined CARD MRI in 2001 and serving the group for more than 21 years. She rosed from the rank serving as Administrative Assistant and Executive Assistant during her early years of service before she got promoted in the positions of Liaison Office Manager/Country Representative in CARD operation in Cambodia and Sr. HR Manager of CARD Inc. She took her Master of Science in International Community Economic Development in Southern New Hampshire University and SAIDI School of Organization and Development. She finished her Bachelor of Science in Business Administration major in Marketing at the New Era University.  |

| NAME  | PROFILE  |
|---|--|
| <b>MS. GLENDA C. MAGPANTAY</b><br>Vice President for Operation<br><br><b>Age:</b> 46<br><b>Nationality:</b> Filipino                        | Ms. Magpantay serves as Vice President for Operation since 2019. She also serves as Chairman of the CARD Employees Multi-Purpose Cooperative. She has joined the bank in 1997 and serving the institution for more than 25 years where she acquired her expertise in microfinance and banking operations. She rose from the rank serving as Account Officer and Unit Manager during her early years of service before she got promoted in the positions of Branch/Area Manager, Regional Director and Assistant Vice President for Operation. She took her Master's in Business Administration in University of Asia (previously known as Trinity College of Quezon City), Master of Science in International Community Economic Development in Southern New Hampshire University and SAIDI School of Organization and Development and took Management Development Program in Asian Institute of Management. She also completed her Senior Executive Leadership Program in Harvard Business School (India and US Campus). She finished her Bachelor of Science in Business Administration at the San Pablo Colleges. |
| <b>MR. RONNIE D. FALLEGA</b><br>Vice President for Operation<br><br><b>Age:</b> 45<br><b>Nationality:</b> Filipino                          | Mr. Fallega serves as Vice President for Operations starting year 2022 supervising North Luzon operation and overseeing the implementation of alternative digital channel in the operation level. He serves as Vice President for IT and Vice President for Business Continuity prior to his return to operations. Mr. Fallega has joined CARD MRI in 1998 and serving for more than 24-years where he developed his expertise in microfinance and banking operations. He rose from the rank serving as Account Officer and Unit Manager during his early years of service before he got promoted in the positions of Branch/Area Manager, Regional Director and Assistant Vice President for Operation. He took his Master of Arts in Organizational Development Specializing in Microfinance Management in SAIDI School of Organization and Development and took Management Development Program in Asian Institute of Management. He finished his Bachelor of Science in Accountancy at the Masbate Colleges.  |
| <b>MS. CLARITA G. MERCADO</b><br>Vice President for Operation<br><br><b>Age:</b> 46<br><b>Nationality:</b> Filipino                         | Ms. Mercado serves as Vice President for Operation since 2021. She has joined the bank in 1998 and serving the institution for more than 24 years where she acquired her expertise in microfinance and banking operations. She rose from the rank serving as Account Officer and Unit Manager during her early years of service before she got promoted in the positions of Branch/Area Manager, Regional Director and Assistant Vice President for Operation. She took her Master of Arts in Organizational Development Specializing in Microfinance Management in SAIDI School of Organization and Development. She finished her Bachelor of Arts in Psychology at the Manuel S Enverga University in Quezon.  |
| <b>MS. BABY ANALYN A. MALABORBOR</b><br>Senior Assistant Vice President for Operation<br><br><b>Age:</b> 40<br><b>Nationality:</b> Filipino | Ms. Malaborbor serves as Senior Assistant Vice President for Operation since 2017. She has joined the CARD MRI in 1997 and serving the institution for more than 25 years where she acquired her expertise in microfinance and banking operations. She rose from the rank serving as Account Officer and Unit Manager during her early years of service before she got promoted in the positions of Branch/Area Manager, Regional Director and Assistant Vice President for Operation. Ms. Malaborbor was also appointed as General Manager of Rural Bank of Sto. Tomas (Batangas), Inc. when CARD MRI acquired its operations. She took her Master of Arts in Organizational Development Specializing in Microfinance Management in SAIDI School of Organization and Development and took Management Development Program in Asian Institute of Management. She finished her Bachelor of Science in Commerce Major in Management at the Laguna College.  |

| NAME   | PROFILE   |
|--|---|
| <b>MS. RIZALINE A. MANALO</b><br>Assistant Vice President for Operation<br><br><b>Age:</b> 48<br><b>Nationality:</b> Filipino            | Ms. Manalo serves as Assistant Vice President for Operation since 2017. She has joined the CARD MRI in 1997 and serving the institution for more than 25 years where she acquired her expertise in microfinance and banking operations. She rose from the rank serving as Account Officer, Unit Manager and Bookkeeper during her early years of service before she got promoted in the positions of Branch/Area Manager and Regional Director. She took her Master of Arts in Organizational Development Specializing in Microfinance Management in SAIDI School of Organization and Development. She finished her Bachelor of Science in Industrial Engineering at the Enverga University.  |
| <b>MS. RAQUEL B. SARAGOZA</b><br>Assistant Vice President for Operation<br><br><b>Age:</b> 49<br><b>Nationality:</b> Filipino            | Ms. Saragoza serves as Assistant Vice President for Operation since 2016. She has joined the CARD MRI in 1995 and serving the group for more than 27 years where she acquired her expertise in microfinance and banking operations. She rose from the rank serving as Account Officer and Unit Manager during her early years of service before she got promoted in the positions of Branch/Area Manager and Regional Director. She took her Master of Arts in Organizational Development Specializing in Microfinance Management in SAIDI School of Organization and Development. She finished her Bachelor of Science in Accountancy at the Masbate Colleges.   |
| <b>MS. MELODY ESCORSA</b><br>Assistant Vice President for Finance and Accounting<br><br><b>Age:</b> 41<br><b>Nationality:</b> Filipino   | Ms. Escorsa serves as Assistant Vice President for Finance and Accounting since 2020. She has been with CARD Bank for 24 years where she gained her deep expertise in banking finance with her exposures to different field of finance, accounting and banking administration. Ms. Escorsa has rose from the rank serving as teller, bookkeeper and cashier during her early years of service before she got promoted in the positions of Finance Officer and General Accountant Manager. She took her Master of Arts in Organizational Development Specializing in Microfinance Management in SAIDI School of Organization and Development. She finished her Bachelor of Science in Accountancy at the San Pablo Colleges, Laguna.   |
| <b>MS. MA. CHARISSA M. ADORNA</b><br>Assistant President for Audit<br><br><b>Age:</b> 36<br><b>Nationality:</b> Filipino                 | Ms. Adorna serves as Assistant Vice President for Audit since March 2021. She has joined CARD MRI in 2008 and developed her expertise in internal control practices serving the group for more than 14 years. She rose from the rank serving as internal audit assistant during her early years of service before she got promoted in the positions of Internal Audit Manager and Deputy Director for Audit. She also served as Internal Audit & Risk Manager in CARD office at SAMIC Plc., Cambodia. She took her Master's in Productivity & Quality Management Major in Microfinance in Development Academy of the Philippines. She finished her Bachelor of Science in Accountancy at the University of Nueva Caceres.   |
| <b>MR. FIDEL P. DUMALAO</b><br>Assistant Vice President for Information Technology<br><br><b>Age:</b> 35<br><b>Nationality:</b> Filipino | Ms. Dumalaog serves as Assistant Vice President for Information Technology starting year 2021. He was an experienced internal auditor where he gained his knowledge in banking operations. He has been with CARD Bank since 2009 and serving the institution for more than 13 years. His role as application administrator during the period of Bank's migration from the legacy system to the new centralized core-banking system gave him expertise in the management of core-banking administration. His exposures in different financial institutions in Indonesia that utilizing advance technology in banking operations further strengthen his knowledge in information technology. He finished his Bachelor of Science in Accountancy at the Devine Word College in Occidental Mindoro. |

| NAME  | PROFILE   |
|---|---|
| <p><b>MR. PAUL ZEDRICK H. DORADO</b><br/>Assistant Vice President for Information Technology</p> <p><b>Age:</b> 34<br/><b>Nationality:</b> Filipino</p>   | <p>Ms. Dorado serves as Assistant Vice President for Information Technology starting year 2021. He was an experienced internal auditor where he gained his knowledge in banking operations. He has been with CARD Bank since 2008 and serving the institution for more than 14 years. His role as web application administrator during the period of Bank's migration from the legacy system to the new centralized core-banking system gave him expertise in the management of core-banking administration. His exposures in different financial institutions in Indonesia that utilizing advance technology in banking operations further strengthen his knowledge in information technology. He finished his Bachelor of Science in Accountancy at the San Pablo Colleges.</p> |
| <p><b>MR. JUANITO I. DELA CUEVA</b><br/>Assistant Vice President for Mobile Financial Services</p> <p><b>Age:</b> 49<br/><b>Nationality:</b> Filipino</p> | <p>Mr. Dela Cueva serves as Assistant Vice President for Mobile Financial Services since 2019. He has joined CARD Bank in 2003 and serving the institution for more than 20-years where he developed his expertise in microfinance and banking operations. He rose from the rank serving as Account Officer and Unit Manager during his early years of service before he got promoted in the positions of Branch/Area Manager and Regional Director. He took his Master's in Productivity &amp; Quality Management Major in Microfinance in Development Academy of the Philippines. He finished his Bachelor of Science in Marine Transportation Major in Nautical Science (Associate in Marine Transportation) at the Philippine Maritime Institute, Manila.</p>                 |
| <p><b>MR. JONEL A. RAPER</b><br/>Assistant Vice President for Mobile Financial Services</p> <p><b>Age:</b> 50<br/><b>Nationality:</b> Filipino</p>        | <p>Mr. Rapera serves as Assistant Vice President for Mobile Financial Services since 2021. He has joined CARD Bank in 1997 and serving the institution for more than 25-years where he developed his expertise in microfinance and banking operations. He rose from the rank serving as Account Officer and Unit Manager during his early years of service before he got promoted in the positions of Branch/Area Manager and Regional Director. He took his Master of Arts in Organizational Development Specializing in Microfinance Management in SAIDI School of Organization and Development. He finished his Bachelor of Arts in Mathematics at the Masbate Colleges, where he also took Bachelor of Science in Education and Bachelor of Science in Accountancy.</p>       |

## ORIENTATION, SEMINARS, AND EDUCATION FOR BOARD AND SENIOR MANAGEMENT



CARD Bank is composed of a dynamic Board of Directors that help build a strong and positive board culture within the Bank. Like a well-oiled machine, the Board of Directors work together to leverage the diverse skills set of the people behind the Bank and drive the institution to excellent advantage at all times. With this, the Board, as the governing body of the Bank that provides leadership and accountability, recognizes the importance of training and development of each director to determine the success of the institution. For CARD Bank, training is one of the most important investments the institution can make to ensure the effectiveness of its operations.

With this, all directors of the Bank made sure to attend the Corporate Governance Seminar conducted by accredited private institutions prior to, or at least immediately after, assumption of office. Aside from this, all newly elected Board of Directors have undergone orientation on their duties and responsibilities as Board of Directors including the general operating procedures of the Bank. Orientation also includes basic banking regulations, anti-money laundering guidelines and data privacy policy. Prior to election as member of the Board of Directors, candidates were also invited to seat as observers in the meeting of the Bank's committee and Board of Directors to get familiar with the banking operations.

For the year 2022, Board of Directors and Senior Management have attended series of trainings and seminars related to Sustainable Finance Framework, Supervisory Assessment Framework (SAFr), Updates on Institutional Risk Assessment and Targeted Financial Sanctions, CIC Academy's webinar series on Credit Report and the potential for MSME growth, and CARD MRI Information Technology Roadmap Orientation, among others such as BSP Facebook webinar series and informational discussions.

Other Bank employees have regularly attended orientations and trainings conducted internally by Compliance Unit, CARD-MRI Development Institute, Inc. (CMDI) and others by external organizations to strengthen their areas of expertise, to update them on regulatory matters, and to bring in new ideas and practices to the organization. As part of the capacity-building program of the Bank for its Senior Management, qualified officers were also sent

to master's degree and short degree programs, both locally and internationally. The Bank's initiatives are only proof that it gives importance to its greatest asset, its people.

## **BOARD AND SENIOR MANAGEMENT SELECTION PROCESS**

### **Board Selection Process**

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

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

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

- a. Membership record performance (repayment, attendance, and length of membership with CARD);
- b. Business potential to support the family needs as well as other family activities or engagement: on-going business, at least college graduate or have at least five years' experience in business, legality of the business;
- c. Achievements and development work involvement: in CARD, in family, and in the community;
- d. Personal attributes: self-confidence, communication skills, values and principle in life, and good grooming; and
- e. Reputation in the community, family background and how the family is regarded in the community.

6. The result of the deliberation shall be submitted to the Governance Committee for review and approval for further endorsement to the Board.
7. As part of the process, shortlisted nominees are invited to become board member observer to the board meeting for three consecutive months, one at a time (while priority nominee attends for three consecutive meetings, record/ profile/background of the next nominee is also evaluated/revalidated prior to her turn to take the place as the next board member observer). This is to give ample time to further evaluate them and see their fitness to the position.
8. The finalist/top selected nominees are then endorsed to the Governance committee for further endorsement to the board.
9. The final selected nominees attend the board meeting as a regular observer.
10. While her status remains as a regular member observer to the Board, she is also invited to join the board committee (usually in the Remittance and Savings Mobilization Committee).
11. While attending as regular member observer to the Board, she is also given opportunity to share, and report based on the center visit she conducted during the month.
12. When available position in the Board opens, regular member observer to the Board is further endorsed to the Board for confirmation.
13. Once confirmed by the Board, submission of the profile/biodata to the BSP is done.
14. Selected Board Member is also required to attend the Corporate Governance and Risk Management Seminar.

### Senior Management Selection Process

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

## PERFORMANCE ASSESSMENT

### Board Members

Consistent with the principles of good corporate governance, the corporate governance committee is responsible in ensuring the effectiveness and due observance of the board on the principles and guidelines stated in the Corporate Governance manual. It includes overseeing periodic performance evaluation of the board and its committees including

executive management. An annual performance assessment was conducted to measure director's effectiveness and if adequately carrying out their duties as director, and their contribution and performance (e.g. duty of care, duty of loyalty, duty of obedience, management accountability, strategic planning, and policy setting). Committee's performance was also evaluated based on their respective duties and responsibilities.

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

### **Senior Management**

Aligned with the performance assessment guidelines of the Bank, Senior Management are subjected to annual performance evaluation covering the 12 months target and actual performance of previous year. Performance evaluation takes into consideration both quantitative and qualitative performance indicators. In the conduct of the Senior management performance evaluation, standardized Personnel Appraisal Form (PPA) is being used. Accomplished PPA forms by the senior should be submitted to the President and CEO on or before the end of the succeeding month after appraisal period (January 31), except for independent positions whose PPA should be submitted to the respective independent committee Chairperson. Approved performance evaluation should be submitted to the HRD by the end of February of each year.

## **REMUNERATION POLICY**

### **Board Members**

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

### **Senior Management**

CARD Bank, Inc. has adopted a standardized salary grading system applicable for all level of position with a corresponding rate of pay that are fair and equitable in relation to the job requirements in terms of complexity, responsibility, skills, and qualifications. The Bank

maintains a salary and benefits structure competitive with the prevailing rates/system of similar agencies and organizations compatible with the financial condition and objectives of the institution. These remuneration policies of the bank are duly approved by the Board of Directors. There will be a provision on annual increase and performance assessment measures.

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

### **Retirement, Succession Planning, and Development Program**

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

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

Under this program are as follows:

- Succession Management Program for middle to senior management officers to assume leadership position.
- Master's Degree Program and short-term leadership management course for middle management officers.
- The mandatory retirement age for all Bank officers and staff including senior officers is 60 years old.

### **Policy Statement**

1. CARD Bank, Inc. must ensure continuity of a strong leadership through operationalizing an effective and sound succession planning and development program.

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

### Scope

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

### Policy Guidelines

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

### Roles and Responsibilities

1. Succession Planning and Development for Key Officers is centralized to the President with the assistance of the HRD. Meanwhile, for the Management Committee and Middle Managers are the responsibility of the HRD with the support from the Supervisors and guidance from the President.
2. The HRD is responsible in finding people who embody the culture of the Bank and will be able to help them develop skills to make CARD Bank, Inc. stay viable in the future.
3. Supervisors and Managers, in line with the staff development program, must look for opportunities for their staff for them to gain experience and must provide them with necessary support and coaching to be more successful.

### Policy Violation and Non-Compliance

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

### Exemption Handling

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

### List of Major Stockholders of CARD Bank (with more than 10% Equity Shares)

| NAME OF STOCKHOLDER  | Nationality | Type of Shares | Percentage of Stockholdings | Voting Status |
|--|-------------|----------------|-----------------------------|---------------|
| Dr. Jaime Aristotle B. Alip  | Filipino    | Common         | 13%*                        | Voting        |
| Dr. Dolores M. Torres  | Filipino    | Common         | 11%*                        | Voting        |
| Ms. Lorenza dT. Bañez  | Filipino    | Common         | 10%*                        | Voting        |
| Center for Agriculture and Rural Development (CARD) Inc.<br>(A Microfinance NGO) | Filipino    | Common         | 31%*                        | Voting        |
| CARD Mutual Benefit Association, Inc.  | Filipino    | Preferred      | 59%**                       | Non-Voting    |

NOTE:      \*based on total common shares      \*\*based on total preferred shares

# INDEPENDENT CHECKS AND BALANCES

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

## Internal Control System

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

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

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

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

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

## Internal Audit

The objective of the internal audit unit is to assist all members of management in the effective discharge of their responsibilities, by furnishing them with analyses, appraisal recommendations, and pertinent comments concerning the activities reviewed. The

Internal Audit Unit has the management complementary role of ensuring that the internal control systems are operating efficiently thereby giving the management assurance that the systems can be relied upon for the recording of transactions relating to all operations and for the preparation of the financial statements.

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

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

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

### **External Auditor**

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

### **Compliance System**

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

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

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

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

The Compliance Unit/Department is responsible for ensuring that the Bank complies with the requirements, policies, circulars, and guidelines issued by BSP, BRI, LGUs, and other government agencies. Compliance Unit through the Senior Vice President for Compliance-OIC/Chief Compliance Officer reports directly to the Compliance Committee on its monthly regular meetings composed of three members of the Board of Directors.

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

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

### **Compliance Risk Management**

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

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

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

### **Money Laundering and Terrorist Financing Prevention Program (MLTFPP)**

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

Further, this program aims to (a) protect the integrity and confidentiality of bank accounts and ensure that the Philippines, in general, and the covered persons, in particular, shall not be used, respectively, as a money laundering site and conduit for the proceeds of an

unlawful activity as herein defined; and (b) to protect life, liberty, and property from acts of terrorism and to condemn terrorism and those who support and finance it and reinforce the fight against terrorism by criminalizing the financing of terrorism and related offenses. The program intends to ensure high standards in the following areas:

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

The Bank has adopted appropriate guidelines to maintain digital records of customers for swift retrieval of documents and take measures to ensure that customer records are submitted in the manner, quality and period as would assist the AMLC in its prompt financial investigations and institution of legal actions.

The Bank takes measures to ensure that its officers and employees are aware of their respective responsibilities in maintaining the confidentiality of financial investigations, and that no officer or employee communicates to any person any information in relation to any request for details and documents by the AMLC during its investigation.

With the increase in digital financial transaction, the Bank also strengthened its monitoring activities on transaction passing through our digital channels to ensure that the Bank will not be used as vehicle to divert any proceeds from illegal activities nor to finance terrorism activities.

### **MTPP Risk Management**

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

#### **a. Board and Senior Management Oversight**

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

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

#### **b. Compliance Office**

The Compliance office through the AML compliance group is primary responsible in the management of the implementation of the Money Laundering and Terrorist Financing Prevention Program (MTPP) of the Bank. This includes achieving the Bank's goals through planning, organizing, leading, and controlling. Compliance office is independent and has direct reporting line to the board of directors or any board-level or approved committee on all matters related to AML and TF compliance and their risk management. AML Compliance Officer is designated to handles the implementation of the MTPP program. He will be the liaison between Bank, the BSP and the AMLC in matters relating to Bank's AML/CFT compliance. He is assisted by three (3) Assistant AML Compliance Officer in monitoring the implementation of this MTPP program to all branches and other offices.

**c. Group-wide Money Laundering and Terrorist Financing Prevention**

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

**d. Internal Audit**

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

**e. Risk Assessment**

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

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

**f. Sharing of Information**

The bank has valued most and respected the secrecy and confidentiality of customers' information. Sharing client information to other parties were strictly prohibited except proper consent were executed by the customer or is legally mandated by the competent government authority. Depending on the risk assessment, the bank may require a potential and/or existing customer to sign a waiver on the disclosure of information within the group when it is relevant and appropriate for risk management.

### **Institutional Risk Assessment**

The AML unit of the bank has conducted institutional risk assessment at least once every two (2) years, or as often as the Board or senior management may direct, depending on the level of risks identified in the previous risk assessment, or other relevant AML/CFT developments that may have impact on the Bank's operations. The following are the areas reviews to determine the vulnerability, strength, and weaknesses of the Bank.

- a. Customer Profile
- b. Product and Services
- c. Geographic Location
- d. Delivery Channel
- e. Sanction risk

A risk point value was assigned for each risk level (low, moderate, Above Average, High) identified in the different areas of banking operations reviewed.

### **RISK MANAGEMENT**

Since the incorporation of CARD Bank in 1997, risk management is always a priority even in all units of operation. Part of it is the regular monitoring of branches being conducted by the Executive and Management Committee other than the regular audit for all bank branches and head office departments like IT, Compliance, Finance, Security, Marketing, and others.

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

Risk Management plays a crucial role in the ultimate success of the bank to safeguard critical assets from potential losses, cyber-attacks, and other various risk exposures and ensure that the risk assumed by the bank not only mitigated but appropriately managed to achieve the objective of the bank.

Despite the pandemic that threatens clients' small businesses, the Bank helped or assisted the clients to bounce back from the effects of the pandemic and be resilient this trying time. The Bank continuously expands its bank operations to better serve its ever-growing number of clients and the changing consumer behavior/environment through mobile banking and other digital initiatives.

For effective and efficient Credit Risk Management, a Loan Remedial Officer is vital to assist and reinforce the operation by promoting collections, reducing Portfolio-At-Risk (especially matured loans) as well as reactivation of inactive clients.

## **RISK GOVERNANCE**

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

Risk Management is independent from executive functions and business unit responsibilities, operations, and revenue-generating functions. Although the Chief Risk Officer (CRO) may report to the President, CRO has direct access to the Board of Directors and Risk Oversight Committee without any impediment. CRO has sufficient stature, authority, and seniority within the Bank. CRO has ability to influence decisions that affect the Bank's exposure to risk. CRO engaged in discussions with BOD, ROC, and Senior Management on key risk issues and have access to the information deem necessary to form sound judgment.

## **RISK CULTURE**

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

The main components shall include:

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

Three Lines of Defense

1. First Line of Defense – assure that operational people are accountable for the risk assumed in operational activities.
2. Second Line of Defense – review functions of the risk management department for ensuring that risk assumed by CARD Bank are appropriately managed and controlled.
3. Third Line of Defense – assure that Internal Audit as an independent function is controlling in line with best industry practices the activities of the First Line and Second Line of Defense.

## RISK APPETITE, STRATEGIES AND RISK MANAGEMENT PROCESSES

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

| # | TYPE OF RISK  | RISK PROFILE   | MITIGATING STRATEGIES   |
|---|---|--|---|
| 1 | <b>Credit Risk</b> – denotes danger that borrower is not able or willing to pay the principal and/or interest at maturity date. | <ul style="list-style-type: none"> <li>Highly volatile due to non-collateralized loans</li> <li>High loan loss provisioning eroding profitability and equity</li> <li>Breakdown of discipline by some clients that impact some good borrowers</li> </ul> | <p><b>First Line of Defense:</b></p> <ul style="list-style-type: none"> <li>Intensive follow-up for defaulters</li> <li>Daily monitoring on the number of default clients.</li> <li>Rehabilitation program for branches with high portfolio at risk.</li> <li>Sample legal cases for default clients.</li> <li>Hiring of consultants to help in enhancement and rehabilitation</li> <li>Intensifying and rebuilding of credit discipline of clients through awareness of advantages and benefits as clients/ stockholders and Lakbay Aral program.</li> <li>Codified signing and approving authority.</li> </ul> <p><b>Second Line of Defense:</b></p> <ul style="list-style-type: none"> <li>Mitigate the risk of incurring losses</li> <li>Check if the credit risk exposures are within the bank risk appetite</li> <li>Develop and review the credit risk policy and recommend changes in the credit risk policy to the Risk Oversight Committee and board of directors.</li> <li>Check and monitor if credit risk policy is properly implemented at the branch and MBO level.</li> <li>Monitor the loan portfolio with higher risk</li> <li>To maintain the level of non-performing loans below 3%. Take specific actions in case part of non-performing loans exceeds 3% to recover the loans such as:             <ul style="list-style-type: none"> <li>Develop a policy to recover the uncollected amount of past due loans</li> <li>Recommend strategies by doing continued follow up and monitoring of the operations staff to clients who are not regularly paying their dues to control the credit portfolio at risk</li> <li>Up-to-date reporting of the status of the loan portfolio to the Risk Oversight Committee and Board of Directors</li> <li>Check the credit concentration to ensure if within defined limits</li> </ul> </li> </ul> <p><b>Third Line of Defense</b></p> <ul style="list-style-type: none"> <li>Ensure that Internal Audit is an independent function and has the responsibility of reviewing and verifying the internal control systems and procedures to confirm that they are operating smoothly.</li> </ul> |

| # | TYPE OF RISK  | RISK PROFILE  | MITIGATING STRATEGIES   |
|---|---|---|---|
| 2 | <b>Interest Rate Risk</b> - Risks to earnings or capital arising from mismatches of the timing within which interest rates on assets and liabilities can be changed.  | <ul style="list-style-type: none"> <li>ALCO regularly monitor this risk</li> </ul>  | <ul style="list-style-type: none"> <li>Process to coordinate interest rate risk sensitivity decisions is done by the Asset and Liability Committee (ALCO) represented with the Head of Finance and Accounting as Chairperson</li> <li>Manage the impact of interest rate environments with balances mix of fixed and variable rate.</li> <li>Mitigate the risk of incurring losses arising from market interest rate changes to an acceptable level.</li> </ul>   |
| 3 | <b>Liquidity Risk</b> – Risk of a temporary cash flow problem, because assets can be liquidated by large discounts.   | Savings composition with an average of 60% of fund were came from savings there are available credit lines.   | <p><b>Creation of Assets and Liability Committee</b></p> <ul style="list-style-type: none"> <li>Management Committee (ALCO) that reviews liquidity position of the bank monthly.</li> <li>Early repayment and settlement of loan balances when there are excess funds</li> <li>Continuous savings mobilization activities and program</li> </ul> <p><b>Second Line of Defense</b></p> <ul style="list-style-type: none"> <li>To check if the obligations can pay on time where this is present and future debts considering the nature of performed activities and requirements due to changes in market environment by checking the financial position and contingent liabilities and commitments.</li> <li>Up-to-date monitoring and reporting to the Risk Oversight Committee if compliant based on the set standard ratio or limit.</li> </ul>  |
| 4 | <b>Operational Risks</b> - Risk to earnings or capital that may arise because of weakness in organizational structure, poor oversight function of board of directors and senior management, defective personnel recruitment policy, weak internal control system, inadequate internal and external coverage, and deficient management information system. | <ul style="list-style-type: none"> <li>People Risk: internal fraud, External fraud, incompetency, work force interruption, wrongful employment termination.</li> <li>Process Risk: failure of internal process, exceeding limits, project of overruns, inadequate project plan, failure to adhere internal and external compliance procedure, security risk.</li> <li>System and Technology risk: network failure, external security breaches, failure to integrate or migrate with/from existing system.</li> <li>External Risk: legal risk, regulatory risk, political risk,</li> </ul> | <p><b>First Line of Defense</b></p> <ul style="list-style-type: none"> <li>Strengthen internal control through enhancement of monitoring and supervision at all levels</li> <li>Upgrading of staff capacities both at the top and middle management by sending Senior Officer and Management to different schools like Asian Institute of Management (AIM) in Makati, Southern New Hampshire University in USA, South-East Asia Inter-disciplinary Development Institute (SAIDI).</li> <li>Regular monthly monitoring by the Executive and Management Committee each with individual target</li> <li>Regular management committee meeting once in a month.</li> </ul> <p><b>Second Line of Defense</b></p> <ul style="list-style-type: none"> <li>To monitor assessment of the exposure to all types of operational risk faced by the company by assessing the quality and appropriateness of mitigating actions.</li> <li>To ensure that adequate controls and systems are in place to identify and address problems before they become major problems.</li> </ul> |

| # | TYPE OF RISK   | RISK PROFILE   | MITIGATING STRATEGIES   |
|---|--|--|---|
|   |  |  | <ul style="list-style-type: none"> <li>Up-to-date reporting of the status of the operations related to risk to the Risk Oversight Committee and Board of Directors</li> </ul>   |
| 5 | <b>Compliance Risk</b> – is the risk of legal or regulatory sanctions, financial loss, or loss to reputation a bank may suffer because of its failure to comply with all applicable laws, regulations, code of conduct and standards of good practice. | Very strong Compliance Unit  | <p><b>First Line of Defense</b></p> <ul style="list-style-type: none"> <li>With compliance committee conducting regular monthly meeting.</li> <li>Regular reporting of compliance risk issues to the Risk Oversight Committee.</li> <li>Compliance staff is also conducting regular monitoring and testing of branch compliance.</li> </ul> <p><b>Second Line of Defense</b></p> <ul style="list-style-type: none"> <li>Check and monitor the status of reporting to BSP if compliant</li> <li>Reporting of compliance risk issues to the Risk Oversight Committee</li> </ul>   |
| 6 | <b>Information Technology Risk</b> – any risk related to information technology  | Procedures are yet in checking parameters. Security feature of the current system is currently establishing. | <p><b>First Line of Defense</b></p> <ul style="list-style-type: none"> <li>Core team to monitor IT related problems was established with regular monthly meeting.</li> <li>With Board and management oversight.</li> <li>Regular IT Audit.</li> <li>Each branch will log all the IT related issues and concerns in ITmate (concern tool) which serve as reference for all the encountered problems and actions taken.</li> <li>For security of data and source code of the system, IT staff has Confidentiality and Non-Disclosure Agreement (CNDA)</li> </ul> <p><b>Second Line of Defense:</b><br/>Ensure that the risk under Information technology risk is monitored and report to the Risk Oversight Committee as follows:</p> <p><b>a. Process Risk Areas</b></p> <p>Check the processes, procedures, and guidelines for managing risks if established and fully documented and reviewed for relevance and usefulness.</p> <p><b>b. Human Resources Management Risk Areas</b></p> <ul style="list-style-type: none"> <li>Check if the assigned personnel possess the required skills to handle the systems, equipment, services, and facilities in placed and planned.</li> <li>Check if there is succession planning for key positions.</li> <li>Check if procedures is put in place that all concerned personnel are briefed on the information security roles and responsibilities.</li> </ul> |

| # | TYPE OF RISK | RISK PROFILE | MITIGATING STRATEGIES  |
|---|--------------|--------------|--|
|   |              |              | <p><b>c. Platform / Application Risk Areas</b></p> <ul style="list-style-type: none"> <li>These are related to the selection and implementation of system hardware, operating and application software associated with the use of information system. In selecting and implementing of any software assets, management have considered the availability and adequacy of support to all platforms within the bank and outsourced IT infrastructure.</li> </ul> <p><b>d. Network Security Risk Areas</b></p> <ul style="list-style-type: none"> <li>Check the risks associated with the connection of information systems, terminals, and other connections to the internal network infrastructure and to the external network such as the Internet and other third-party facilities.</li> <li>Security and network management systems are implemented to monitor any unauthorized access or usage of the systems, resources, and facilities. Management should ensure that all network devices and other communication systems are updated and maintained properly.</li> </ul> <p><b>e. Physical / Environmental Risk Areas</b></p> <ul style="list-style-type: none"> <li>Check and report if the physical installation and site of the data center, disaster recovery site(s) and other offices were in a place free from environmental risks like flood, fire, etc. Mitigating steps were taken in cases that any site has been identified susceptible to risk.</li> </ul> <p><b>f. Information Assets Risk Areas</b></p> <ul style="list-style-type: none"> <li>All identified information and information assets were securely stored with its full documentation for the continuous operations of the systems and infrastructure. Documentations were maintained and kept updated. There are proper process and procedures in place for verification of all the documentations.</li> </ul> <p><b>g. Outsourcing/External Vendor Risk Areas</b></p> <ul style="list-style-type: none"> <li>Check if Service Level Agreement put in place in outsourcing of work to vendors.</li> <li>Requirements and responsibilities are clear.</li> <li>Check the list of service provider that can be easily identified in cases of failure of delivery of services or worst a termination of contract.</li> </ul> |

| # | TYPE OF RISK  | RISK PROFILE                                   | MITIGATING STRATEGIES  |
|---|---|--|--|
|   |   |  | <ul style="list-style-type: none"> <li>• A standard termination/pre-termination clause should be embedded in every Maintenance Agreement to be able to terminate the contract, with or without a cause, at least thirty (30) days prior to the intended date of termination.</li> <li>• Check if the regular review on the vendor's service performance is also conducted by the IT Governance Department.</li> </ul> <p><b>h. Bank's Responsibility Risk Areas</b></p> <ul style="list-style-type: none"> <li>• Check if proper information on all the benefits is provided for sake of customer on the correct usage of the information system and increase awareness on the aspects of security and confidentiality of data.</li> </ul>   |
| 7 | <b>Legal Risks</b> - Risks to earnings and capital that may arise because of unenforceable contracts, lawsuits, or adverse judgments. | Increasing risk due to increasing transaction. | <ul style="list-style-type: none"> <li>• Well documented and set up detailed guidelines for legal transactions involved.</li> <li>• With Legal staff in-charge for the completion, compilation and filing of all legal documentations.</li> <li>• Guidelines in handling legal cases were established to guide employees in handling staff cases.</li> <li>• Settlement of cases shall be done through the Legal Counselor through court proceedings. Executives and Legal Counsel are given authority to decide whether to pursue staff cases or execute compromise agreement.</li> <li>• Designation of approving authorities on legal recommendations.</li> <li>• To prevent lawsuit, more importantly, the following are being observed by the bank: <ul style="list-style-type: none"> <li>– Maintenance of Legal Counsel in the form of Retainers and maintenance of Legal Unit.</li> <li>– Regular consultation with the Legal Counsel and the Legal Unit on matter that has legal consequences.</li> <li>– Regular monitoring and upgrading of legal policies.</li> <li>– Reports of banking activities and other significant issues are submitted for regular review by the Board of Directors, Executive Committee, Management Committee Regulatory Agencies (e.g. BSP, PDIC, SEC and BIR)</li> </ul> </li> <li>• Para-legal training for employees of the bank and capacity building for Legal Unit officers and staffs.</li> </ul> |

| # | TYPE OF RISK   | RISK PROFILE  | MITIGATING STRATEGIES   |
|---|--|---|---|
|   |  |   | <ul style="list-style-type: none"> <li>Regular monitoring of contracts being entered into by CARD Bank.</li> <li>Review of insurance premium being paid to Philippine Deposit Insurance Corporation.</li> <li>Periodic review and updating of legal documentation used by CARD Bank.</li> </ul>   |
| 8 | <b>Market Risks -</b><br>Risk to earnings or capital arising from the possible decline in value of trading accounts and investment in equities and debt instruments. | <ul style="list-style-type: none"> <li>Low risk because the bank is not yet involved with trading.</li> <li>Investment and bills payable are being monitored by ALCO</li> </ul>   | <ul style="list-style-type: none"> <li>Ensures to identify, measure, control, and monitor market risks that may always arise from the conduct of its business transactions and at its portfolio level.</li> <li>Active and Appropriate Board and Senior Management Oversight</li> <li>Proposals and the subsequent new product/activity review are formally presented and written.</li> <li>An accurate, informative, and timely management information system was regularly prepared and reviewed to inform management and to support compliance with board policy.</li> <li>Summary of findings or reviews of market risk policies and procedures and the adequacy of the market risk measurement systems including any findings of internal and external auditors and retained consultants.</li> </ul>   |
| 9 | <b>Business Continuity Program Management (BCP) Risk -</b><br>Risk to swiftly resume business operation in the event of business disruptions/ disasters              | Increasing risk since the bank was in the stage of digital transformation wherein reliant to technology that may impact the operation. However, there were action taken and existing controls to relevant risks and ability of the bank to swiftly resume business operation in any disruptions/disasters | <ul style="list-style-type: none"> <li>In the event of a disaster which interferes with Bank's ability to conduct business from one of its offices, this program is to be used by the responsible individuals to coordinate the business recovery of their respective areas and/or departments.</li> <li>The plan is designed to provide reference to all the information that might be needed at the time of a business recovery.</li> <li>The Business Continuity Management Program (Business Continuity Plan), is part of the overall Risk Management Program of the Bank, has been established not only to comply with the requirement as set out by the Bangko Sentral ng Pilipinas (BSP), but also to serve as a guide for the Board and Senior Management in ensuring continuity in the business of the bank and for carrying out smooth and efficient banking activities towards profitability.</li> </ul> |

| # | TYPE OF RISK | RISK PROFILE | MITIGATING STRATEGIES  |
|---|--------------|--------------|--|
|   |              |              | <ul style="list-style-type: none"> <li>Coverage of the Business Continuity Management Program (Business Continuity Plan) as follows:               <ol style="list-style-type: none"> <li>Alternate and Business Recovery Sites</li> <li>Business Continuity</li> <li>Business Continuity Management (BCM)</li> <li>Business Continuity Plan (BCP)/Plan</li> <li>Business Impact Analysis (BIA)</li> <li>Crisis</li> <li>Crisis Management Plan (CMP)</li> <li>Critical Process</li> <li>Cyber Resilience</li> <li>Events</li> <li>Pandemic</li> <li>Recovery Point Objective (RPO)</li> <li>Recovery Time Objective (RTO)</li> <li>Resilience</li> <li>Risk Assessment Technology Recovery Plan (TRP)/Disaster Recovery Plan (DRP)</li> </ol> </li> </ul> |

## REGULAR MONITORING

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

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

## RISK SCORING

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

### Likelihood and Impact Severity Thresholds

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

| RATING | MEANING        | DESCRIPTION                           |
|--------|----------------|---------------------------------------|
| 1      | Rare           | Less than 5% of the risk to occur     |
| 2      | Unlikely       | 6% to 20% of the risk occur           |
| 3      | Possible       | 21% to 50% of the risk to occur       |
| 4      | Likely         | 51% to 80% of the risk to occur       |
| 5      | Almost Certain | Greater than 80% of the risk to occur |

### Impact to the Organizations

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

## RISK ORGANIZATIONAL STRUCTURE

### The Board of Directors

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

### The Risk Oversight Committee

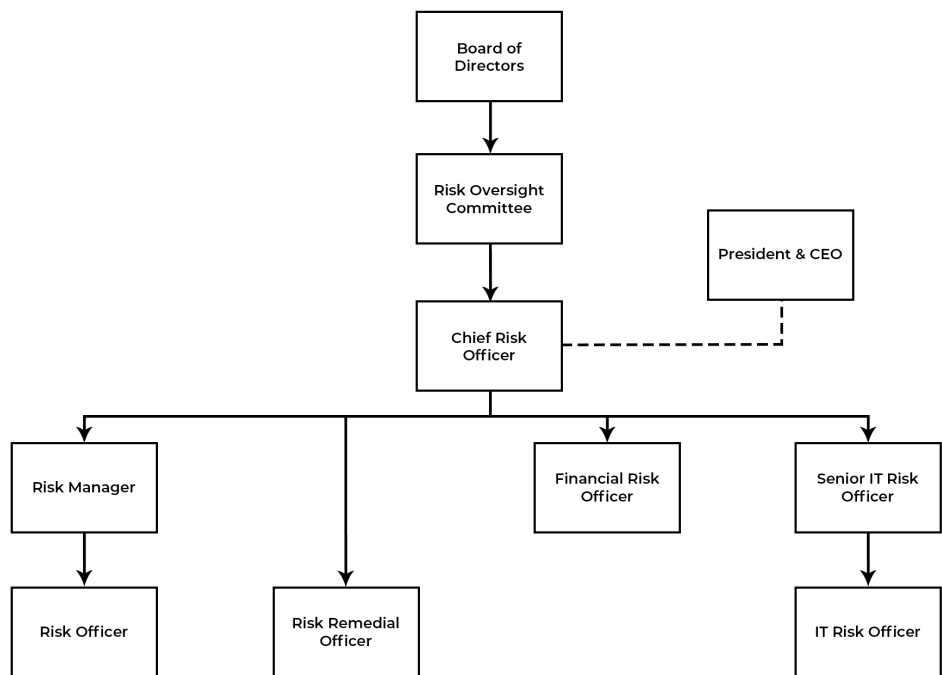
CARD Bank had a founding vision being a bank that would be owned by the poor, especially by the landless rural women. This vision was kept intact by its Board Members, the management, and more importantly, by its clients.

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

**The Risk Management Unit**

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

The unit is headed by a Chief Risk Officer with a level of Vice President who is reporting to Risk Management Committee and regularly coordinating to the President for all the matters related to risk. The unit is composed of Risk Manager, Risk Officer, IT Risk Officer, Loan Remedial Officer and Financial Risk Officer.





# CODE OF CONDUCT AND BUSINESS ETHICS

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

## Related Party Transactions

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

## STAKEHOLDERS INTEREST

CARD Bank recognizes the inherent rights of shareholders in accordance with the law and aligns the principles and policies with the interest of its shareholders.

### CARD Bank, Inc. Stockholders

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

### Disaster Preparedness and First Aid Training

In cooperation with LGU Fire Department and PNP, fire and earthquake drills, first aid, and robbery/theft training were conducted each year. Such training aim to orient and teach the staff of the Bank on how to be prepared in times of disaster or unfortunate events. With the limitations due to this COVID-19 pandemic, physical trainings to employees related to this disaster preparedness has been reduced. However, the branch offices were advised

to consistently participate in the LGU activities on disaster preparedness initiatives as part of LGU's awareness drive. Regular orientations and reminders were also conducted by the security group during their branch monitoring.

### **Supplier/Contractor Selection Criteria**

CARD Bank conducted annual review of the accredited suppliers to ensure that the Bank selected the most effective and efficient third-party product and service providers. The due diligence considered the financial stability of the supplier, the ability to provide competitive price, good products, and services, and its compliance with the regulatory requirements.

### **Employee Benefits**

As the Bank continues to give importance to its employees, the Bank conducted an Annual Physical Exam, commonly known to its staff as APE. The APE provided free health care benefits and free access to health facilities such as fitness center and medical clinics manned by occupational health practitioners. As a member institution of CARD MRI, CARD Bank continuously pursues competence and high regards on our human resources.

### **SUSTAINABLE FINANCIAL FRAMEWORK**

The Bank has given importance to the issues of climate change and other environmental and social risks that could pose financial stability concerns considering its possible impact on the operations of the Bank. As a social-oriented organization, the Bank has incorporated in its operations some initiatives that are aligned with the environmental and social risk management program. Among them are the assessment of client's loan applications to ensure that no client will be given financial assistance if the business or project is related or associated to social and environmental hazardous activities. The Bank has also offered loan products to support environmental and social programs such as Other Loans to help our clients install Solar Power equipment for their electric supply and educational loans for their children and grandchildren. Likewise, the Bank's corporate social responsibility programs were designed to improve the economic status of our clients and their families and contribute to the development of their community.

The sustainability landscape structure implementation of the bank is categorized into four sectors, each containing several fields of action. The first three sectors, namely Strategy and Management, Business Operations and Core Business, form the substance of implementation. The fourth sector, Communications and Corporate Citizenship, makes this substance visible both by communication and by the translation into the practice of donations and contributions.

The Bank has also supported Republic Act 9003, also known as the “Ecological Solid Waste Management Act”, by implementing proper segregation and disposal of solid wastes. Furthermore, as the issue of climate change continues to threaten our water resources, we implemented a policy that encourages all our offices to use water efficiently. We have used solar panels in some of our offices to ensure continuous operations despite certain calamities, especially storms and typhoons. This endeavor is also in line with the renewable energy initiative of CARD MRI.

### Overview

The earth’s environment is under severe stress from uncontrolled human activity, threatening the survival of our society and the performance of CARD Bank, Inc.’s mission and vision.

CARD Bank, Inc. accepts that it must work to contribute to preserve the environmental sustainability of the planet, at all levels of its operations – in its own practice, as a participant in a community of practice.

CARD Bank, Inc. aspires to minimize its impact on our environment and maximize the effective use of resources. We strive to achieve this by increasing communication and awareness of our efforts in accordance with this policy and fostering responsible environmental behavior amongst staff, volunteers, and users at all levels.

CARD Bank, Inc. is committed not only to complying with applicable law in all its operations but to minimize risks and impacts through the development of robust and documented systems to implement, measure, monitor, and disseminate excellent environmental performance both within its operations and to the broader community.

### Sustainable Development Policy

The Sustainability Policy aims to integrate a philosophy of sustainable development into all the organization’s activities and to establish and promote sound environmental and social practice in the operations.

CARD Bank, Inc. commits itself to minimizing its adverse impact to our environment and society through:

- Becoming a responsible business that meets the highest standards of ethics and professionalism.

- Promoting an identity as a socially aware and responsible business.
- Providing a safe and healthy workplace.
- Having an environmentally sustainable aware culture, where responsibility is assigned and understood.
- Being an environmentally responsible neighbor in our community.
- Conserving natural resources by reusing and recycling.
- Using, in our own operations, processes that do not adversely affect the environment.
- Ensuring the responsible use of energy throughout the organization.
- Participating in efforts to improve environmental protection and understanding.
- Taking steps to improve environmental performance continually.
- Conducting rigorous audits, evaluations, and self-assessments of the implementation of this policy.
- Working with suppliers who promote sound environmental practices; and
- Enhancing awareness among our employees, volunteers, and users – educating and motivating them to act in an environmentally responsible manner.

### Commitment to Sustainable Development

CARD Bank, Inc. is committed to support and uphold the principles and development strategy of the United Nations in achieving the 17 Sustainable Goals. Strategies of CARD Bank, Inc. to its journey towards sustainability:

### Existing Initiatives and Projects

| NO | SUSTAINABLE DEVELOPMENT GOALS (SDG) ALIGNMENT | RATIONALE   | EXISTING INITIATIVES AND PROPOSALS  |
|----|---|---|---|
| 1  | No Poverty                                    | <ul style="list-style-type: none"> <li>• End poverty in all its forms everywhere.</li> </ul>  | <ul style="list-style-type: none"> <li>• Objective and Goals of CARD Bank, Inc. to empower socially and economically challenged women and families with financial services.</li> <li>• Microfinance Products and Services offers loans related to combating poverty.</li> <li>• Progress Poverty Index (PII)</li> </ul> |
| 2  | Zero Hunger                                   | <ul style="list-style-type: none"> <li>• End hunger, achieve food security and improved nutrition, and promote sustainable agriculture</li> </ul> | <ul style="list-style-type: none"> <li>• Possibility to provide feeding initiatives to the communities.</li> <li>• Sponsorship with LGUs</li> </ul>   |

| NO | SUSTAINABLE DEVELOPMENT GOALS (SDG) ALIGNMENT | RATIONALE   | EXISTING INITIATIVES AND PROPOSALS   |
|----|---|---|--|
| 3  | Good Health and Well Being                    | <ul style="list-style-type: none"> <li>Ensure healthy lives and promote well-being for all at all ages</li> </ul>   | <ul style="list-style-type: none"> <li>Providing employees with health benefits such as PhilHealth card, EMPC benefits, and health insurances.</li> <li>Providing clients with insurance and health loans in the form of Sagip and Kabuklod Loan Product.</li> <li>Free check-up and community health day.</li> </ul>  |
| 4  | Quality Education                             | <ul style="list-style-type: none"> <li>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</li> </ul>                    | <ul style="list-style-type: none"> <li>Provide clients and employees with schooling programs to obtain a bachelor's degree in CMDI.</li> <li>Provide scholarships to children of clients and employees.</li> <li>Established the Zero Dropout Educational Scheme (ZeDrES).</li> <li>Credit with Education (CWE)</li> </ul>   |
| 5  | Gender Equality                               | <ul style="list-style-type: none"> <li>Achieve gender equality and empower all women and girls.</li> </ul>  | <ul style="list-style-type: none"> <li>Compliance with Philippines' Republic Act 9262 or Violence Against Women (VAW).</li> <li>Equal gender equality with the clients</li> <li>The same career development, equal treatment, and opportunity for both male and female employees</li> </ul>  |
| 6  | Clean Water and Sanitation                    | <ul style="list-style-type: none"> <li>Ensure availability and sustainable management of water and sanitation for all.</li> </ul>   | <ul style="list-style-type: none"> <li>MD-087-2022: CARD MRI's Commitment to Nation Building Environment Protection</li> <li>HR Advisory: Paalalang Pangkaayusan at Pangkalinisan sa Lugar na Pinagtatrabahuhan at Himpilan</li> <li>Policy memo related to MMA Memo 34; Polisiya at Patakaran Patungkol sa Kalikasan at Panlipunan</li> <li>Sponsorship of cleaning rivers, lakes, and oceans</li> <li>Tree planting</li> </ul> |
| 7  | Affordable and Clean Energy                   | <ul style="list-style-type: none"> <li>Ensure access to affordable, reliable, sustainable, and modern energy for all.</li> </ul>  | <ul style="list-style-type: none"> <li>Provide solar panels to clients through an affordable loan.</li> <li>Implementation of solar equipment to provide renewable electric source to branches located in far-flung rural areas.</li> </ul>  |
| 8  | Decent Work and Economic Growth               | <ul style="list-style-type: none"> <li>Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.</li> </ul> | <ul style="list-style-type: none"> <li>Public Service Awardee of Ramon Magsaysay in 2008.</li> <li>To be included in the Top Employers List</li> </ul>   |
| 9  | Industry, Innovation, and Infrastructure      | <ul style="list-style-type: none"> <li>Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation</li> </ul>              | <ul style="list-style-type: none"> <li>Development and implementation of technology-based service delivery initiatives e.g. MOB, LOS, Chatbot, DCM, ATM, konek2CARD. Less documents are needed, and less physical storage is required.</li> <li>Use of cloud (e.g. google) checklists compared to paper-based checklist.</li> <li>Continuous digital innovation</li> </ul>   |

| NO | SUSTAINABLE DEVELOPMENT GOALS (SDG) ALIGNMENT | RATIONALE  | EXISTING INITIATIVES AND PROPOSALS   |
|----|---|--|--|
| 10 | Reduced Inequalities                          | <ul style="list-style-type: none"> <li>Reduce income inequality within and among countries.</li> </ul>   | <ul style="list-style-type: none"> <li>Equal financial services opportunities for men and women.</li> <li>Acceptance of employees and clients with disability and equal treatment.</li> </ul>  |
| 11 | Sustainable Cities and Communities            | <ul style="list-style-type: none"> <li>Make cities and human settlements inclusive, safe, resilient, and sustainable</li> </ul>  | <ul style="list-style-type: none"> <li>All employees should have tumblers to prevent using plastic mineral waters.</li> <li>Avoid using plastic utensils.</li> <li>Proper segregation of garbage into Plastic, Paper and "Nabubulok".</li> <li>Possible to have a project initiative of tree planting and community cleaning sponsored by CARD Bank, Inc.</li> <li>Project initiative on how we can give back to the community.</li> <li>CWE consideration regarding Sustainable Cities and Communities.</li> <li>Possible review of housing loan criteria.</li> </ul> |
| 12 | Responsible Consumption and Production        | <ul style="list-style-type: none"> <li>Ensure sustainable consumption and production patterns</li> </ul>   | <ul style="list-style-type: none"> <li>Upgrading of Desktop PC/Laptop compared to purchasing new system units.               <ol style="list-style-type: none"> <li>For upgrade of storage and memory for basic workstations (e.g. tellers and operations).</li> <li>For advance workstations for Cashier and Bookkeeper, new system unit or an 8th gen processor CPUs or higher, SSD storage and minimum of 8GB memory are required.</li> </ol> </li> <li>Use of aircon should be within office hours</li> </ul>  |
| 13 | Climate Action                                | <ul style="list-style-type: none"> <li>Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy.</li> </ul>  | <ul style="list-style-type: none"> <li>Develop training modules (Credit with Education or CWE) to give awareness and to educate and engage clients into traditional fishing and farming and conventions method of fishpond management and hydroponic system of planting.</li> </ul>  |
| 14 | Life Below Water                              | <ul style="list-style-type: none"> <li>Conserve and sustainably use the oceans, seas, and marine resources for sustainable development.</li> </ul>   | <ul style="list-style-type: none"> <li>Conserve and sustainably use the oceans, seas, and marine resources for sustainable development.</li> </ul>   |
| 15 | Life on Land                                  | <ul style="list-style-type: none"> <li>Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.</li> </ul> | <ul style="list-style-type: none"> <li>Avoid and control loans related to the possible degradation of the forest and nature reserves.</li> <li>Tree planting.</li> <li>Clean the lakes (e.g. Sampaloc lake)</li> <li>Monitoring E&amp;S regarding forestry</li> </ul>  |

| NO | SUSTAINABLE DEVELOPMENT GOALS (SDG) ALIGNMENT | RATIONALE   | EXISTING INITIATIVES AND PROPOSALS   |
|----|---|---|--|
| 16 | Peace, Justice, and Strong Institutions       | <ul style="list-style-type: none"> <li>Promote peaceful and inclusive society for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels.</li> </ul> | <ul style="list-style-type: none"> <li>The institution do not support rebels, bribery, and other wrongdoings.</li> <li>AML compliance consistently monitor possible use of banking facilities for crimes (e.g. money laundering).</li> <li>AML and Compliance awareness</li> </ul> |
| 17 | Partnership for the Goals                     | <ul style="list-style-type: none"> <li>Strengthen the means of implementation and revitalize the global partnership for sustainable development.</li> </ul>   | <ul style="list-style-type: none"> <li>Partnership with companies with sustainable development goals and ethical practices.</li> </ul>   |

### Transparency and Disclosure

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



# DATA PRIVACY STATEMENT

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

## GENERAL STATEMENT

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

## OUR PRIVACY PRACTICES

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

## WHAT DATA DO WE COLLECT FROM YOU

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

- Name, Age, Date and Place of Birth, Gender, Civil Status, Nationality;
- Address and Contact Details (Home/Business);
- Educational Background;
- Employment History;
- Financial Information (such as income, expenses, balances, investments, tax, insurance, financial and transaction history, etc.);
- Specimen Signature;
- Permits, Licenses and Registrations;
- Status of Pending Civil/Criminal Cases (if any);
- Telephone conversation recordings through our Customer Service Representative;
- CCTV footage for security purposes;
- Religion;
- Health/Disability;
- Regulatory Numbers (HDMF/SSS/TIN);
- Housewife/Husband Information (Name/Occupation);
- Valid ID & Photos;
- Mother's Maiden Name;
- Mugshots or Identification photos (contains full name, customer information file (CIF), birthdate, mobile number, source of fund, educational attainment, and signature)

## HOW WE USE YOUR INFORMATION

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

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

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

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

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

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

### **RECIPIENTS OF INFORMATION**

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

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

### HOW WE SAFEGUARD YOUR PERSONAL INFORMATION

In accordance with the provisions of the DPA, Republic Act No. 1405 otherwise known as the Bank Secrecy Law, Republic Act No. 8791 otherwise known as the *General Banking Law of 2000*, Republic Act No. 6426 otherwise known as *The Foreign Currency Deposit Act*, BSP Circular No. 808, Series of 2013 otherwise known as the *Guidelines on Information Technology Risk Management for All Banks and other Supervised Institutions*, and BSP Circular No. 982, Series of 2017 otherwise known as the *Enhanced Guidelines on Information Security Management*, CARD Bank, its employees, agents, and representatives, shall handle personal information with utmost care and adhere to the implemented organizational, physical, and technical security measures to maintain the confidentiality, integrity, security, and availability of all personal information under its custody.

### HOW LONG DO WE KEEP YOUR INFORMATION

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

### YOUR RIGHTS AS DATA SUBJECT

CARD Bank respects your rights to:

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

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

## HOW TO CONTACT US

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

You may also visit the Customer Service Desk at any of CARD Bank's branches or call the Customer Service Hotlines at the following numbers: [cardbankcsr@cardmri.com](mailto:cardbankcsr@cardmri.com):

Tel No. : (049)-503-4156

Smart : 0909-233-6852

Globe : 0917-707-9819

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

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

Email: [dpo@cardmri.com](mailto:dpo@cardmri.com)

Telephone Number: (049) 562-4309

Address: 20 ML Quezon St., City Subdivision, San Pablo City, Laguna

## CHANGES TO OUR PRIVACY STATEMENT

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



# DIVIDEND POLICY

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

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

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

## RIGHT TO DIVIDENDS

1. Stockholders have the right to declare dividends subject to the discretion of the Board.
2. The Bank shall be compelled to declare dividends when its retained earnings is in excess of 100% of its paid-up capital, except:
  - a. When justified by definite corporate expansion projects or program approved by the Board; or
  - b. When the Bank is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such has not been secured; or
  - c. When it can be clearly shown that such retention is necessary under circumstances obtaining in the Bank, such as when there is a need for a special reserve for probable contingencies.
  - d. When the Bank's Capital Adequacy Ratio falls below the set internal limit of 15%
  - e. When the Bank's Liquidity Ratio is at 20% and below.
3. The Bank is compliant to BSP issued regulations on dividend declaration.
4. Dividend declaration maybe in form of stock or in cash or both stock and cash.

### Requirements on the declaration of dividends

At the time of dividends declaration, the Bank ensures that it is compliant with the requirements on the declaration of dividends under Section 124 of the Manual of Regulation for Bank of the BSP, as follows:

1. Clearing account with the BSP is not overdrawn;
2. Liquidity floor requirement for government funds;
3. Minimum capitalization requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework; and
4. Has not committed any unsafe or unsound banking as defined under existing regulations and/or major acts or omissions as may be determined by the BSP to be ground for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor of the appropriate sector, as may be applicable, upon recommendation of the appropriate supervising department of the BSP.

### Specific Guidelines

1. The **net amount available for dividends** shall be the amount of unrestricted or free retained earnings and undivided profits reported in the Financial Reporting Package (FRP) as of the calendar/fiscal year-end immediately preceding the date of dividend declaration. The amount of dividends from the unrestricted/free retained earnings shall be based on a sound accounting system and loss provisioning processes under existing regulations which takes into account relevant capital adjustments including losses, bad debts, and unearned profits or income
2. The proposed rate of dividend per share for common stock shall be determined by considering the average CAR after declaring dividend which must not be lower than previous year.
3. The proposed rate of dividends per share for preferred stock shall be at least 8% per year.
4. Included in the bank's cash flows.

5. The following ratio must be maintained at its acceptable level:

- Return on Assets
- Return on Equity
- Net Interest Margin
- Cost to Income
- Operational Self Sufficiency
- Liquidity Ratio
- MLR

### **Recording of dividends**

The liability for dividends declared shall be taken up in the bank's books upon its declaration. For full disclosure purposes, the dividends declared shall be disclosed in the financial statements either as a footnote in the statement of changes in equity or in the notes to the financial statements.

### **Issuance of fractional shares**

Whenever the declaration of stock dividend results in the issuance of fractional shares, banks may observe the following guidelines:

1. The amount corresponding to the fraction should be given in the form of cash dividend; and
2. The certificate of stock issued should be in whole numbers. In no case shall the certificate of stock be issued including such fractional share.

# CONSUMER PROTECTION PRACTICES



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

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

## Consumer Protection Risk Management System

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

The Board of Directors have the ultimate duties and responsibilities to ensure full compliance with the consumer protection policies and procedures. The board is responsible for the development and maintenance of a sound Customer Protection and Risk Management System for all products and services life cycle. Board and Senior Management ensure that effectiveness of this system is periodically reviewed including reporting of findings and audit mechanism in place. The Compliance Unit office through its day-to-day monitoring activities ensure that each office has complied with the standards provided in this consumer protection program. Simultaneous with operations and financial audit, Internal Audit Unit likewise ensure that bank's consumer protection practices have been implemented and reviewed.

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

### **a. Disclosure and Transparency**

Recognizing the contribution as well as the rights of customers, the Bank in its policy promotes disclosure and transparency by providing customers with sufficient information to understand the products and services being offered. This information will enable customers to make informed financial decisions by providing them easy access to information such as terms and condition of the products/services being availed of benefits and its associated risks. This shall be applicable even to products and services offered electronically as well as to products catering to different market segments with particular consideration for segments that may have limited financial literacy.

1. The Bank discloses key information related to product and services being offered.
2. The Bank recognizes the contribution of advertisements and promotional materials as a way in communicating its products and services including its benefits.
3. Members of the board, management, officers, and employees are committed to adhere to ethical business conduct and shall not enter business transactions where conflict of interest may arise. As such, the Bank ensure that the following are consistently complied into for the protection of the Bank and its customer.
  - a. Full disclosure to the customer prior to any transaction that the bank or its staff has an interest in a direct/cross transaction with consumer.
  - b. Should products be marketed is issued by a related company, the bank informed the customer on the limited availability of the products being marketed.
  - c. Basis of the remuneration (e.g. commission, incentives, etc.) of the Bank at pre-contractual stage is disclosed.
  - d. Regular monitoring to promptly identify issues and matters that may be detrimental to the customer is conducted.

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

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

- Confidentiality and security of client information
- Sharing of Customer Information

### **c. Fair Treatment**

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

### **d. Effective Recourse**

The Bank has designated service helpdesk accountable on the processing of client's inquiries and concerns to ensure that it is properly attended, timely responded and resolved, which is accessible to the customers. The Bank have mechanisms in place for complaint handling and redress and have employ various modalities and technological innovations.

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

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

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

### **Consumer Assistance Management System (CAMS)**

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

- Established a consumer service unit that is responsible in dealing with consumer concerns independently. Personnel handling customer service is equipped with the necessary knowledge and skills in the implementation of customer assistance program of the bank.
- Several channels have been set up by the Bank to ensure that customers are given option to lodge their concern as follows;
  - a. Customer Service Officer (CSO) in the branch for walk-in clients;
  - b. Customer Service Desk (Available Monday-Sundays, Holidays, 24/7)
    - √ Customer Service hotline numbers accepting calls:

|                 |                 |
|-----------------|-----------------|
| +63909-233-6852 | (Talk and Text) |
| +63998-530-8689 | (Smart)         |
| +63943-705-2510 | (Sun)           |
| +63917-707-9819 | (Globe)         |
    - √ Customer Service hotline numbers for Text and Viber messages:

|                 |         |
|-----------------|---------|
| +63961-021-4271 | (Smart) |
|-----------------|---------|
    - √ Bank's CSR email address: [cardbankcsr@cardmri.com](mailto:cardbankcsr@cardmri.com)
    - √ Facebook Messenger (Chat messages): CSR CARD Bank
    - √ Official website [www.cardbankph.com](http://www.cardbankph.com)
    - √ Installation of suggestion box and incidents complaint logbooks to all branches and branch-lite unit offices

# CORPORATE SOCIAL RESPONSIBILITY



## Policy Objective

To promote social empowerment through the Corporate Social Responsibility (CSR) programs of CARD Bank, create more opportunities for raising savings mobilization, reducing default rates, measure positive community impact among its clients.

## Policy Statement

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

For almost three decades, CARD Bank assures its beneficiaries that the programs will address its impact on their lives, such as its relevance in addressing current society concerns, long-term commitment in continuing the programs and services, and effectiveness in inspiring other institutions to commit to similar initiatives.

CARD Bank aims to provide its holistic social development services to its marginalized clients, regardless of background and ethnicity, by giving them access to health care services, affordable education assistance, and immediate distribution of relief goods, stress debriefing, health missions, and immediate claims payment in times of need.

CARD Bank believes that financial support must be complemented with the suitable and effective community development services to achieve poverty eradication. CARD Bank has been aggressive in delivering various programs which will assist its clients with their growing business, as well as other needs such in health in education.

## A.HEALTH PROTECTION PROGRAM

CARD Bank ensures that the health of its clients is protected. Finding out that most clients and their families suffer from common, treatable, and/ or preventable illnesses, CARD Bank established the Microfinance and Health Protection (MAHP) Program unit. With the establishment of the unit, clients then have a greater access to affordable and quality consultation services, drug prescription, and information on how to seek the correct treatment for a situation. This enables CARD Bank to tend to the clients' and their family's healthcare needs.

As the end of the COVID-19 pandemic is in sight, CARD Bank, Inc. steadily returns to its regular health programs for CARD staff, clients, their families, and the communities. The Bank encourages health literacy, healthy habits, and the overall well-being of underprivileged communities.

*1. CARD E-Doctor Consultation*

The threat posed by COVID-19 propels our Microfinance and Health Protection (MaHP) Program Unit to maximize the use of digital initiatives when it comes to health. We continue to provide free health consultation using Facebook Messenger where our medical health practitioners offer medical support to the communities nationwide. Through this program, CARD Bank bridges the gap between people in need and medical health services.

*2. CARD MediKaalaman*

The CARD e-Doctor Facebook Page became a venue for CARD Bank to inform and educate the public about many health concerns and issues. We do free health webinars using the CARD e-Doctor FB page to discuss different health topics.

*3. Health Education*

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

*4. Community Clinic*

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

## **B.SCHOLARSHIP PROGRAM**

Believing that education brings about change in the community, CARD Bank, together with the members of CARD MRI, offers educational assistance and scholarship through the CARD Scholarship Program (CSP) of CARD MRI. Launched in the year 2000, the program has been actively and successfully providing a platform for qualified students to have well deserved opportunities for education.

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

# PRODUCTS AND SERVICES

## SAVINGS PRODUCTS

| Product          | Target                            | Value Proposition                       | Benefit Statement                      | Interest Rate   |
|------------------|-----------------------------------|---|--|---|
| Pledge Savings   | 18-65 yrs.                        | Saving leading to CB stock ownership    | Your gateway to CARD Bank ownership    | 2%  |
| Kayang-Kaya      | 16 yrs .and up                    | Accessibility and affordability         | Easy way to start saving               | 0.50%   |
| Matapat          | 16 yrs. and up                    | Convenience and Accessibility           | 24/7 access to your savings            | 0.25%   |
| Maagap           | Below 16 yrs.                     | Affordable and fun way for kids to save | Build your child's saving habits early | 0.50%   |
| Tiwala           | 18 yrs. and up                    | Long term savings, high returns         | Secured savings for a better future    | Based on prevailing market rate   |
| Tagumpay         | 18 yrs. and up                    | Habitual savings, Higher returns        | Big dreams start with small savings    | 3% for 5 year contract  |
| Checking Account | 18 yrs. and up, business operator | Easy payment for business transactions  |  | 1% for the interest bearing account with maintaining balance of P20,000 |
| Dollar Account   | 18 yrs. old and up                | For investment                          |  | 0.25%   |

## LOAN PRODUCTS

### A. Microfinance Loans

As a microfinance-oriented rural bank, CARD Bank offers microfinance loan which is primarily intended for the clients currently engaged and those who are willing to set-up livelihood or income-generating activities, enterprises, or businesses. Different microfinance loan products were developed pursuant to BSP regulatory guidelines and offered to qualified microfinance clients to fully respond to the needs of the clients. MF loan products are as follows:

- **MF-Sikap Loan** - intended for business or enterprises of the microfinance clients such as but not limited to working capital, purchase of equipment and assets for use in the business, buying of raw materials, etc.



- **MF-Sikap-GLIP** - intended to assist business or enterprises of GLIP members such as but not limited to working capital, purchase of equipment and assets for use in the business, buying of raw materials, etc.
- **MF-eSikap Loan** - intended for microfinance client as additional working capital that is process electronically through *Tita Susie* chatbot platform using mobile phone of the client.
- **MF-Microfinance Plus** - intended for microfinance clients who have demonstrated success in managing their businesses and will be needing loans above PHP 15,000.00
- **MF-Sipag Loan** - intended for small entrepreneurs needing loan facility to support their expanding business operations.
- **MF-Micro Agri Loan** - intended for microfinance clients as additional capital in the implementation of their agricultural and other Agri-Agra related businesses.
- **MF-Special Agri Loan** - aims to grant agricultural loans to satisfy the financing needs for working capital or fixed assets of the farm or related expenses for good clients that have proven track record with the institution.
- **MF-Micro Housing Loan** - offered to give comfort to the clients and their family as shelter is considered primary needs of everyone.
- **MF-Special Liquidity Fund** – intended to support the liquidity of konek2CARD Agents and is intended as their revolving fund.

**B.** To assist the microfinance clients who have demonstrated growth in terms of managing their businesses and showing potentials and indicators for expanding their businesses thereby needing loan amounts that are greater than PHP 300,000.00, an SME Loans were developed to respond to their particular needs. SME Loan products are as follows:

- **SME – Working Capital**
- **SME – Investment**

### **C. Other Loans**

- **OL-Personal Loan** - intended for microfinance clients to provide them with flexible financial assistance that they can utilize for their own personal consumption.
- **OL-ePersonal Loan** - intended to provide flexible financial assistance to client thru Tita Susie chatbot platform using mobile phone of the client.
- **OL-Cellphone Loan** - offered to microfinance clients for the purpose of acquiring mobile phone/cellphone unit to support the bank's implementation of its Mobile Financial Services.
- **OL-Health Loan** - intended for health insurance premium payment of clients and savers who wants to avail insurance products or laboratory test for their continuous

protection against unexpected circumstances such as sickness, loss of life and property, among others.

- **OL-Educational Loan** - intended to assist those clients who have children but needs financial assistance to send them to school.
- **OL-Salary Loan** - intended to build and strengthen the relationship of the bank with different communities that it operates particularly municipal offices and private schools in the area with proven track record in managing salary loans with their employees.
- **OL-Calamity Loan** - intended to help our clients whose households and businesses have been affected by calamities such as but not limited to typhoons, earthquake, fires, floods, volcanic eruption, etc.
- **OL-Solar Loan** - intended to assist our clients in availing of a solar power equipment for their household use.

## Other Products and Services

### A. Remittance Program

Another service of CARD Bank is the remittance program that provides local and international money transfer in partnership with other banks and service providers.

#### 1. CARD Sulit Padala

CARD Sulit Padala serves as the flagship remittance services of the Bank. This service was conceptualized in June 2006 as result of monitoring visits in Marinduque. In one of the monitoring, many clients have expressed their need for CARD Bank assistance in remitting their money from Marinduque going to their family members and relatives residing in other provinces specifically in Metro Manila. With this experience, the bank has immediately developed a remittance services such that all branches and banking offices of CARD Bank can immediately facilitate the transfer of funds at the most affordable rate.

To further improved CARD Sulit Padala remittance services, it was also offered by related financial institutions of CARD MRI (e.g. CARD SME Bank, CARD RBI, CARD, Inc.) which eventually increase the number of outlets where client can send and receive their remittances.

#### 2. Partnership Remittance Services (Local and International)

Aiming to expand the operation of remittance services and reach every corner of the Philippines where CARD Sulit Padala remittance services do not have presence

yet, the Bank have collaborated with different remittance service providers. With the request of other clients who work as Overseas Foreign Workers (OFW), remittance partnership was extended to those who have including international remittance services. The list of partner remittances service providers are as follows:

1. Western Union (Domestic and International)
2. BDO Remittance (Domestic)
3. Express Money (Domestic)
4. MoneyGram
5. Transfast (International)
6. G-XCHANGE, Inc. (G-Cash) (Domestic)
7. Cebuana Pera Padala Service (Domestic)

This is a global move of CARD bank to provide multilateral services to perceived untouched market such as OFWs, local workers, pensioners and others who are using remittance to transfer cash. It also aims to encourage OFWs to remit savings at CARD bank in preparation for their homecoming where they can have funds to use should they decide to stay in the country and embark on entrepreneurial activities.

## **B. Cross-Selling of Micro-Insurance Products**

### **1. CARD Mutual Benefit Association (CARD MBA) Products**

The CARD Members Mutual Fund (MMF) was established in 1994 and serves as insurance fund that provides for burial expenses and loan redemption in the event of death of the member and their families. Premiums consisted of the PHP 5.00 weekly contribution for **All Loan Insurance Package** (*modified Loan Redemption Fund*); PHP 15.00 for **Life Insurance Program with Total and Permanent Disability, Accidental Death Motor-vehicle Accidental Hospitalization (MVAH)**; and the 1.5% **Loan Redemption Fee (LRF)** on all loans. In December 1996, it included a pension plan for older clients who had been incapacitated by old age, and emergency medical assistance in the event of serious illness or injury.

CARD MBA is a Mutual Benefit Association formed to promote the welfare of marginalized women; to extend financial assistance to its members in the form of death benefits, medical subsidy, pension/retirement savings and loan redemption; and to actively involve its members in the direct management of the Association including formulation and implementation of policies and procedures geared towards sustainability and improved services.

**a. List of Cross-sell MBA Products**

1. Basic Life Insurance
2. Retirement Savings Fund
3. Credit Life Insurance
4. Basic Life Insurance Extension
5. Golden Life Insurance
6. Member Remitter Personal Accident Cover
7. Family Security Plan

**2. CARD Pioneer Microinsurance Inc. (CPMI) Products**

In 2013, CARD and Pioneer joined together to provide microinsurance to socially-and-economically challenged families through CARD Pioneer Microinsurance Inc. (CPMI). The collaboration creates a mark in history as it paved the way for the establishment of the very first microinsurance company in the Philippines.

CPMI plan to fill the gaps in the market through fearless and creative approaches in the distribution of microinsurance and retail products to get more and more Filipinos insured.

**a. List of Cross-sell CPMI Products**

1. SAGIP Plan
2. Kabuklod Plan
3. CARD Care
4. Emergency Room (ER) Care

**C. Bills Payment Services**

With the objective to provide full financial services to our clients, the Bank has entered into collection agreement with different payment platform providers to bring bills payment services closer to the doorstep of our clients. Through the offering of this service, the Bank has become a one-stop-shop where clients can have all its financial transaction be served. The following are the partners of the bank in the delivery of Bills Payment Services:

1. Bayad Center
2. Electronic Commerce Payments, Inc. (ECPay)
3. Digipay (for konek2CARD bills payment services)

Following are the major bills payment transactions that can be served by the bank.

1. Government Services (SSS, PhilHealth, Pag-Ibig, PRC, DFA, NBI, POEA, NSO, etc.)
2. Telecommunications (PLDT, Smart, Sun, Globe, PT&T, Bayan, Clarktel, etc.)
3. Credit Cards (BPI, Metrobank, RCBC, Union Bank, Equicom, etc.)
4. Travel (PAL, Cebu Pacific, Zest Air, Air Asia, etc.)
5. Real Estate (Camella, Bria, Brittany, CrownAsia, Lumina, Rockwell Land, etc.)
6. Electricity Company Providers
7. Water Utility Providers
8. Insurance, Preneed, and Healthcare providers
9. Memorial Parks and Columbarium
10. Cable Providers
11. Schools
12. Others

#### **D. RCBC POS Machine**

In 2020, the use of Point-of-Sale Machine powered by RCBC was introduced for clients to service ATM transactions of other banks' ATM account, as follows:

- Cash In – My wallet reloading
- Cash In – Remit to Account
- Cash Out
- Bills Payment
- Inter/Intra-Bank Fund Transfer
- E-load
- Balance Inquiry

#### **E. Social Security System (SSS) Membership Application**

To ensure that clients can enjoy the SSS benefits, the Bank and Social Security System has entered into partnership agreement allowing the Bank to act as SSS Agent that receive and screen SSS membership application of existing MF clients, or to collect SS contribution payments, loan amortizations, and miscellaneous payments.



## **AUDITED FINANCIAL STATEMENTS**

FINANCIAL STATEMENTS

**CARD Bank, Inc.**  
*(A Microfinance-Oriented  
Rural Bank)*

Financial Statements  
December 31, 2022 and 2021

and

Independent Auditor's Report



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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of CARD Bank, Inc. (A Microfinance-Oriented Rural Bank) (the Bank), which comprise the statements of financial position as of December 31, 2022 and 2021, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

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

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

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

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



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

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

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

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

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

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



### **Reports on the Supplementary Information Required Under Section 1074 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 BSP Circular No. 1074 in Note 25 and Revenue Regulations 15-2010 in Note 26 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of CARD Bank, Inc (A Microfinance-Oriented Rural Bank). The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

*Miguel U. Ballelos Jr.*

Miguel U. Ballelos, Jr.

Partner

CPA Certificate No. 109950

Tax Identification No. 241-031-088

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109950-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025

PTR No. 9369777, January 3, 2023, Makati City

April 28, 2023

**CARD BANK, INC.**  
**(A MICROFINANCE-ORIENTED RURAL BANK)**  
**STATEMENTS OF FINANCIAL POSITION**

|   | <b>December 31</b>     |                 |
|---|------------------------|-----------------|
|   | <b>2022</b>            | <b>2021</b>     |
| <b>ASSETS</b>   |                        |                 |
| Cash and other cash items (Note 6)  | <b>₱226,680,834</b>    | ₱222,663,426    |
| Due from Bangko Sentral ng Pilipinas (Notes 6 and 13)   | <b>311,026,910</b>     | 302,677,796     |
| Due from other banks (Note 6)   | <b>2,773,933,851</b>   | 3,003,050,174   |
| Financial assets at fair value through other comprehensive income (Note 7)                                  | <b>1,864,237,792</b>   | 1,220,531,154   |
| Financial assets at amortized cost (Note 8)   | <b>2,243,617,576</b>   | 1,960,031,005   |
| Loans and receivables, net (Note 9)   | <b>13,277,809,970</b>  | 12,908,415,676  |
| Investments in associates (Note 10)   | <b>679,572,915</b>     | 457,382,519     |
| Property and equipment, net (Note 11)   | <b>689,160,494</b>     | 680,647,653     |
| Retirement asset (Note 19)  | <b>214,170,335</b>     | 158,857,899     |
| Deferred tax assets (Note 21)   | <b>189,212,761</b>     | 330,515,026     |
| Other assets (Note 12)  | <b>141,428,437</b>     | 187,855,796     |
|   | <b>₱22,610,851,875</b> | ₱21,432,628,124 |
| <b>LIABILITIES AND EQUITY</b>   |                        |                 |
| <b>Liabilities</b>  |                        |                 |
| Deposit liabilities (Notes 13 and 22)   |                        |                 |
| Demand  | <b>₱292,168,616</b>    | ₱341,935,951    |
| Savings   | <b>14,598,821,830</b>  | 14,505,399,497  |
|   | <b>14,890,990,446</b>  | 14,847,335,448  |
| Bills payable (Note 14)   | <b>199,381,422</b>     | 580,907,548     |
| Income tax payable (Note 21)  | <b>228,556,580</b>     | 250,417,351     |
| Other liabilities (Note 15)   | <b>732,459,650</b>     | 742,962,032     |
|   | <b>16,051,388,098</b>  | 16,421,622,379  |
| <b>Equity</b>   |                        |                 |
| Capital stock (Note 17)   |                        |                 |
| Preferred stock   | <b>1,361,010,600</b>   | 1,259,069,800   |
| Common stock  | <b>2,700,738,000</b>   | 1,999,896,500   |
|   | <b>4,061,748,600</b>   | 3,258,966,300   |
| Surplus   | <b>2,462,898,942</b>   | 1,548,863,125   |
| Surplus reserve   | <b>-</b>               | 179,604,796     |
| Remeasurement gains on retirement liabilities (Note 19)   | <b>69,008,447</b>      | 16,544,753      |
| Share in other comprehensive income of an associate (Note 10)   | <b>3,818,135</b>       | (3,671,304)     |
| Net unrealized gains (losses) on financial assets at fair value through other comprehensive income (Note 7) | <b>(38,010,347)</b>    | 10,698,075      |
|   | <b>6,559,463,777</b>   | 5,011,005,745   |
|   | <b>₱22,610,851,875</b> | ₱21,432,628,124 |

*See accompanying Notes to Financial Statements.*



**CARD BANK, INC.**  
**(A MICROFINANCE-ORIENTED RURAL BANK)**

**STATEMENTS OF INCOME**

|  | <b>Years Ended December 31</b> |                |
|--|--------------------------------|----------------|
|  | <b>2022</b>                    | <b>2021</b>    |
| <b>INTEREST INCOME ON</b>                                |                                |                |
| Loans and receivables (Note 9)                           | <b>P6,433,577,244</b>          | P5,773,388,530 |
| Due from other banks (Note 6)                            | <b>61,682,474</b>              | 40,216,930     |
| Investment securities (Notes 7 and 8)                    | <b>171,853,528</b>             | 97,563,242     |
|  | <b>6,667,113,246</b>           | 5,911,168,702  |
| <b>INTEREST EXPENSE ON</b>                               |                                |                |
| Deposit liabilities (Notes 13 and 22)                    | <b>266,824,639</b>             | 313,192,560    |
| Bills payable (Note 14)                                  | <b>11,108,237</b>              | 31,608,332     |
| Lease liabilities (Note 20)                              | <b>11,685,715</b>              | 14,407,852     |
|  | <b>289,618,591</b>             | 359,208,744    |
| <b>NET INTEREST INCOME</b>                               | <b>6,377,494,655</b>           | 5,551,959,958  |
| Miscellaneous (Note 18)                                  | <b>187,156,546</b>             | 57,308,662     |
| <b>TOTAL OPERATING INCOME</b>                            | <b>6,564,651,201</b>           | 5,609,268,620  |
| <b>OPERATING EXPENSES</b>                                |                                |                |
| Compensation and benefits (Notes 19 and 22)              | <b>1,642,230,388</b>           | 1,549,052,912  |
| Provision for expected credit losses (Note 9)            | <b>438,261,950</b>             | 827,285,468    |
| Taxes and licenses (Note 26)                             | <b>454,277,481</b>             | 441,358,678    |
| Transportation and travel                                | <b>322,820,440</b>             | 251,131,290    |
| Information and technology (Note 22)                     | <b>242,566,973</b>             | 234,861,670    |
| Depreciation and amortization (Note 11)                  | <b>206,456,012</b>             | 204,855,019    |
| Stationery and office supplies                           | <b>212,492,492</b>             | 172,941,733    |
| Postage, telephone, and cable                            | <b>116,322,094</b>             | 104,313,724    |
| Security, messengerial and janitorial                    | <b>65,165,672</b>              | 103,930,898    |
| Rent (Notes 20 and 22)                                   | <b>73,036,550</b>              | 91,484,155     |
| Power, light, and water                                  | <b>53,869,812</b>              | 43,631,410     |
| Donations and charitable contributions                   | <b>45,000,000</b>              | 39,422,824     |
| Insurance  | <b>42,641,521</b>              | 39,360,755     |
| Repairs and maintenance                                  | <b>38,258,637</b>              | 24,061,267     |
| Employee trainings (Note 22)                             | <b>50,516,085</b>              | 22,130,225     |
| Management and other professional fees                   | <b>13,975,226</b>              | 9,670,884      |
| Seminars and meetings (Note 22)                          | <b>15,183,738</b>              | 8,772,671      |
| Members training and development (Note 22)               | <b>18,077,553</b>              | 5,655,308      |
| Program monitoring and evaluation                        | <b>6,370,543</b>               | 2,973,811      |
| Directors' fee   | <b>3,871,814</b>               | 2,722,000      |
| Miscellaneous (Notes 18 and 22)                          | <b>37,719,710</b>              | 45,058,674     |
|  | <b>4,099,114,691</b>           | 4,224,675,376  |
| <b>INCOME BEFORE SHARE IN NET INCOME OF AN ASSOCIATE</b> | <b>2,465,536,510</b>           | 1,384,593,244  |
| <b>SHARE IN NET INCOME OF ASSOCIATES (Note 10)</b>       | <b>152,025,943</b>             | 60,222,126     |
| <b>INCOME BEFORE TAX</b>                                 | <b>2,617,562,453</b>           | 1,444,815,370  |
| <b>PROVISION FOR INCOME TAX (Note 21)</b>                | <b>617,550,877</b>             | 386,580,226    |
| <b>NET INCOME</b>  | <b>P2,000,011,576</b>          | P1,058,235,144 |

*See accompanying Notes to Financial Statements.*

**CARD BANK, INC.**  
**(A MICROFINANCE-ORIENTED RURAL BANK)**

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**STATEMENTS OF COMPREHENSIVE INCOME**

|  | <b>Years Ended December 31</b> |                       |
|--|--------------------------------|-----------------------|
|  | <b>2022</b>                    | <b>2021</b>           |
| <b>NET INCOME</b>  | <b>₱2,000,011,576</b>          | <b>₱1,058,235,144</b> |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>                             |                                |                       |
| <i>Items that may not be reclassified to profit or loss:</i>         |                                |                       |
| Remeasurement gain (loss) on retirement liabilities (Note 19)        | <b>69,951,592</b>              | (39,624,759)          |
| Financial assets through other comprehensive income (Note 7)         | <b>(11,463,135)</b>            | 2,795,472             |
| Income tax effects (Note 21)   | <b>(14,622,114)</b>            | 12,291,543            |
|  | <b>43,866,343</b>              | (24,537,744)          |
| <i>Items that may be reclassified to profit or loss:</i>             |                                |                       |
| Changes in net unrealized gains (losses) on:                         |                                |                       |
| Financial assets through other comprehensive income (Note 7)         | <b>(53,481,427)</b>            | (47,157,844)          |
| Income tax effects (Note 21)   | <b>13,370,356</b>              | 13,939,591            |
|  | <b>(40,111,071)</b>            | (33,218,253)          |
| Share in other comprehensive income (loss) of an associate (Note 10) | <b>7,489,439</b>               | (3,113,298)           |
|  | <b>11,244,711</b>              | (60,869,295)          |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                    | <b>₱2,011,256,287</b>          | <b>₱997,365,849</b>   |

*See accompanying Notes to Financial Statements.*

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

|                                     | Preferred<br>Stock<br>(Note 17) | Common<br>Stock<br>(Note 17) | Surplus               | Surplus Reserve<br>(Note 9) | Retirement<br>Liabilities<br>(Note 19) | Share in Other<br>Comprehensive<br>Income (Loss) of<br>an Associate<br>(Note 10) | Net Unrealized<br>Gains (Losses) on<br>Financial Assets<br>at Fair Value<br>Through Other<br>Comprehensive<br>Income and<br>Available-for-sale<br>Investments<br>(Note 7) | Total                 |
|-------------------------------------|---------------------------------|------------------------------|-----------------------|-----------------------------|--|--|---|-----------------------|
| <b>Balance at January 1, 2022</b>   | <b>₱1,259,069,800</b>           | <b>₱1,999,896,500</b>        | <b>₱1,548,863,125</b> | <b>₱179,604,796</b>         | <b>₱16,544,753</b>                     | <b>(₱3,671,304)</b>  | <b>₱10,698,075</b>  | <b>₱5,011,005,745</b> |
| Total comprehensive income          | –                               | –                            | 2,000,011,576         | –                           | 52,463,694                             | 7,489,439  | (48,708,422)  | 2,011,256,287         |
| Issuance of stocks                  | 101,940,800                     | 205,866,300                  | –                     | –                           | –                                      | –  | –   | 307,807,100           |
| Release of appropriation            | –                               | –                            | 179,604,796           | (179,604,796)               | –                                      | –  | –   | –                     |
| Stock dividends                     | –                               | 494,975,200                  | (494,975,200)         | –                           | –                                      | –  | –   | –                     |
| Cash dividends (Note 17)            | –                               | –                            | (770,605,355)         | –                           | –                                      | –  | –   | (770,605,355)         |
| <b>Balance at December 31, 2022</b> | <b>₱1,361,010,600</b>           | <b>₱2,700,738,000</b>        | <b>₱2,462,898,942</b> | <b>₱–</b>                   | <b>₱69,008,447</b>                     | <b>₱3,818,135</b>  | <b>(₱38,010,347)</b>  | <b>₱6,559,463,777</b> |
| <b>Balance at January 1, 2021</b>   | <b>₱1,143,575,000</b>           | <b>₱1,620,767,600</b>        | <b>₱1,281,305,897</b> | <b>₱179,604,796</b>         | <b>₱43,179,101</b>                     | <b>(₱558,006)</b>  | <b>₱41,819,724</b>  | <b>₱4,309,694,112</b> |
| Total comprehensive income          | –                               | –                            | 1,058,235,144         | –                           | (26,634,348)                           | (3,113,298)  | (31,121,649)  | 997,365,849           |
| Issuance of stocks                  | 115,494,800                     | 129,230,800                  | –                     | –                           | –                                      | –  | –   | 244,725,600           |
| Stock dividends                     | –                               | 249,898,100                  | (249,898,100)         | –                           | –                                      | –  | –   | –                     |
| Cash dividends (Note 17)            | –                               | –                            | (540,779,816)         | –                           | –                                      | –  | –   | (540,779,816)         |
| <b>Balance at December 31, 2021</b> | <b>₱1,259,069,800</b>           | <b>₱1,999,896,500</b>        | <b>₱1,548,863,125</b> | <b>₱179,604,796</b>         | <b>₱16,544,753</b>                     | <b>(₱3,671,304)</b>  | <b>₱10,698,075</b>  | <b>₱5,011,005,745</b> |

*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>2022</b>                    | <b>2021</b>           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                |                       |
| Income before income tax   | <b>₱2,617,562,453</b>          | <b>₱1,444,815,370</b> |
| Adjustments for:   |                                |                       |
| Provision for expected credit losses (Note 9)  | <b>438,261,950</b>             | 827,285,468           |
| Depreciation and amortization (Note 11)  | <b>206,456,012</b>             | 204,855,019           |
| Share in net income of an associate (Note 10)  | <b>(152,025,943)</b>           | (60,222,126)          |
| Retirement expense (Note 19)   | <b>41,932,428</b>              | 35,886,685            |
| Amortization of net discount on financial assets at amortized cost (Note 8)  | <b>(14,690,747)</b>            | (13,952,643)          |
| Amortization of discount on bills payable (Note 14)  | <b>1,863,757</b>               | 5,172,664             |
| Amortization of net discount on financial assets at fair value through other comprehensive income (FVOCI) (Note 7) | <b>(5,594,521)</b>             | (4,959,628)           |
| Gain on disposal of property and equipment (Note 18)   | <b>–</b>                       | (858,359)             |
| Unrealized foreign exchange gains  | <b>673,194</b>                 | 366,241               |
| Operating income before changes in operating assets and liabilities  | <b>3,134,438,583</b>           | 2,438,388,691         |
| Decrease (Increase) in the amounts of:   |                                |                       |
| Loans and receivables  | <b>(807,656,244)</b>           | (1,623,432,554)       |
| Other assets   | <b>44,127,148</b>              | (26,642,165)          |
| Increase in the amounts of:  |                                |                       |
| Deposit liabilities  | <b>42,981,805</b>              | 1,892,889,145         |
| Other liabilities  | <b>128,535,806</b>             | 108,840,309           |
| Net cash generated from operations   | <b>2,542,427,098</b>           | 2,790,043,426         |
| Income taxes paid  | <b>(499,361,141)</b>           | (374,474,907)         |
| Contribution to retirement fund (Note 19)  | <b>(27,293,272)</b>            | (34,963,873)          |
| Net cash provided by operating activities  | <b>2,015,772,685</b>           | 2,380,604,646         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                |                       |
| Acquisitions of:   |                                |                       |
| Financial assets at amortized cost (Note 8)  | <b>(1,510,539,346)</b>         | (1,962,658,139)       |
| Financial assets at FVOCI  | <b>(1,551,199,679)</b>         | (347,663,216)         |
| Property and equipment (Note 11)   | <b>(212,668,642)</b>           | (73,465,499)          |
| Software costs (Note 12)   | <b>–</b>                       | (1,004,370)           |
| Additional investment in associates (Notes 10 and 23)  | <b>(95,196,063)</b>            | (504,134)             |
| Proceeds from:   |                                |                       |
| Maturity of financial assets at amortized cost (Note 8)  | <b>1,241,643,520</b>           | 869,798,587           |
| Redemption of FVOCI investments (Note 7)   | <b>848,143,000</b>             | 156,823,000           |
| Dividends from an associate (Notes 10 and 17)  | <b>32,521,050</b>              | 43,535,465            |
| Disposal of property and equipment (Note 11)   | <b>–</b>                       | 12,478,160            |
| Net cash used in investing activities  | <b>(1,247,296,160)</b>         | (1,302,660,146)       |

*(Forward)*

|  | <b>Years Ended December 31</b> |                |
|--|--------------------------------|----------------|
|  | <b>2022</b>                    | <b>2021</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                          |                                |                |
| Settlements of bills payable (Note 14)                               | <b>(P582,620,000)</b>          | (P833,160,000) |
| Dividends paid (Note 17)   | <b>(768,214,492)</b>           | (540,191,123)  |
| Availments of bills payable (Note 14)                                | <b>199,230,117</b>             | 498,150,685    |
| Payment of principal portion of lease liability (Note 20)            | <b>(141,429,050)</b>           | (126,786,428)  |
| Proceeds from (Note 17):   |                                |                |
| Issuance of common stock   | <b>205,866,300</b>             | 129,230,800    |
| Issuance of preferred stock  | <b>101,940,800</b>             | 115,494,800    |
| Net cash used in financing activities                                | <b>(985,226,325)</b>           | (757,261,266)  |
| <b>EFFECTS OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b> |                                |                |
|  | -                              | (366,241)      |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>          |                                |                |
|  | <b>(216,749,801)</b>           | 319,139,607    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                |                                |                |
| Cash and other cash items  | <b>222,663,426</b>             | 212,449,582    |
| Due from Bangko Sentral ng Pilipinas                                 | <b>302,677,796</b>             | 271,318,653    |
| Due from other banks   | <b>3,003,050,174</b>           | 2,725,483,554  |
|  | <b>3,528,391,396</b>           | 3,209,251,789  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                      |                                |                |
| Cash and other cash items  | <b>226,680,834</b>             | 222,663,426    |
| Due from Bangko Sentral ng Pilipinas                                 | <b>311,026,910</b>             | 302,677,796    |
| Due from other banks   | <b>2,773,933,851</b>           | 3,003,050,174  |
|  | <b>P3,311,641,595</b>          | P3,528,391,396 |
| <b>OPERATIONAL CASH FLOWS FROM INTEREST</b>                          |                                |                |
|  | <b>Years Ended December 31</b> |                |
|  | <b>2022</b>                    | <b>2021</b>    |
| Interest received  | <b>P6,576,216,834</b>          | P5,675,115,125 |
| Interest paid  | <b>279,072,434</b>             | 345,613,701    |

*See accompanying Notes to Financial Statements.*

**CARD BANK, INC.**  
**(A MICROFINANCE-ORIENTED RURAL BANK)**

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**NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

CARD Bank, Inc. (A Microfinance-Oriented Rural Bank) (the Bank) was incorporated in the Philippines on July 1, 1997. The Bank was granted the authority to operate by the Bangko Sentral ng Pilipinas (BSP) on August 25, 1997 and formally opened for business on September 1, 1997.

It is currently engaged in extending microcredit and rural credit to small farmers and tenants and to deserving rural industries or enterprises. The Bank offers a wide range of products and services such as deposit products, loans, and treasury that serve mainly to the consumer market.

On April 16, 2011, the Bank's Board of Directors (BOD) and stockholders approved the amendment to the Articles of Incorporation, adding to the Bank's purpose the function to act as a micro-insurance agent for the presentation, marketing, sale, and servicing of micro-insurance products. This was subsequently approved by the BSP and the Insurance Commission on February 10, 2012 and January 17, 2012, respectively. The Philippine Securities and Exchange Commission (SEC) approved and issued the certificate of filing of amended Articles of Incorporation on June 29, 2012.

The Bank is a member of Center for Agriculture and Rural Development (CARD) - Mutually Reinforcing Institutions (MRI).

As of December 31, 2022, the Bank is 31.09% owned by CARD, Inc.

The Bank's executive office is located at 20 M. L. Quezon Street, City Subdivision, San Pablo City, Laguna. The head office is located at No. 35 P. Burgos Street, corner M. Paulino Street, San Pablo City, Laguna. As of December 31, 2022, and 2021, the Bank has 100 and 99 branches, respectively.

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**2. Summary of Significant Accounting Policies**

Basis of Presentation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The financial statements are presented in Philippine peso (₱), which is the Bank's presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

The financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and the FCDU is the Philippine peso and United States dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine pesos (see accounting policy on Foreign Currency Transactions and Translation). The financial statements of these units are combined after eliminating inter-unit accounts and transactions.

### Statement of Compliance

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

### Presentation of Financial Statements

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

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if and only 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 the counterparties.

The Bank has no offsetting arrangements with its counterparties.

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

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Adoption of these amendments did not have an impact on the financial statements of the Bank.

#### ○ Amendments to PFRS 3, *Reference to the Conceptual Framework*

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

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

#### ○ Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 percent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41

## Significant Accounting Policies

### Foreign Currency Transactions and Translation

#### *Transactions and balances*

The books of accounts of the RBU are maintained in Philippine peso, the RBU’s functional currency, while those of the FCDU are maintained in USD, the FCDU’s functional currency. For financial reporting purposes, the foreign currency-denominated monetary assets, and monetary liabilities in the RBU are translated in Philippine peso based on the Bankers Association of the Philippines (BAP) closing rates prevailing at end of the year and foreign currency-denominated income and expenses based on the exchange rates at transaction dates. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities in the RBU are credited to or charged against the operations in the period which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

*FCDU*

As at reporting date, the assets, and liabilities of the FCDU are translated into the Bank's presentation currency, the Philippine peso, using BAP closing exchange rates and its income and expenses are translated at BAP weighted average rate (WAR) for the year.

Exchange differences arising on translation are taken directly to the statement of comprehensive income under 'Translation adjustment'. Upon actual remittance of FCDU income to RBU, the related exchange differences arising from translation lodged under 'Miscellaneous income or expense' is reclassified to the statement of income in the RBU books.

Fair Value Measurement

For measurement and disclosure purposes, the Bank determines the fair value of an asset or liability at initial measurement or at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If 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 non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

#### Cash and Cash Equivalents

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

Due from BSP includes statutory reserves required by the Bank which the Bank considers as cash and cash equivalents as withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

#### Financial Instruments - Initial Recognition and Subsequent Measurement

##### *Date of recognition*

Regular way purchases or sales of financial assets that require delivery of the assets within the time frame established by regulation or convention in the market are recognized on settlement date. 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 such asset is delivered by the Bank. Deposits and receivables from borrowers are recognized when cash is received or advanced to the borrowers.

##### *Initial recognition of financial instruments*

All financial instruments are initially recognized at fair value. Except for financial instruments at fair value through profit or loss (FVTPL), the initial measurement of financial instruments includes transaction costs.

##### *'Day 1' difference*

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

#### Classification and Measurement of Financial Assets

##### *Classification and measurement*

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 financial assets at FVTPL.

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 Banks's measurement categories are described below:

#### *Financial assets at amortized cost*

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 SPPI on the principal amount outstanding.

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 (COCI), due from BSP, due from other banks, financial assets at amortized cost, loans and receivables, security deposits (included under “other assets”) as financial assets at amortized cost.

*Financial assets at FVTPL*

Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Bank has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss. Equity investments are classified as at FVTPL, unless the Bank designates an investment that is not held for trading as at financial asset at FVOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

As of December 31, 2022 and 2021, the Bank has not designated any debt instrument that meets the amortized cost criteria as FVTPL. The Bank does not have financial assets at FVTPL as of reporting date.

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the BAP closing rate at the statements of reporting date. The foreign exchange component forms part of its fair value gain or loss.

*Financial assets at FVOCI*

The Bank applies the new category under PFRS 9 of debt and equity instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

*Reclassification of financial assets*

The Bank can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Bank is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.; and
- from FVOCI to amortized cost if the objective of the business model changes so that the fair value criteria are no longer met but the amortized cost
- criteria is still met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVOCI at initial recognition is not permitted.

A change in the objective of the Bank's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

#### Financial Liabilities at Amortized Cost

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 EIR.

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

#### *Restructured loans*

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered as past due.

Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loan continues to be subject to an individual impairment calculated using the original EIR or collective impairment.

#### Impairment of Financial Assets

The Bank records expected credit losses (ECL) for all loans and other debt financial assets not classified as FVTPL.

ECL represents 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 (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial assets which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.

- Stage 2 is comprised of all non-impaired financial assets which have experienced a SICR since initial recognition. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have 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 Bank recognizes a lifetime ECL for impaired financial instruments.

The Bank records the allowance for expected credit losses for all loans and receivables and other debt financial assets not held at FVTPL. Equity investment are not subject to impairment under PFRS 9. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL, as outlined in Note 5 *Financial Risk Management Objectives and Policies*. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 5.

Both lifetime ECL and 12-month ECL are calculated on an individual and collective basis.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 5.

#### *Debt instruments measured at fair value through OCI*

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets are measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial assets*

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

- the rights to receive cash flows from the asset have expired; or
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred control over the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

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.

#### *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 statement 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 (POCI).

#### *Write-offs*

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

#### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When 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.

#### Investments in Associates

An associate is an entity over which the Bank has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Bank's investment in an associate is accounted for using the equity method.

Under the equity method, investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Bank's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of income reflects the Bank's share of the results of operations of the associate. Any change in OCI of the associate is presented as part of the Bank's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Bank recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Bank and associate are eliminated to the extent of the interest in the associate.

The financial statements of the associates are prepared for the same reporting period as the Bank. The associates' accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Bank measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in statement of income.

#### Property and Equipment

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

Land is stated at cost less any impairment in value while depreciable property and equipment such as furniture, fixtures and equipment, building, transportation equipment, leasehold improvements, and land improvements are stated at cost less accumulated depreciation and amortization and any impairment in value.

Construction in progress is stated at cost less any impairment in value. The initial cost is comprised of construction costs and any other directly-attributable costs of bringing asset to its working condition and location for its intended use, including borrowing costs. Construction in progress is not depreciated until such time that the relevant assets are completed and are ready for use.

Depreciation and amortization commences once the property and equipment are available for use and is computed using the straight-line method over the estimated useful lives (EUL) of the respective assets, except for leasehold improvements which are amortized over the shorter of the EUL of the improvements or the terms of the related leases. The EUL of the depreciable assets are as follows:

|                                    |  |
|------------------------------------|--|
| Building                           | 7 to 15 years  |
| Furniture, fixtures and equipment  | 3 to 7 years   |
| Leasehold improvements             | 3 years or the terms of the related leases, whichever is shorter |
| Land improvements                  | 5 years  |
| Transportation equipment           | 5 to 7 years   |
| Right-of-use assets – office space | 1.5 to 10 years  |
| Right-of-use assets – vehicles     | 1.5 to 2 years   |

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

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

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

#### Intangible Assets

Intangible assets consist of software costs that are recognized under 'Other assets' in the statement of financial position. 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.

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

If the entity acquires intangible assets by subcontracting other parties (e.g., development-and-supply contracts or research and development contracts), the entity 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 entity 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.

Software costs recognized as assets are amortized on a straight-line basis over the EUL of three (3) to ten (10) years. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Software costs under development are not amortized until available for use.

#### Impairment of Nonfinancial Assets

At each reporting date, the Bank assesses whether there is any indication that its nonfinancial assets (e.g., investment in an associate, property and equipment, and intangible 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 or CGU exceeds its recoverable amount, the asset (or CGU) 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 (or CGU).

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. 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.

#### 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.

*a. 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 adjusted by lease payments made at or before the commencement date and 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 depreciable assets. The depreciation expense is presented under 'Depreciation and amortization' in the statement of income. 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. Refer to the accounting policies in Impairment of Nonfinancial Assets. Right-of-use assets are presented under 'Property and Equipment' in the statement of financial position.

*b. 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 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.

Lease liabilities are presented under 'Other liabilities' in the statement of financial position.

*c. Short-term leases and leases of low-value assets*

The Bank applies the short-term lease recognition exemption to its short-term leases of branch sites (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of branch sites that are considered to be low value (i.e., below ₱250,000). 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.

*Bank as a lessor*

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Equity*Capital stock*

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. The subscribed capital stock is reported in equity less the related subscription receivable.

*Surplus*

Surplus represents cumulative balance of periodic net income or loss, dividend distributions, if any, to the shareholders, effect of changes in accounting policy, and all other capital adjustments.

*Dividends*

Dividends on preferred and common shares are recognized as a liability and deducted from retained earnings when approved by the BOD of the Bank. Dividends declared during the year that are approved after the reporting date are dealt with as an event after the reporting date.

Deposit for Future Stock Subscription

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

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

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal. The Bank has concluded that it is acting as a principal in all of its revenue arrangements.

Under PFRS 15, revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. These are recognized as incurred.

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

#### *Interest income*

For all financial instruments measured at amortized cost and AFS investments, income is recorded at EIR, which is the rate that exactly discounts estimated future cash flows through the expected useful 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 (for example, prepayment options), includes 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. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income' in the statement of income.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), 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

#### *Commission income, deposit-related fees, penalties and bank charges*

Commissions are accrued when earned. Using an output method, revenue is recognized if the Bank has a right to invoice the customer for services directly corresponding to performance completed to date. These includes deposit-related fees, penalties and bank charges are recognized only upon collection or where there is a reasonable degree of certainty as to their collectability. These items are reported under 'Miscellaneous' in the statement of income.

#### *Rental income*

Rental income arising on leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Miscellaneous'.

#### Expense Recognition

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

#### *Interest expense*

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

#### *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.

Retirement Benefits

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

*Defined benefit retirement plan*

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling (if any). The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

*Defined contribution plan*

The Bank also operates defined contribution plan referred to as "Hybrid Plan" which provides a retirement benefit equal to 100% of the member's employer accumulated value, if any, provided that in no case shall 100% of the employee accumulated value in Fund A be less than 100% of plan salary for every year of credited service.

*Employee leave entitlement*

Employee leave entitlements pertain to the vacation leave credits that can be carried over and monetized by the employees. The valuation of the Bank's accrual for other long-term employee benefits are dependent on certain assumptions used by its internal actuary in calculating such amounts. Those assumptions include, among others, discount and salary rates, future salary increase and average remaining working lives of employees.

Provisions and Contingencies

Provisions are recognized when the Bank has a present obligation (legal or constructive), as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized under 'Interest expense' in the statement of income.

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

Income Taxes*Current tax*

Current tax assets and liabilities for the current and prior year periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as 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. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward of unused excess MCIT over RCIT and unused NOLCO can be utilized. Deferred tax assets, 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 transaction, affects neither the accounting income nor taxable income.

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

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

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

#### Events After the Reporting Period

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

#### 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 indicated, the Bank does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements.

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

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

##### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

##### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

##### *Deferred effectivity*

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

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### **3. Significant Accounting Judgments and Estimates**

The preparation of the Bank's financial statements in accordance with PFRS requires the management to make judgments and estimates that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities at reporting date. 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*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position or disclosed in the notes cannot be derived from active markets, they are determined using discounted cash flow model, incorporating inputs such as current market rates of comparable instruments. The carrying values and corresponding fair values of financial instruments, as well as the manner in which fair values were determined, are discussed in more detail in Note 4.

##### *b. Business model test*

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match expected cash outflows and maintain adequate level of high-quality liquid assets while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Bank's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio of financial assets carried at amortized cost and those sales are more than insignificant in value (either individually or in aggregate), the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

In making this judgment, the Bank considers the circumstances surrounding the disposal as well as the requirements of BSP Circular No. 1011, *Guidelines on the adoption of PFRS 9*.

##### *c. Cash flow characteristics test*

In determining the classification of financial assets under PFRS 9, the Bank assesses whether the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows

##### *d. Determination of significant influence over another entity*

The determination of significant influence over another entity, other than the rebuttable presumption of ownership over twenty percent (20.0%), requires significant judgment. In making judgment, the Bank evaluates existence of the following:

- representation on the Board of Directors (BOD) or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the entity and its investee;
- interchange of managerial personnel; or
- provision of essential technical information.

As of December 31, 2022 and 2021, entities in which the Bank has significant influence are disclosed in Note 10.

*e. Leases*

*Bank as lessor*

The Bank has entered into commercial property leases on its office space and building and over various transportation equipment. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

*Bank as lessee*

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

*f. Extension and termination options*

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 such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts in the statement of financial position within the next financial year are described below:

*a. Impairment of financial assets (PFRS 9)*

The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the statement of financial position and any changes thereto in the statement of income. Additional considerations were made in estimating the ECL in response to the changing credit environment brought about by the coronavirus (COVID-19) pandemic.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Internal credit grading model, which assigns Probability of Default (PDs) to the individual grades

- 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 CL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, exposure-at-default (EADs) and loss-given-default (LGDs)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The ECL models and all ECL-related policies are approved by the Risk Oversight Committee and the Board of Directors. The Risk Management Unit in collaboration with the Data Collection Center calculates the ECL for all credit risk exposures. The total ECL that will be booked by the Finance and Accounting Division is approved by both the Director for Finance and Accounting and the Director of Risk Management Unit.

The related allowance for credit losses of financial assets is disclosed in Note 9.

*b. Net plan assets and retirement expense*

Net plan assets and retirement expense are dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 19 and include, among others, discount rates, future salary increases and mortality rates, and average remaining working lives of employees. While management believes that the assumptions are reasonable and appropriate, significant differences in the Bank's actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligation.

Since there is no deep market in high-quality corporate bonds in the Philippines, the Bank's discount rate for the defined benefit obligation was determined by considering the yields on long-term government securities. A lower discount rate would increase the present value of benefit obligations. The expected rate of salary increase was determined by considering the inflation, seniority, promotion and other market factors. The Bank evaluates these assumptions on a periodic basis taking into consideration current market conditions and historical market data.

Mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements, while future salary increases is based on the budgeted salary rate increase approved by the BOD. While the Bank believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits related to obligations. Employee turnover was assumed based on the multiple turnover experience rates with margins for fluctuations.

As of December 31, 2022 and 2021, the present value of retirement obligation and fair value of plan assets of the Bank are disclosed in Note 19.

*c. Recognition of deferred income taxes*

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that

certain temporary differences will be realized in the future. The recognized net deferred tax assets and unrecognized deferred tax assets are disclosed in Note 21.

As of December 31, 2022 and 2021, the Bank expects to realize its recognized deferred tax assets in future taxable periods. The Bank attributed the probability of attaining the forecast of taxable income, and its sufficiency, through planned expansions through establishment of new branches and the general recovery of the economy.

*d. Incremental borrowing rate used for lease liabilities*

If the Bank cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate in measuring its lease liabilities. The incremental borrowing rate is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value in a similar economic environment. The Bank estimates the incremental borrowing rate using observable inputs (prevailing risk-free market rates) adjusted by the credit risk of the Bank (i.e., credit spread).

The balances of the lease liabilities of the Bank as of December 31, 2022 and 2021 are disclosed in Note 20.

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

The fair values of cash and cash equivalents, current loans and receivables, refundable deposits, current portion of deposit liabilities, current portion of bills payable and financial liabilities under 'Other liabilities' approximate their carrying values in view of the relatively short-term maturities of these instruments. Significant amount of loans and receivables are due within 1 year from the reporting date.

*Cash and other cash items, due from BSP, due from other banks, current portion of receivables and unquoted debt securities (AR Bonds), accrued interest receivable, current refundable deposits, current portion of deposit liabilities, bills payable, accrued expenses, accrued interest payable, accounts payable and dividends payable*

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

*Financial assets at FVOCI*

Fair values of quoted government securities are generally based on quoted market prices, which is within the bid-ask price. Financial assets at FVOCI of the Bank are categorized as Level 2 in the absence of bid-offer as at reporting date and due to low volume of trading activity in the market.

Unquoted equity investments classified as financial asset at FVOCI are carried under Level 3 of the fair value hierarchy. This is determined using capital asset pricing model (CAPM). This is a model that describes the relationship between risks and expected return.

*Financial assets at amortized cost*

Fair values of quoted government securities are generally based on quoted market prices, which is within the bid-ask price. These investments are categorized as Level 2.

Fair values of unquoted debt securities were based on interpolation of Philippine zero rate of 4.8 % and 3.8% in 2022 and 2021, respectively. These investments are categorized as Level 3.

*Loans and receivables*

Fair values are estimated using the discounted cash flow methodology, using the Bank's current incremental lending rates for similar types of receivables or securities. The discount rates used in estimating the fair value of loans and receivables are the incremental lending rates ranging from 3.3% to 7.3% in 2022 and 2021.

*Noncurrent portion of deposit liabilities and bills payable*

Fair values of noncurrent deposit liabilities are estimated using the discounted cash flow methodology, using the Bank's current incremental borrowing rates for similar borrowings, ranging from 3.7% to 6.8% in 2022 and 2021, with maturities consistent with those remaining for the liability being valued, if any. Fair values of long-term bills payable were based on interpolation of Philippine zero rate of 4.8% and 3.8% in 2022 and 2021, respectively.

Fair Value Hierarchy

The following table summarizes the carrying amounts and the fair values by level of the fair value hierarchy of the Bank's financial assets and liabilities that are carried at fair value or for which fair value is disclosed as of December 31, 2022 and 2021 (amounts in thousands):

| 2022  |                |            |         |           |            |
|---|----------------|------------|---------|-----------|------------|
|   | Carrying Value | Level 1    | Level 2 | Level 3   | Total      |
| <b>Recurring fair value measurements</b>                            |                |            |         |           |            |
| Financial assets at FVOCI   |                |            |         |           |            |
| Government debt securities  | ₱1,831,503     | ₱1,831,503 | ₱–      | ₱–        | ₱1,831,503 |
| Unquoted equity securities  | 32,735         | –          | –       | 32,735    | 32,735     |
| <b>Assets and liabilities for which fair values are disclosed*:</b> |                |            |         |           |            |
| <b>Financial assets</b>   |                |            |         |           |            |
| Financial assets at amortized cost                                  |                |            |         |           |            |
| Government and other debt securities                                | 2,179,284      | 2,103,515  | –       | –         | 2,103,615  |
| Loans and receivables   |                |            |         |           |            |
| Receivables from borrowers  | 18,413         | –          | –       | 13,148    | 13,148     |
| <b>Financial liabilities carried at amortized cost*</b>             |                |            |         |           |            |
| Bills payable   | –              | –          | –       | –         | –          |
| Deposit liabilities   |                |            |         |           |            |
| Special savings   | 1,173,004      | –          | –       | 1,180,386 | 1,180,386  |

\*pertain to non-current portion of assets and liabilities presented

| 2021   |                |            |         |           |            |
|--|----------------|------------|---------|-----------|------------|
|  | Carrying Value | Level 1    | Level 2 | Level 3   | Total      |
| <b>Recurring fair value measurements</b>                     |                |            |         |           |            |
| Financial assets at FVOCI                                    |                |            |         |           |            |
| Government debt securities                                   | ₱1,189,812     | ₱1,189,812 | ₱–      | ₱–        | ₱1,189,812 |
| Unquoted equity securities                                   | –              | –          | –       | –         | –          |
| Assets and liabilities for which fair values are disclosed*: | 30,719         | –          | –       | 30,719    | 30,719     |
| <b>Financial assets</b>                                      |                |            |         |           |            |
| Financial assets at amortized cost                           |                |            |         |           |            |
| Government and other debt securities                         | 1,960,031      |            |         |           |            |
| Loans and receivables  |                | –          | 832,430 | 1,193,637 | 2,026,066  |
| Receivables from borrowers                                   | 16,750         |            |         |           |            |
| Financial liabilities carried at amortized cost*             |                | –          | –       | 28,343    | 28,343     |
| Bills payable  |                |            |         |           |            |
| Deposit liabilities  |                |            |         |           |            |
| Special savings  | 1,214,638      | –          | –       | 1,373,972 | 1,373,972  |

\*pertain to non-current portion of assets and liabilities presented

As of December 31, 2022 and 2021, there were no transfers of financial instruments between Levels 1, 2, and 3.

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

*Impact of changes to key assumptions on fair value of level 3 financial instruments measured at fair value*

The Bank determined the fair value of its unquoted equity securities classified as financial assets at FVOCI using the dividend yield model. This method is based on inputs other than quoted prices that are observable for the asset such as weighted cost of capital. While loans and special savings fair values are determined using present value of cashflows using BVAL rates based on maturity of the loan.

The assumptions above were used in the “Base Case” projections. These assumptions were individually changed (while holding other assumptions steady as in the Base Case) and the resulting valuations derived, to show sensitivity of the valuation to various changes in assumptions.

| Significant Unobservable Input | Movement in percent | Increase (decrease) in fair value |             |
|--------------------------------|---------------------|-----------------------------------|-------------|
|                                |                     | 2022                              | 2021        |
| Weighted cost of capital       | +5%                 | <b>(₱11,359,008)</b>              | ₱1,535,974  |
|                                | -5%                 | <b>11,359,008</b>                 | (1,535,974) |

## 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 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 Risk Oversight Committee (ROC), 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 ROC regularly reports to the BOD the results of reviews of actual implementation of risk management policies. The risk management of the Bank is strengthened in conjunction with Audit Committee (AC) and Internal Audit (IA) functions. IA undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the AC.

In addition, an Asset Liability Committee (ALCO) with members from Executive Committee and Management Committee of the Bank, together with the Senior Finance and Accounting officers regularly performs analysis of the operating and financial status of the Bank. In addition, ALCO handles the financial risk management of the Bank.

#### 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 industry concentrations, and by monitoring exposures in relation to such limits.

#### *Management of credit risk*

Credit risk is being managed by instilling credit discipline both among the staff and the borrowers. Staff performs close-monitoring and assessment of account throughout the borrowing period, hence, on-time service delivery motivate the borrowers to fulfill their financial obligation to the highest standards. Borrowers are well-oriented and committed on the credit repayment design they undertake. In general, borrowers are also perpetual savers. Consequently, their pledge savings balances serve as guarantee to their loans, which increase their borrowing capacity.

Each business unit has a Unit Manager who reports on all credit related matters to the local management consisting of the Branch Manager and the Regional Director. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio. Regular audits of business units and credit processes are undertaken by IA. Field operations per unit are frequently monitored by the Executive Committee and Management Committee by actual visitations at the center level and unit office covered area.

In line with the Bank's mission of *"providing continued access to integrated microfinance and social development services to an expanding membership base by organizing and empowering women and their families"*, microfinance services are part of the major programs of the Bank. Accordingly, the microfinance loans portfolio represents the bulk of the Bank's assets. In microfinance lending operations, the field operations personnel are provided with thorough skills training for effective and efficient service delivery. The operations manual is a reference for every operations personnel.

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.

Credit worthiness of microfinance clients is deepened through ownership of the Bank's preferred stock, opportunity for their children to avail scholarship program, and chance to become a regular staff of CARD-MRI. Maximum loan amount per account holder is below 2.0% of the Bank's equity and does not fall under directors, officers, stockholders and related interests (DOSRI) classification.

Consistent monitoring for all past due or impaired accounts are established by competent and diligent staff to maximize recovery. Incentives for bad debts collection have been established and subjected to review and assessment periodically. These were given to staff to recover from the accounts and to fully install credit discipline to clients. Writing off bad accounts are approved by the BOD and reported to the BSP in compliance with the rules and regulations for banks.

An independent research unit continuously conducts market research as a tool for updating and developing loan products responsive to the needs and demands of existing and potential clients. Hence, individual loans for advance microfinance clients have been developed and are being tested as

a complement to their micro-entrepreneurial capacities. Loans under this system are fully backed-up by their savings balances and/or collateral required as appropriate.

The ROC closely monitors the overall credit operations. Identified existing and potential risks are acted upon appropriately and are reported during monthly BOD meeting.

#### *Bank's Response to the COVID-19 Pandemic*

The COVID-19 pandemic has impacted all types of businesses and the banking sector is among the severely hit, at least operationally. As the National Government imposed stringent quarantine measures and mobility becomes limited, being part of the sector essential to the economy, the need for the Bank to quickly adapt to the rapidly changing business climate becomes apparent. In spite of the exceedingly challenging situation, the Bank continued to open its doors to serve the public while looking after the health, safety and well-being of the workers including service personnel and customers. In place are team rotation work schedules, work from home arrangements, mandatory health and safety measures, and case management protocols which are all included in the Group's Work Management Plan.

In view of the heightened credit risk arising from the COVID 19- pandemic, the Group responded by issuing several credit bulletins on the changes in credit granting and lending policies. This includes, among others, the implementation of guidelines to comply with the provisions of the Bayanihan to Heal as One Act and the tightening of credit approval requirements for new loans and credit facilities both to new and existing clients. In addition, there were also guidelines on post-enhanced community quarantine (ECQ) collection, policies for managing loans affected by the COVID-19 crisis, and procedures for the availment of the regulatory relief measure stated in BSP memoranda No. M-2022-008 (Regulatory Relief for BSFIs Affected by the Corona Virus Disease 2021) and M-2022-032 (Amendments to M-2022-008) see Note 9.

#### *Maximum exposure to credit risk*

The carrying values of the financial assets and liabilities best represent the maximum exposure to credit risk. The table below shows the analysis of the maximum exposure to risk, net of allowance for credit losses, for financial assets as of December 31, 2022 and 2021:

| 2022                       |                   |                          |                                |
|----------------------------|-------------------|--------------------------|--------------------------------|
|                            | Maximum Exposure* | Fair Value of Collateral | Financial Effect of Collateral |
| Receivables from borrowers | ₱13,204,351,929   | ₱3,227,395,464           | ₱3,107,292,827                 |
|                            |                   |                          | Net Exposure                   |
|                            |                   |                          | ₱10,097,059,102                |

\*Includes accrued interest receivable, net of allowance for credit losses on receivables from borrowers

| 2021                       |                   |                          |                                |
|----------------------------|-------------------|--------------------------|--------------------------------|
|                            | Maximum Exposure* | Fair Value of Collateral | Financial Effect of Collateral |
| Receivables from borrowers | ₱12,870,078,510   | ₱3,381,633,381           | ₱3,295,688,261                 |
|                            |                   |                          | Net Exposure                   |
|                            |                   |                          | ₱9,574,390,249                 |

\*Includes accrued interest receivable, net of allowance for credit losses on receivables from borrowers

Credit enhancement on receivable from borrowers pertains to deposit hold-out from pledge savings equivalent to 15.0% of the original amount of the loan to the member, deed of assignment, and real estate mortgage as of December 31, 2022 and 2021 (Note 13).

As of December 31, 2022 and 2021, the Bank has no financial assets with rights to offset in accordance with PAS 32. There are also no financial assets that are subject to an enforceable master netting arrangements or similar agreements which require disclosure in the financial statements in accordance with the offsetting disclosure requirements of PFRS 7.

Additionally, the tables below show the distribution of maximum credit exposure by industry sector of the Bank as at December 31, 2022 and 2021 (in thousands):

|  | 2022                   |                           |                                    |                     |                    |
|--|------------------------|---------------------------|------------------------------------|---------------------|--------------------|
|  | Loans and Receivables* | Financial assets at FVOCI | Financial assets at amortized cost | Security Deposits** | Total              |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | ₱7,759,050             | ₱–                        | ₱–                                 | ₱–                  | ₱7,759,050         |
| Real estate activities   | 304,194                | –                         | –                                  | –                   | 304,194            |
| Financial and insurance activities                                   | 3,530,349              | 1,864,238                 | 2,243,618                          | –                   | 7,638,205          |
| Public administration and defense; compulsory social security        | –                      | –                         | –                                  | –                   | –                  |
| Agriculture, forestry and fishing                                    | 3,954,797              | –                         | –                                  | –                   | 3,954,797          |
| Education  | 71,014                 | –                         | –                                  | –                   | 71,014             |
| Other service activities   | 1,431,185              | –                         | –                                  | 32,152              | 1,463,337          |
| Manufacturing  | 216,549                | –                         | –                                  | –                   | 216,549            |
|  | 17,267,827             | 1,864,238                 | 2,243,618                          | 32,152              | 21,407,146         |
| Less allowance for credit losses                                     | 905,057                | –                         | –                                  | –                   | 905,057            |
| <b>Total</b>   | <b>₱16,362,770</b>     | <b>₱1,864,238</b>         | <b>₱2,243,618</b>                  | <b>₱32,152</b>      | <b>₱20,502,778</b> |

\*Consist of due from BSP and other banks, receivable from borrowers and other receivables

\*\*Reported under 'Other Assets'

|  | 2021                   |                           |                                    |                     |                    |
|--|------------------------|---------------------------|------------------------------------|---------------------|--------------------|
|  | Loans and Receivables* | Financial assets at FVOCI | Financial assets at amortized cost | Security Deposits** | Total              |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | ₱11,296,481            | ₱–                        | ₱–                                 | ₱–                  | ₱11,296,481        |
| Real estate activities   | 269                    | –                         | –                                  | –                   | 269                |
| Financial and insurance activities                                   | 3,043,481              | 30,719                    | 100,477                            | –                   | 3,174,677          |
| Public administration and defense; compulsory social security        | 302,678                | 1,189,812                 | 1,859,554                          | –                   | 3,352,044          |
| Agriculture, forestry and fishing                                    | 74,503                 | –                         | –                                  | –                   | ₱74,503            |
| Education  | 12,413                 | –                         | –                                  | –                   | 12,413             |
| Other service activities   | 2,938,531              | –                         | –                                  | 37,497              | 2,976,028          |
| Manufacturing  | 16,420                 | –                         | –                                  | –                   | 16,420             |
|  | 17,684,776             | 1,220,531                 | 1,960,031                          | 37,497              | 20,902,835         |
| Less allowance for credit losses                                     | 1,470,632              | –                         | –                                  | –                   | 1,470,632          |
| <b>Total</b>   | <b>₱16,214,144</b>     | <b>₱1,220,531</b>         | <b>₱1,960,031</b>                  | <b>₱37,497</b>      | <b>₱19,432,203</b> |

\*Consist of due from BSP and other banks, receivable from borrowers and other receivables

\*\*Reported under 'Other Assets'

### *Credit quality per class of financial assets*

The credit quality of financial assets is monitored and managed based on the credit standing and history.

Further, the financial assets are also 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, Educ 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.

*Other loans*

## SME loans and Fringe loans

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

Stage 2*Other loans*

## SME loans and Fringe loans

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

Stage 3*Microfinance loans*

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

*Other loans*

## Agri loans, Educ loans and Other 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*

## SME loans and Fringe loans

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

The following tables illustrate the Bank's credit exposures as at December 31, 2022 and 2021:

| Due from BSP                  | 2022         |              |              |              |
|-------------------------------|--------------|--------------|--------------|--------------|
|                               | ECL Staging  |              |              | Total        |
|                               | Stage 1      | Stage 2      | Stage 3      |              |
|                               | 12-month ECL | Lifetime ECL | Lifetime ECL |              |
| Neither past due nor impaired |              |              |              |              |
| High grade                    | ₱311,026,910 | ₱—           | ₱—           | ₱311,026,910 |
| Standard grade                | —            | —            | —            | —            |
| Past due but not impaired     | —            | —            | —            | —            |
| Past due and impaired         | —            | —            | —            | —            |
| Gross carrying amount         | ₱311,026,910 | ₱—           | ₱—           | ₱311,026,910 |

| Due from BSP                  | 2021                    |                         |                         | Total        |
|-------------------------------|-------------------------|-------------------------|-------------------------|--------------|
|                               | ECL Staging             |                         |                         |              |
|                               | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |              |
| Neither past due nor impaired |                         |                         |                         |              |
| High grade                    | ₱302,677,796            | ₱—                      | ₱—                      | ₱302,677,796 |
| Standard grade                | —                       | —                       | —                       | —            |
| Past due but not impaired     | —                       | —                       | —                       | —            |
| Past due and impaired         | —                       | —                       | —                       | —            |
| Gross carrying amount         | ₱302,677,796            | ₱—                      | ₱—                      | ₱302,677,796 |

|                               | 2022                    |                         |                         |                       |
|-------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
|                               | ECL Staging             |                         |                         | Total                 |
|                               | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                       |
| <b>Due from other banks</b>   |                         |                         |                         |                       |
| Neither past due nor impaired |                         |                         |                         |                       |
| High grade                    | ₹2,765,735,129          | ₹–                      | ₹–                      | ₹2,765,735,129        |
| Standard grade                | 8,198,722               | –                       | –                       | 8,198,722             |
| Past due but not impaired     | –                       | –                       | –                       | –                     |
| Past due and impaired         | –                       | –                       | –                       | –                     |
| <b>Gross carrying amount</b>  | <b>₹2,773,933,851</b>   | <b>₹–</b>               | <b>₹–</b>               | <b>₹2,773,933,851</b> |

|                               | 2021                    |                         |                         |                       |
|-------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
|                               | ECL Staging             |                         |                         | Total                 |
|                               | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                       |
| <b>Due from other banks</b>   |                         |                         |                         |                       |
| Neither past due nor impaired |                         |                         |                         |                       |
| High grade                    | ₹2,474,724,929          | ₹–                      | ₹–                      | ₹2,474,724,929        |
| Standard grade                | 528,325,245             | –                       | –                       | 528,325,245           |
| Past due but not impaired     | –                       | –                       | –                       | –                     |
| Past due and impaired         | –                       | –                       | –                       | –                     |
| <b>Gross carrying amount</b>  | <b>₹3,003,050,174</b>   | <b>₹–</b>               | <b>₹–</b>               | <b>₹3,003,050,174</b> |

|                                  | 2022                    |                         |                         |                       |
|----------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
|                                  | ECL Staging             |                         |                         | Total                 |
|                                  | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                       |
| <b>Financial assets at FVOCI</b> |                         |                         |                         |                       |
| Neither past due nor impaired    |                         |                         |                         |                       |
| High grade                       | ₹1,831,502,920          | ₹–                      | ₹–                      | ₹1,831,502,920        |
| Standard grade                   | 32,734,872              | –                       | –                       | 32,734,872            |
| Past due but not impaired        | –                       | –                       | –                       | –                     |
| Past due and impaired            | –                       | –                       | –                       | –                     |
| <b>Gross carrying amount</b>     | <b>₹1,864,237,792</b>   | <b>₹–</b>               | <b>₹–</b>               | <b>₹1,864,237,792</b> |

|                                  | 2021                    |                         |                         |                       |
|----------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
|                                  | ECL Staging             |                         |                         | Total                 |
|                                  | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                       |
| <b>Financial assets at FVOCI</b> |                         |                         |                         |                       |
| Neither past due nor impaired    |                         |                         |                         |                       |
| High grade                       | ₹1,220,531,154          | ₹–                      | ₹–                      | ₹1,220,531,154        |
| Standard grade                   | –                       | –                       | –                       | –                     |
| Past due but not impaired        | –                       | –                       | –                       | –                     |
| Past due and impaired            | –                       | –                       | –                       | –                     |
| <b>Gross carrying amount</b>     | <b>₹1,220,531,154</b>   | <b>₹–</b>               | <b>₹–</b>               | <b>₹1,220,531,154</b> |

|   | 2022                    |                         |                         |                       |
|---|-------------------------|-------------------------|-------------------------|-----------------------|
|   | ECL Staging             |                         |                         | Total                 |
|   | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                       |
| <b>Financial assets at amortized cost</b> |                         |                         |                         |                       |
| Neither past due nor impaired             |                         |                         |                         |                       |
| High grade                                | ₹2,243,617,576          | ₹–                      | ₹–                      | ₹2,243,617,576        |
| Standard grade                            | –                       | –                       | –                       | –                     |
| Past due but not impaired                 | –                       | –                       | –                       | –                     |
| Past due and impaired                     | –                       | –                       | –                       | –                     |
| <b>Gross carrying amount</b>              | <b>₹2,243,617,576</b>   | <b>₹–</b>               | <b>₹–</b>               | <b>₹2,243,617,576</b> |

|   | 2021                    |                         |                         |                       |
|---|-------------------------|-------------------------|-------------------------|-----------------------|
|   | ECL Staging             |                         |                         | Total                 |
|   | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                       |
| <b>Financial assets at amortized cost</b> |                         |                         |                         |                       |
| Neither past due nor impaired             |                         |                         |                         |                       |
| High grade                                | ₹1,960,031,005          | ₹–                      | ₹–                      | ₹1,960,031,005        |
| Standard grade                            | –                       | –                       | –                       | –                     |
| Past due but not impaired                 | –                       | –                       | –                       | –                     |
| Past due and impaired                     | –                       | –                       | –                       | –                     |
| <b>Gross carrying amount</b>              | <b>₹1,960,031,005</b>   | <b>₹–</b>               | <b>₹–</b>               | <b>₹1,960,031,005</b> |

*Receivable from borrowers*

|                               | 2022                  |              |                     |                       |
|-------------------------------|-----------------------|--------------|---------------------|-----------------------|
|                               | ECL Staging           |              |                     | Total                 |
|                               | Stage 1               | Stage 2      | Stage 3             |                       |
|                               | 12-month ECL          | Lifetime ECL | Lifetime ECL        |                       |
| <b>Microfinance loans</b>     |                       |              |                     |                       |
| Neither past due nor impaired |                       |              |                     |                       |
| High grade                    | P–                    | P–           | P–                  | P–                    |
| Standard grade                | 8,859,598,529         | –            | –                   | 8,859,598,529         |
| Past due but not impaired     | –                     | –            | 176,367,570         | 176,367,570           |
| Past due and impaired         | –                     | –            | 446,148,103         | 446,148,103           |
| <b>Gross carrying amount</b>  | <b>P8,859,598,529</b> | <b>P–</b>    | <b>P622,515,673</b> | <b>P9,482,114,202</b> |

|                               | 2021                  |              |                       |                        |
|-------------------------------|-----------------------|--------------|-----------------------|------------------------|
|                               | ECL Staging           |              |                       | Total                  |
|                               | Stage 1               | Stage 2      | Stage 3               |                        |
|                               | 12-month ECL          | Lifetime ECL | Lifetime ECL          |                        |
| <b>Microfinance loans</b>     |                       |              |                       |                        |
| Neither past due nor impaired |                       |              |                       |                        |
| High grade                    | P–                    | P–           | P–                    | P–                     |
| Standard grade                | 8,187,933,268         | –            | –                     | 8,187,933,268          |
| Past due but not impaired     | –                     | –            | 431,762,701           | 431,762,701            |
| Past due and impaired         | –                     | –            | 1,407,093,070         | 1,407,093,070          |
| <b>Gross carrying amount</b>  | <b>P8,187,933,268</b> | <b>P–</b>    | <b>P1,838,855,771</b> | <b>P10,026,789,039</b> |

|                               | 2022                  |                   |                     |                       |
|-------------------------------|-----------------------|-------------------|---------------------|-----------------------|
|                               | ECL Staging           |                   |                     | Total                 |
|                               | Stage 1               | Stage 2           | Stage 3             |                       |
|                               | 12-month ECL          | Lifetime ECL      | Lifetime ECL        |                       |
| <b>Other loans</b>            |                       |                   |                     |                       |
| Neither past due nor impaired |                       |                   |                     |                       |
| High grade                    | P–                    | P–                | P–                  | P–                    |
| Standard grade                | 4,109,623,273         | –                 | –                   | P 4,109,623,273       |
| Past due but not impaired     | –                     | 3,079,605         | –                   | 3,079,605             |
| Past due and impaired         | –                     | –                 | 142,660,843         | 142,660,843           |
| <b>Gross carrying amount</b>  | <b>P4,109,623,273</b> | <b>P3,079,605</b> | <b>P142,660,843</b> | <b>P4,255,363,721</b> |

|                               | 2021                  |                     |                     |                       |
|-------------------------------|-----------------------|---------------------|---------------------|-----------------------|
|                               | ECL Staging           |                     |                     | Total                 |
|                               | Stage 1               | Stage 2             | Stage 3             |                       |
|                               | 12-month ECL          | Lifetime ECL        | Lifetime ECL        |                       |
| <b>Other loans</b>            |                       |                     |                     |                       |
| Neither past due nor impaired |                       |                     |                     |                       |
| High grade                    | P–                    | P–                  | P–                  | P–                    |
| Standard grade                | 3,661,995,763         | –                   | –                   | P 3,661,995,763       |
| Past due but not impaired     | –                     | 120,783,084         | –                   | 120,783,084           |
| Past due and impaired         | –                     | –                   | 241,851,193         | 241,851,193           |
| <b>Gross carrying amount</b>  | <b>P3,661,995,763</b> | <b>P120,783,084</b> | <b>P241,851,193</b> | <b>P4,024,630,040</b> |

*Other receivables*

|                                     | 2022                |              |              |                     |
|-------------------------------------|---------------------|--------------|--------------|---------------------|
|                                     | ECL Staging         |              |              | Total               |
|                                     | Stage 1             | Stage 2      | Stage 3      |                     |
|                                     | 12-month ECL        | Lifetime ECL | Lifetime ECL |                     |
| <b>Accrued interest receivables</b> |                     |              |              |                     |
| Neither past due nor impaired       |                     |              |              |                     |
| High grade                          | P35,139,004         | P–           | P–           | P35,139,004         |
| Standard grade                      | 368,215,730         | –            | –            | 368,215,730         |
| Past due but not impaired           | –                   | –            | –            | –                   |
| Past due and impaired               | –                   | –            | –            | –                   |
| <b>Gross carrying amount</b>        | <b>P403,354,734</b> | <b>P–</b>    | <b>P–</b>    | <b>P403,354,734</b> |

|                               | 2021         |              |              |              |
|-------------------------------|--------------|--------------|--------------|--------------|
|                               | ECL Staging  |              |              |              |
|                               | Stage 1      | Stage 2      | Stage 3      |              |
| Accrued interest receivables  | 12-month ECL | Lifetime ECL | Lifetime ECL | Total        |
| Neither past due nor impaired |              |              |              |              |
| High grade                    | P22,759,991  | P–           | P–           | P22,759,991  |
| Standard grade                | 290,500,389  | –            | –            | 290,500,389  |
| Past due but not impaired     | –            | –            | –            | –            |
| Past due and impaired         | –            | –            | –            | –            |
| Gross carrying amount         | P313,260,380 | P–           | P–           | P313,260,380 |

|                               | 2022         |              |            |             |
|-------------------------------|--------------|--------------|------------|-------------|
|                               | ECL Staging  |              |            | Total       |
|                               | Stage 1      | Stage 2      | Stage 3    |             |
| 12-month ECL                  | Lifetime ECL | Lifetime ECL |            |             |
| Accounts receivables          |              |              |            |             |
| Neither past due nor impaired |              |              |            |             |
| High grade                    | P=           | P=           | P=         | P=          |
| Standard grade                | 35,344,260   | —            | —          | 35,344,260  |
| Past due but not impaired     | —            | 3,146,218    | —          | 3,146,218   |
| Past due and impaired         | —            | —            | 3,543,404  | 3,543,404   |
| Gross carrying amount         | P35,344,260  | P3,146,218   | P3,543,404 | P42,033,882 |

|                               | 2021         |              |              | Total       |
|-------------------------------|--------------|--------------|--------------|-------------|
|                               | ECL Staging  |              |              |             |
|                               | Stage 1      | Stage 2      | Stage 3      |             |
| Accounts receivables          | 12-month ECL | Lifetime ECL | Lifetime ECL |             |
| Neither past due nor impaired |              |              |              |             |
| High grade                    | P–           | P–           | P–           | P–          |
| Standard grade                | 14,368,414   | –            | –            | 14,368,414  |
| Past due but not impaired     | –            | –            | –            | –           |
| Past due and impaired         | –            | –            | –            | –           |
| Gross carrying amount         | P14,368,414  | P–           | P–           | P14,368,414 |

|                               | 2022         |              |         |             |
|-------------------------------|--------------|--------------|---------|-------------|
|                               | ECL Staging  |              |         | Total       |
|                               | Stage 1      | Stage 2      | Stage 3 |             |
| 12-month ECL                  | Lifetime ECL | Lifetime ECL |         |             |
| Security deposits             |              |              |         |             |
| Neither past due nor impaired |              |              |         |             |
| High grade                    | ₱32,152,495  | —            | —       | ₱32,152,495 |
| Standard grade                | —            | —            | —       | —           |
| Past due but not impaired     | —            | —            | —       | —           |
| Past due and impaired         | —            | —            | —       | —           |
| Gross carrying amount         | ₱32,152,495  | —            | —       | ₱32,152,495 |

|                               | 2021         |              |              |             |
|-------------------------------|--------------|--------------|--------------|-------------|
|                               | ECL Staging  |              |              | Total       |
|                               | Stage 1      | Stage 2      | Stage 3      |             |
| Security deposits             | 12-month ECL | Lifetime ECL | Lifetime ECL |             |
| Neither past due nor impaired |              |              |              |             |
| High grade                    | P37,496,659  | P–           | P–           | P37,496,659 |
| Standard grade                | –            | –            | –            | –           |
| Past due but not impaired     | –            | –            | –            | –           |
| Past due and impaired         | –            | –            | –            | –           |
| Gross carrying amount         | P37,496,659  | P–           | P–           | P37,496,659 |

The description of the financial assets grading used by the Bank is as follows:

- *High grade* - These are receivables and investments which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the securities on the receivables are readily enforceable. These also include deposits with reputable institutions from which the deposits may be withdrawn and recovered with certainty.

- *Standard grade* - These are deposits, receivables and investments where collections are probable due to the reputation and the financial ability of the counterparty to pay but with experience of default.

As of December 31, 2022 and 2021, the Bank's receivables 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.

As of December 31, 2022 and 2021, the Bank's outstanding restructured receivables tagged as impaired account amounting to ₱6.8 million and ₱328.9 million, respectively.

*Individually assessed impairment*

The Bank determines the allowances appropriate for each significant loan or advances on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

*Collectively assessed impairment*

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including residential mortgages and unsecured consumer lending) and for individually significant loans and advances that have no objective evidence as a result of individual impairment assessment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of impairment yet in an individual assessment. Impairment losses are estimated by taking the following information into consideration: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

Management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

*Impairment assessment (PFRS 9)*

The Bank recognizes a credit loss allowance on a financial asset based on whether it has had a significant increase in credit risk since initial recognition. Accordingly, the Bank categorizes its financial assets into three categories:

- stage 1 - financial asset that has not had a significant increase in credit risk;
- stage 2 - financial asset that has had a significant increase in credit risk; and

- stage 3 - financial asset in default.

Generally, the Bank applies a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due.

Further, the Bank considers a financial asset as in default when (a) as a result of one or more loss events, there is objective evidence that its recoverable value is less than its carrying amount; (b) it is classified as doubtful or loss under prudential reporting; (c) it is in litigation; and/or (d) full repayment of principal and interest is unlikely without foreclosure of collateral, if any. When applicable, the Bank also applies a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless the Bank has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Bank then measures the credit loss allowance on a financial instrument at an amount equal to 12-month expected credit losses for items categorized as stage 1 and lifetime credit losses to items categorized as stage 3.

Two modeling approaches were employed to build a consistent framework for the development of all ECL models of the Bank. Both modeling approaches consider past events, current conditions and forecast of economic conditions in assessing impairment.

The complex model approach is used for portfolios with a significant number of historical defaults. This approach was applied to the consumer loan portfolios. These quantitative models are built by applying statistical, economic, financial or mathematical theories, techniques and assumptions to calculate provisions. Where historical data are insufficient to develop statistical models, the simplified ECL approach was employed.

#### *Default and Cure*

As a part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikelihood to pay. The Bank's definition of default is aligned with the non-performing loan criteria as prescribed in BSP Circular No. 941. Defaults refer to loans, investments, receivables, or any financial asset, even without missed contractual payments, that satisfy any of the following conditions (1) impaired under existing accounting standards, (2) classified as doubtful or loss, (3) in litigation, (4) and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are (5) unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. (6) Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. (7) Restructured loans shall be considered nonperforming. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Defaults are characterized by financial assets that have objective evidence of impairment at the reporting date and as such classified under Stage 3 ECL treatment.

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 above and there is sufficient evidence to support full collection through payments received for at least 6 months. Cured accounts are classified under Stage 1 ECL treatment.

*Exposure at Default (EAD)*

The Bank defines EAD as the principal and interests that would not be collected assuming the borrower's defaults during a future point in time. The Bank computes for a financial asset's EAD using the expected contractual cash flows during the contractual life of the financial instrument less the savings retention required for the loan. The bank believes that the savings retention decreases the exposure from non-collection since the bank has the contractual right to deduct the savings retention from any unpaid amount in the event of customer default. A financial asset's EAD is defined as the sum of EAD from principal and EAD from interest less the savings retention.

*Probability of default (PD)*

The Bank uses forward-looking PD estimates that are unbiased and probability-weighted using a range of possible outcomes. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. As at December 31, 2022, the bank used simplified PD methodology using Transition Matrix per Loan Product, while as at December 31, 2021, the Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. For December 31, 2022, the PD methodology for each relevant portfolio is based on Loan Product and Region while for December 31, 2021, the PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio segmenting each loan portfolio to PD score bands grouping with 1 as the highest grade and 6 as the lowest grade. The Bank's PDs are mainly categorized into the following: (a) microfinance loans (b) small and medium-size enterprise financing; and (c) personal and consumption loans.

*Loss given default (LGD)*

The Bank's LGD model considers certain factors such as the historical cash flow recovery, reasonable and supportable information about future economic conditions, where appropriate and the recovery period of the loan during the time it matured. Generally, the model utilizes the Bank's existing loan exposure rating system which is designed to capture these factors as well as the period where recovery of interest and principal is already finished. In cases wherein this does not apply, the Bank looks into the standard characteristics of collaterals (e.g., auto and housing loans) in order to estimate an LGD factor.

*Economic Overlays*

The Bank's incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to the expected future macroeconomic atmosphere. 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. The Bank's loans and receivables consist of different portfolios, such as corporate and commercial loans and consumer loans, as well as other receivables (e.g., sales contract receivables). In compliance with PFRS 9, the Bank developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions. In addition, to further reflect the effect of COVID-19 pandemic, additional overlay related to number of cases was added in the model to have a multiplier effect on the PD rate.

*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.

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.

Through CARD-MRI's Treasury Group uses liquidity forecast models that estimate the Bank's cash flow needs based on the Bank's actual contractual obligations and under normal circumstances and extraordinary circumstances. The Bank expects that majority of the depositors will not request payment on the earliest date that the Bank could be required to pay.

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

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

|                                     | 2022                |                   |                   |                    |                    | Total              |
|-------------------------------------|---------------------|-------------------|-------------------|--------------------|--------------------|--------------------|
|                                     | On Demand           | Less than 30 days | 30 to 90 days     | 91 to 360 days     | More than 360 days |                    |
| <b>Financial Assets</b>             |                     |                   |                   |                    |                    |                    |
| Cash and other cash items           | ₱226,681            | ₱—                | ₱—                | ₱—                 | ₱—                 | ₱226,681           |
| Due from BSP                        | 311,027             | —                 | —                 | —                  | —                  | 311,027            |
| Due from other banks*               | 823,661             | 1,553,674         | 483,091           | —                  | —                  | 2,860,426          |
| Financial assets at FVOCI*          | —                   | —                 | —                 | 51,123             | 1,893,278          | 1,944,401          |
| Financial assets at amortized cost* | 2,090               | —                 | —                 | 183,700            | 2,147,572          | 2,333,362          |
| Loans and receivables*              |                     |                   |                   |                    |                    |                    |
| Microfinance                        | 507,251             | 771,040           | 2,572,947         | 12,043,148         | —                  | 15,849,385         |
| Others                              | 479,192             | 225,936           | 813,827           | 3,975,985          | 19,038             | 5,513,978          |
| <b>Total Financial Assets</b>       | <b>2,349,900</b>    | <b>2,550,649</b>  | <b>3,824,865</b>  | <b>16,253,956</b>  | <b>4,059,887</b>   | <b>29,039,258</b>  |
| <b>Financial Liabilities</b>        |                     |                   |                   |                    |                    |                    |
| Deposit liabilities                 |                     |                   |                   |                    |                    |                    |
| Demand                              | 292,169             | —                 | —                 | —                  | —                  | 292,169            |
| Savings                             | 11,516,219          | 1,510,370         | 116,843           | 555,372            | 1,146,740          | 14,845,545         |
| Bills payable*                      | —                   | —                 | —                 | 207,381            | —                  | 207,381            |
| Other liabilities                   | 219,718             | 5,542             | —                 | 131,328            | 238,893            | 595,481            |
| <b>Total Financial Liabilities</b>  | <b>12,028,106</b>   | <b>1,515,912</b>  | <b>116,843</b>    | <b>894,081</b>     | <b>1,385,633</b>   | <b>15,940,575</b>  |
| <b>Net</b>                          | <b>(₱9,678,206)</b> | <b>₱1,034,737</b> | <b>₱3,708,022</b> | <b>₱15,359,875</b> | <b>₱2,674,255</b>  | <b>₱13,098,683</b> |

\*includes future interest

|                                     | 2021             |                   |                  |                   |                    | Total             |
|-------------------------------------|------------------|-------------------|------------------|-------------------|--------------------|-------------------|
|                                     | On Demand        | Less than 30 days | 30 to 90 days    | 91 to 360 days    | More than 360 days |                   |
| <b>Financial Assets</b>             |                  |                   |                  |                   |                    |                   |
| Cash and other cash items           | ₱222,663         | ₱—                | ₱—               | ₱—                | ₱—                 | ₱222,663          |
| Due from BSP                        | 302,678          | —                 | —                | —                 | —                  | 302,678           |
| Due from other banks*               | 773,900          | 722,476           | 1,510,263        | —                 | —                  | 3,006,639         |
| Financial assets at FVOCI*          | —                | 407,707           | —                | 242,081           | 573,577            | 1,223,365         |
| Financial assets at amortized cost* | —                | 160,647           | —                | 1,063,522         | 752,288            | 1,976,457         |
| Loans and receivables*              |                  |                   |                  |                   |                    |                   |
| Microfinance                        | 1,404,831        | 187,213           | 1,409,909        | 9,425,223         | —                  | 12,427,176        |
| Others                              | 246,949          | 149,257           | 854,395          | 3,675,655         | 25,692             | 4,951,948         |
| <b>Total Financial Assets</b>       | <b>2,951,021</b> | <b>1,627,300</b>  | <b>3,774,567</b> | <b>14,406,481</b> | <b>1,351,557</b>   | <b>24,110,926</b> |

(Forward)

|                                    | 2021                |                   |                   |                    |                    | Total             |
|------------------------------------|---------------------|-------------------|-------------------|--------------------|--------------------|-------------------|
|                                    | On Demand           | Less than 30 days | 30 to 90 days     | 91 to 360 days     | More than 360 days |                   |
| <b>Financial Liabilities</b>       |                     |                   |                   |                    |                    |                   |
| Deposit liabilities                |                     |                   |                   |                    |                    |                   |
| Demand                             | P341,936            | P–                | P–                | P–                 | P–                 | P341,936          |
| Savings                            | 12,055,348          | 1,079,087         | 105,159           | 51,437             | 1,214,368          | 14,505,399        |
| Bills payable*                     | –                   | –                 | 250,000           | 332,620            | –                  | 582,620           |
| Other liabilities                  | 330,206             | 10,527            | 20,181            | 74,281             | 117,626            | 552,821           |
| <b>Total Financial Liabilities</b> | <b>12,727,490</b>   | <b>1,089,614</b>  | <b>375,340</b>    | <b>458,338</b>     | <b>1,331,994</b>   | <b>15,982,776</b> |
| <b>Net</b>                         | <b>(P9,776,469)</b> | <b>P537,686</b>   | <b>P3,399,227</b> | <b>P13,948,143</b> | <b>P19,563</b>     | <b>P8,128,150</b> |

\*includes future interest

### Market Risk

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

### Interest rate risk

The Bank's receivables earn fixed interest rates ranging from 12.0% to 28.0% per annum with equivalent EIR ranging from 16.0% to 52.0% in 2022 and 2021. The shortest term of loan is one (1) month while the longest term is twelve (12) years.

The Bank's savings deposit liabilities include compulsory and voluntary savings that earn 0.3% to 6.0% per annum in 2022 and 2021. Special savings deposits have interest rates of 2.0% to 4.3% in 2022 and 2021.

The Bank pays fixed interest rates on its bills payables from and 4.2% to 6.5% per annum in 2022 and 2021, respectively, and payable within 6 months to 7 years in 2022 and 2021.

In order to manage its net interest margin, the Bank places its excess funds in high yield investments and other short-term time deposits.

### Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in interest rates. The Bank's exposure to fair value interest rate risk relates primarily to investments in FVOCI debt securities.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Bank's OCI to the impact of interest on FVOCI debt securities:

|                       | Changes in interest rates (in basis points) |             |               |             |
|-----------------------|---|-------------|---------------|-------------|
|                       | 2022  |             | 2021          |             |
|                       | +10.0                                       | -10.0       | +10.0         | -10.0       |
| Sensitivity of equity | (P30,819,513)                               | P31,566,434 | (P57,147,601) | P56,912,802 |

### Cash flow interest rate risk

The exposure to cash flow interest rate risk results primarily from financial instruments which carry floating interest rates that are reset as market rates changes. As at December 31, 2022 and 2021, the Bank has no FVOCI, AFS investments, financial assets at amortized cost, HTM investments, and financial liabilities that have floating interest rates, therefore no exposure to cash flow interest risk.

*Foreign currency risk*

The Bank's exposure to foreign exchange risk is minimal as it arises mainly from foreign currency-denominated liabilities (foreign currency liabilities).

Foreign currency liabilities generally consist of foreign currency deposits in the Bank's FCDU account made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Bank and foreign currency-denominated borrowings appearing in the regular books of the Bank.

Foreign currency deposits are generally used for those depositors accepting and will accept remittance from abroad. Banks are required by the BSP to match the foreign currency assets with the foreign currency liabilities held through FCDUs.

The Bank's policy is to maintain foreign currency exposure within existing regulations and within acceptable risk limits. The Bank believes in ensuring its foreign currency exposure is, at all times, within limits presented for a financial institution engaged in the type of business in which the Bank is engaged in. As at December 31, 2022 and 2021, the Bank has no significant foreign currency exposure since its transactions and balances in FCDU are only minimal.

Operational Risk Management Policies and Procedures

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

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

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

## 6. Cash and Cash Equivalents

The composition of this account follows:

|                           | 2022                  | 2021           |
|---------------------------|-----------------------|----------------|
| Cash and other cash items | <b>P226,680,834</b>   | P222,663,426   |
| Due from BSP              | <b>311,026,910</b>    | 302,677,796    |
| Due from other banks      | <b>2,773,933,851</b>  | 3,003,050,174  |
|                           | <b>P3,311,641,595</b> | P3,528,391,396 |

Cash includes cash in vault and in automated teller machines.

Due from BSP account represents the aggregate balance of noninterest-bearing peso deposit account with the BSP which the Bank maintains primarily to meet reserve requirements and to serve as a clearing account for interbank claims (Note 13).

Due from other banks represent funds deposited with domestic banks which are used as part of the Bank's operating funds.

Due from other banks consists of:

|                 | 2022                  | 2021           |
|-----------------|-----------------------|----------------|
| Demand deposit  | <b>P684,489,673</b>   | P663,667,805   |
| Savings deposit | <b>131,016,183</b>    | 110,251,978    |
| Time deposit    | <b>1,958,427,995</b>  | 2,229,130,391  |
|                 | <b>P2,773,933,851</b> | P3,003,050,174 |

As at December 31, 2022 and 2021, due from other banks include dollar-denominated deposits amounting to \$0.1 million (P6.95 million) and \$0.6 million (P32.0 million), respectively.

Peso-denominated deposits pertain to demand, savings, and time deposit accounts that earn interest at annual rates ranging from nil to 5.8% and nil to 1.4% in 2022 and 2021, respectively. Dollar-denominated deposits earn interest at annual rates ranging from 0.1% to 0.3% in 2022 and 2021.

Total interest income earned on deposits from other banks amounted to P61.7million and P40.2 million in 2022 and 2021, respectively. Of these amounts, P3,594 and P4,807 pertain to interest income from dollar deposits in 2022 and 2021, respectively. Foreign exchange gain recognized under miscellaneous income amounted to P678,577 and P366,241 in 2022 and 2021, respectively.

## 7. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

|                                   | 2022                  | 2021           |
|-----------------------------------|-----------------------|----------------|
| Quoted government debt securities | <b>P1,831,502,920</b> | P1,189,811,682 |
| Unquoted equity securities        | <b>32,734,872</b>     | 30,719,472     |
|                                   | <b>P1,864,237,792</b> | P1,220,531,154 |

Quoted government debt securities

Debt securities at FVOCI consist of quoted government debt securities that earn nominal interest rates ranging from 1.5% to 6.5% and 1.5% to 5.4% in 2022 and 2021, respectively. Effective interest rates range from 2.7% to 6.5% and 2.7% to 5.3% in 2022 and 2021, respectively.

Unquoted equity securities

In 2021, the Bank acquired 139,620 preferred shares of CARD MRI Rizal Bank, Inc. (RBI), at ₱200 par value representing 14.0% ownership with a total amount of ₱27.9 million. In 2022, the Bank's ownership interest to CARD RBI increased to 15.0% by acquiring additional preferred shares of 10,077.

Interest income on Financial asset at FVOCI investments amounted to ₱79.7 million and ₱45.3 million in 2022 and 2021, respectively. Amortized premium on FVOCI investments amounted to ₱5.6 million and ₱5.0 million in 2022 and 2021, respectively.

The movements in the net unrealized losses on financial assets at FVOCI investments of the Bank follow:

|                                    | 2022                 | 2021         |
|------------------------------------|----------------------|--------------|
| Balance at January 1               | <b>₱10,698,075</b>   | ₱41,819,724  |
| Fair value changes during the year | <b>(64,944,562)</b>  | (44,362,372) |
| Income tax effects                 | <b>16,236,140</b>    | 13,240,723   |
|                                    | <b>(48,708,422)</b>  | (31,121,649) |
| Balance at December 31             | <b>(₱38,010,347)</b> | ₱10,698,075  |

**8. Financial Assets at Amortized Cost**

This account consists of:

|                          | 2022                  | 2021           |
|--------------------------|-----------------------|----------------|
| Quoted debt securities   | <b>₱2,179,284,217</b> | ₱1,859,553,568 |
| Unquoted debt securities | <b>64,333,359</b>     | 100,477,437    |
|                          | <b>₱2,243,617,576</b> | ₱1,960,031,005 |

Quoted debt securities

Government debt securities have fixed annual interest rates ranging from 2.6% to 3.8% and 1.4% to 4.8% in 2022 and 2021, respectively. Effective interest rates range from 3.4% to 5.4% and 2.6% to 5.3% in 2022 and 2021, respectively.

The terms of these investments range from 3 to 10 years in 2022 and 2021.

Unquoted debt securities

Unquoted debt securities consist of short-term non-negotiable Micro, Small and Medium Enterprise (MSME) notes issued by Small Business Corporation and long-term certificates of Agrarian Reform (AR) bonds issued by the National Government.

As at December 31, 2022 and 2021, MSME notes amounted to ₱17.2 million with a term of one (1) to five (5) years. These notes bear annual interest rates of 2% in 2022 and 2021. Income earned from this account amounted to ₱0.3 million in 2022 and ₱0.3 million in 2021.

The AR bonds, which were acquired in 2017, bear annual interest rates based on the 91-day Treasury bill and is subject to repricing. Interest income on investments in AR bonds amounted to ₱1.0 million in 2022 and ₱0.8 million in 2021, and amortized discount amounted to nil in 2022 and ₱0.03 million in 2021.

These instruments are acquired in compliance with the requirements set by Republic Act 9501 and Agri Agra Reform Credit Act of 2000 (Republic Act 10000) that lending institutions or any party otherwise required to make a mandatory allocation of credit resources to MSMEs and Agri Agra, shall be deemed as compliance with the mandated loan portfolio allocation percentage.

Interest income on investment securities at amortized cost follows:

|                          | 2022               | 2021        |
|--------------------------|--------------------|-------------|
| Quoted debt securities   | <b>₱90,442,753</b> | ₱51,147,710 |
| Unquoted debt securities | <b>912,789</b>     | 1,145,840   |
| Balance at end of year   | <b>₱91,355,542</b> | ₱52,293,550 |

## 9. Loans and Receivables

This account consists of:

|                                   | 2022                   | 2021            |
|-----------------------------------|------------------------|-----------------|
| Receivables from borrowers        |                        |                 |
| Microfinance loans* (Note 14)     | <b>₱9,482,114,202</b>  | ₱10,026,789,039 |
| Regular loans                     | <b>3,347,070,841</b>   | 3,103,024,297   |
| Agricultural-agrarian loans       | <b>908,292,879</b>     | 921,605,743     |
|                                   | <b>13,737,477,923</b>  | 14,051,419,079  |
| Other receivables:                |                        |                 |
| Accrued interest receivables      |                        |                 |
| Receivable from borrowers         | <b>368,215,730</b>     | 287,198,178     |
| FVOCI investments                 | <b>14,017,699</b>      | 6,892,469       |
| Investments at amortized cost     | <b>17,715,569</b>      | 15,867,522      |
| Cash and cash equivalents         | <b>3,405,736</b>       | 3,302,211       |
| Accounts receivable (Note 22)     | <b>42,033,882</b>      | 14,368,414      |
|                                   | <b>14,182,866,539</b>  | 14,379,047,873  |
| Less: Allowance for credit losses | <b>905,056,569</b>     | 1,470,632,197   |
|                                   | <b>₱13,277,809,970</b> | ₱12,908,415,676 |

\*Include microfinance loans used to secure bills payable amounting to ₱0.25 billion and ₱1.16 billion as of December 31, 2022 and 2021, respectively.

Regular loans include salary loans granted to the Bank's employees and officers and government and schools employees amounting to ₱19.2 million and ₱20.7 million as at December 31, 2022 and 2021, respectively, and earning fixed annual interest rates ranging from 6.0% to 28.0% in 2022 and 2021 (see Note 22).

Interest income on receivables from borrowers amounted to ₱6.4 billion and ₱5.8 billion in 2022 and 2021, respectively. Receivables from borrowers earn interest with effective interest rates ranging from 33.5% to 57.9% in 2022 and 2021. Nominal interest rates of these receivables range from 12.0% to 28.0% in 2022 and 2021.

The movements in allowance for credit losses on loans and receivables from borrowers follow:

|                               | 2022                   | 2021                  |
|-------------------------------|------------------------|-----------------------|
| Balance at beginning of year  | <b>₱1,468,538,747</b>  | ₱823,313,000          |
| Provision for credit losses   | <b>436,601,236</b>     | 827,076,160           |
| Written-off loans             | <b>(1,003,798,259)</b> | (181,850,413)         |
| <b>Balance at end of year</b> | <b>₱901,341,724</b>    | <b>₱1,468,538,747</b> |

The movements in allowance for credit losses on other receivables follow:

|                               | 2022              | 2021              |
|-------------------------------|-------------------|-------------------|
| Balance at beginning of year  | <b>₱2,093,450</b> | ₱3,297,881        |
| Provision for credit losses   | <b>1,660,714</b>  | 209,308           |
| Written-off loans             | <b>(39,319)</b>   | (1,413,739)       |
| <b>Balance at end of year</b> | <b>₱3,714,845</b> | <b>₱2,093,450</b> |

*Transfers of allowance for ECLs between stages*

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

|   | 2022                    |                         |                         |                |
|---|-------------------------|-------------------------|-------------------------|----------------|
|   | ECL Staging             |                         |                         | Total          |
|   | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                |
| Loss allowance at January 1, 2022               | ₱43,824,197             | ₱-                      | ₱1,009,704,633          | ₱1,053,528,830 |
| Movements with P&L impact                       |                         |                         |                         |                |
| Transfers:                                      |                         |                         |                         |                |
| Transfer from Stage 1 to Stage 2                | —                       | —                       | —                       | —              |
| Transfer from Stage 1 to Stage 3                | (411,978,217)           | —                       | 411,978,217             | —              |
| Transfer from Stage 2 to Stage 1                | —                       | —                       | —                       | —              |
| Transfer from Stage 2 to Stage 3                | —                       | —                       | —                       | —              |
| Transfer from Stage 3 to Stage 1                | —                       | —                       | —                       | —              |
| Transfer from Stage 3 to Stage 2                | —                       | —                       | —                       | —              |
| New financial assets originated or purchased    | 711,109,761             | —                       | —                       | 711,109,761    |
| Changes in PDs/LGDs/EADs                        | (211,897,522)           | —                       | 933,671,477             | 721,773,955    |
| Financial assets derecognized during the period | (42,462,233)            | —                       | (769,718,819)           | (812,181,052)  |
| Total movements with P&L impact                 | 44,771,789              | —                       | 575,930,875             | 620,702,664    |
| Total net P&L charge during the period          | 88,595,985              | —                       | 1,585,635,508           | 1,674,231,493  |
| Other movements without P&L impact              |                         |                         |                         |                |
| Write-offs and other movements                  | —                       | —                       | (963,119,834)           | (963,119,834)  |
| Total movements without P&L impact              | —                       | —                       | (963,119,834)           | (963,119,834)  |
| Loss allowance at December 31, 2022             | ₱88,595,985             | ₱-                      | ₱622,515,673            | ₱711,111,659   |

|   | 2021                    |                         |                         |               | Total |
|---|-------------------------|-------------------------|-------------------------|---------------|-------|
|   | ECL Staging             |                         |                         |               |       |
|   | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |               |       |
| Loss allowance at January 1, 2021               | ₱110,779,242            | ₱–                      | ₱576,576,864            | ₱687,356,106  |       |
| Movements with P&L impact                       |                         |                         |                         |               |       |
| Transfers:                                      |                         |                         |                         |               |       |
| Transfer from Stage 1 to Stage 2                | –                       | –                       | –                       | –             |       |
| Transfer from Stage 1 to Stage 3                | (142,075,709)           |                         | 142,075,709             |               |       |
| Transfer from Stage 2 to Stage 1                | –                       | –                       | –                       | –             |       |
| Transfer from Stage 2 to Stage 3                | –                       | –                       | –                       | –             |       |
| Transfer from Stage 3 to Stage 1                | 457,275                 |                         | (457,275)               | –             |       |
| Transfer from Stage 3 to Stage 2                | –                       | –                       | –                       | –             |       |
| New financial assets originated or purchased    | 272,276,386             | –                       | –                       | 272,276,386   |       |
| Changes in PDs/LGDs/EADs                        | (98,031,353)            | –                       | 777,742,719             | 679,711,366   |       |
| Financial assets derecognized during the period | (99,581,644)            | –                       | (325,883,028)           | (425,464,672) |       |
| Total movements with P&L impact                 | (66,955,045)            | –                       | 593,478,125             | 526,523,080   |       |

|  | 2021                    |                         |                         |                |
|--|-------------------------|-------------------------|-------------------------|----------------|
|  | ECL Staging             |                         |                         | Total          |
|  | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                |
| Total net P&L charge during the period | 43,824,197              | —                       | 1,170,054,989           | 1,213,879,186  |
| Other movements without P&L impact     |                         |                         |                         |                |
| Write-offs and other movements         | —                       | —                       | (160,350,356)           | (160,350,356)  |
| Total movements without P&L impact     | —                       | —                       | (160,350,356)           | (160,350,356)  |
| Loss allowance at December 31, 2021    | P43,824,197             | P—                      | P1,009,704,633          | P1,053,528,830 |

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

|   | ECL Staging         |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | Stage 1             | Stage 2             | Stage 3             | Total               |
|   | 12-month ECL        | Lifetime ECL        | Lifetime ECL        |                     |
| <b>Loss allowance at January 1, 2022</b>          | <b>P153,663,711</b> | <b>P104,746,099</b> | <b>P111,342,732</b> | <b>P369,752,542</b> |
| <b>Movements with P&amp;L impact</b>              |                     |                     |                     |                     |
| Transfers:  |                     |                     |                     |                     |
| Transfer from Stage 1 to Stage 2                  | (23,754)            | 23,754              | —                   | —                   |
| Transfer from Stage 1 to Stage 3                  | (79,895,819)        | —                   | 79,895,819          | —                   |
| Transfer from Stage 2 to Stage 1                  | 130,685             | (130,685)           | —                   | —                   |
| Transfer from Stage 2 to Stage 3                  | —                   | (624,190)           | 624,190             | —                   |
| Transfer from Stage 3 to Stage 1                  | 370,668             | —                   | (370,688)           | —                   |
| Transfer from Stage 3 to Stage 2                  | —                   | —                   | —                   | —                   |
| New financial assets originated or purchased      | 12,827,020          | —                   | —                   | 12,827,020          |
| Changes in PDs/LGDs/EADs                          | (26,019,048)        | (100,764,909)       | 35,312,956          | (91,471,001)        |
| Financial assets derecognized during the period   | (25,276,908)        | (170,464)           | (108,329,627)       | (133,776,999)       |
| Total movements with P&L impact                   | (117,887,157)       | (101,666,493)       | 7,132,671           | (212,420,980)       |
| <b>Total net P&amp;L charge during the period</b> | <b>35,776,555</b>   | <b>3,079,606</b>    | <b>118,475,402</b>  | <b>157,331,562</b>  |
| <b>Other movements without P&amp;L impact</b>     |                     |                     |                     |                     |
| Write-offs and other movements                    | —                   | —                   | (12,801,122)        | (12,801,122)        |
| <b>Total movements without P&amp;L impact</b>     | <b>—</b>            | <b>—</b>            | <b>(12,801,122)</b> | <b>(12,801,122)</b> |
| <b>Loss allowance at December 31, 2022</b>        | <b>P35,776,555</b>  | <b>P3,079,606</b>   | <b>P105,674,281</b> | <b>P144,530,440</b> |

|   | 2021                    |                         |                         |              |
|---|-------------------------|-------------------------|-------------------------|--------------|
|   | ECL Staging             |                         |                         | Total        |
|   | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |              |
| Loss allowance at January 1, 2021               | P21,777,859             | P608,302                | P79,506,607             | P101,892,768 |
| <b>Movements with P&amp;L impact</b>            |                         |                         |                         |              |
| Transfers:                                      |                         |                         |                         |              |
| Transfer from Stage 1 to Stage 2                | (16,426,991)            | 16,426,991              | —                       | —            |
| Transfer from Stage 1 to Stage 3                | (42,066,839)            | —                       | 42,066,839              | —            |
| Transfer from Stage 2 to Stage 1                | 13,693                  | (13,693)                | —                       | —            |
| Transfer from Stage 2 to Stage 3                | —                       | (335,111)               | 335,111                 | —            |
| Transfer from Stage 3 to Stage 1                | 71,975                  | —                       | (71,975)                | —            |
| Transfer from Stage 3 to Stage 2                | —                       | 125,060                 | (125,060)               | —            |
| New financial assets originated or purchased    | 38,534,807              | —                       | —                       | 38,534,807   |
| Changes in PDs/LGDs/EADs                        | 173,102,158             | 88,156,810              | 39,301,612              | 300,560,580  |
| Financial assets derecognized during the period | (21,342,951)            | (222,260)               | (32,811,433)            | (54,376,644) |
| Total movements with P&L impact                 | 131,885,852             | 104,137,797             | 48,695,094              | 284,718,743  |
| Total net P&L charge during the period          | 153,663,711             | 104,746,099             | 128,201,701             | 386,611,511  |
| Other movements without P&L impact              |                         |                         |                         |              |
| Write-offs and other movements                  | —                       | —                       | (16,858,969)            | (16,858,969) |
| Total movements without P&L impact              | —                       | —                       | (16,858,969)            | (16,858,969) |
| Loss allowance at December 31, 2021             | P153,663,711            | P104,746,099            | P111,342,732            | P369,752,542 |

The tables below illustrate the movements of the allowance for impairment and credit losses during the year (effect of movements in ECL due to transfers between stages are shown in the total column) for the Bank's agricultural-agrarian loans:

|   | 2022                    |                         |                         | Total        |
|---|-------------------------|-------------------------|-------------------------|--------------|
|   | ECL Staging             |                         |                         |              |
|   | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |              |
| Loss allowance at January 1, 2022               | ₱2,115,801              | ₱–                      | ₱43,141,574             | ₱45,257,375  |
| Movements with P&L impact                       |                         |                         |                         |              |
| Transfers:                                      |                         |                         |                         |              |
| Transfer from Stage 1 to Stage 2                | –                       | –                       | –                       | –            |
| Transfer from Stage 1 to Stage 3                | (78,509)                | –                       | 78,509                  | –            |
| Transfer from Stage 2 to Stage 1                | –                       | –                       | –                       | –            |
| Transfer from Stage 2 to Stage 3                | –                       | –                       | –                       | –            |
| Transfer from Stage 3 to Stage 1                | 70,224                  | –                       | (70,224)                | –            |
| Transfer from Stage 3 to Stage 2                | –                       | –                       | –                       | –            |
| New financial assets originated or purchased    | 29,955,465              | –                       | –                       | 29,955,465   |
| Changes in PDs/LGDs/EADs                        | (21,315,452)            | –                       | 57,436,045              | 36,120,593   |
| Financial assets derecognized during the period | (2,034,466)             | –                       | (35,722,039)            | (37,756,505) |
| Total movements with P&L impact                 | 6,597,262               | –                       | 21,722,291              | 28,319,553   |
| Total net P&L charge during the period          | 8,713,063               | –                       | 64,863,865              | 73,576,928   |
| Other movements without P&L impact              |                         |                         |                         |              |
| Write-offs and other movements                  | –                       | –                       | (27,877,303)            | (27,877,303) |
| Total movements without P&L impact              | –                       | –                       | (27,877,303)            | (27,877,303) |
| Loss allowance at December 31, 2022             | ₱8,713,063              | ₱–                      | ₱36,986,562             | ₱45,699,625  |

|   | 2021          |              |              |  | Total         |
|---|---------------|--------------|--------------|--|---------------|
|   | ECL Staging   |              |              |  |               |
|   | Stage 1       | Stage 2      | Stage 3      |  |               |
|   | 12-month ECL  | Lifetime ECL | Lifetime ECL |  |               |
| Loss allowance at January 1, 2021               | ₱2,927,857    | ₱–           | ₱31,136,269  |  | ₱34,064,126   |
| Movements with P&L impact                       |               |              |              |  |               |
| Transfers:                                      |               |              |              |  |               |
| Transfer from Stage 1 to Stage 2                | –             | –            | –            |  | –             |
| Transfer from Stage 1 to Stage 3                | (11,045,653)  | –            | 11,045,653   |  | –             |
| Transfer from Stage 2 to Stage 1                | –             | –            | –            |  | –             |
| Transfer from Stage 2 to Stage 3                | –             | –            | –            |  | –             |
| Transfer from Stage 3 to Stage 1                | 29,666        | –            | (29,666)     |  | –             |
| Transfer from Stage 3 to Stage 2                | –             | –            | –            |  | –             |
| New financial assets originated or purchased    | 208,826,532   | –            | –            |  | 208,826,532   |
| Changes in PDs/LGDs/EADs                        | (195,854,532) | –            | 26,767,360   |  | (169,087,172) |
| Financial assets derecognized during the period | (2,768,069)   | –            | (21,136,954) |  | (23,905,023)  |
| Total movements with P&L impact                 | (812,056)     | –            | 16,646,393   |  | 15,834,337    |
| Total net P&L charge during the period          | 2,115,801     | –            | 47,782,662   |  | 49,898,463    |
| Other movements without P&L impact              |               |              |              |  |               |
| Write-offs and other movements                  | –             | –            | (4,641,088)  |  | (4,641,088)   |
| Total movements without P&L impact              | –             | –            | (4,641,088)  |  | (4,641,088)   |
| Loss allowance at December 31, 2021             | ₱2,115,801    | ₱–           | ₱43,141,574  |  | ₱45,257,375   |

*Transfers of gross outstanding loans between stages*

The movements in gross carrying amount of microfinance loans (including accrued interest receivable) between stages follow:

|  | 2022                    |                         |                         |                        |
|--|-------------------------|-------------------------|-------------------------|------------------------|
|  | ECL Staging             |                         |                         | Total                  |
|  | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                        |
| <b>Gross carrying amount as at January 1, 2022</b>   | <b>₱8,366,221,243</b>   | <b>₱–</b>               | <b>₱1,838,901,008</b>   | <b>₱10,205,122,251</b> |
| Transfers:   |                         |                         |                         |                        |
| Transfer from Stage 1 to Stage 2                     | –                       | –                       | –                       | –                      |
| Transfer from Stage 1 to Stage 3                     | (622,523,610)           | –                       | 622,523,610             | –                      |
| Transfer from Stage 2 to Stage 1                     | –                       | –                       | –                       | –                      |
| Transfer from Stage 2 to Stage 3                     | –                       | –                       | –                       | –                      |
| Transfer from Stage 3 to Stage 1                     | –                       | –                       | –                       | –                      |
| Transfer from Stage 3 to Stage 2                     | –                       | –                       | –                       | –                      |
| New financial assets originated or purchased         | 22,750,488,049          | –                       | –                       | 22,750,488,049         |
| Collections of principal and interest                | (13,194,650,935)        | –                       | (473,457,517)           | (13,668,108,452)       |
| Financial assets derecognized during the period      | (8,202,691,707)         | –                       | (402,331,593)           | (8,605,023,300)        |
| Write-offs and other movements                       | –                       | –                       | (963,119,834)           | (963,119,834)          |
| <b>Gross carrying amount as at December 31, 2022</b> | <b>₱9,096,843,040</b>   | <b>₱–</b>               | <b>₱622,515,673</b>     | <b>₱9,719,358,713</b>  |

|  | 2021                    |                         |                         |                        |
|--|-------------------------|-------------------------|-------------------------|------------------------|
|  | ECL Staging             |                         |                         | Total                  |
|  | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                        |
| <b>Gross carrying amount as at January 1, 2021</b>   | <b>₱7,622,144,093</b>   | <b>₱–</b>               | <b>₱2,639,858,586</b>   | <b>₱10,262,002,679</b> |
| Transfers:   |                         |                         |                         |                        |
| Transfer from Stage 1 to Stage 2                     | –                       | –                       | –                       | –                      |
| Transfer from Stage 1 to Stage 3                     | (1,411,526,636)         | –                       | 1,411,526,636           | –                      |
| Transfer from Stage 2 to Stage 1                     | –                       | –                       | –                       | –                      |
| Transfer from Stage 2 to Stage 3                     | –                       | –                       | –                       | –                      |
| Transfer from Stage 3 to Stage 1                     | 2,045,051               | –                       | (2,045,051)             | –                      |
| Transfer from Stage 3 to Stage 2                     | –                       | –                       | –                       | –                      |
| New financial assets originated or purchased         | 19,427,911,648          | –                       | –                       | 19,427,911,648         |
| Collections of principal and interest                | (10,214,464,889)        | –                       | (516,582,306)           | (10,731,047,195)       |
| Financial assets derecognized during the period      | (7,059,888,024)         | –                       | (1,533,506,501)         | (8,593,394,525)        |
| Write-offs and other movements                       | –                       | –                       | (160,350,356)           | (160,350,356)          |
| <b>Gross carrying amount as at December 31, 2021</b> | <b>₱8,366,221,243</b>   | <b>₱–</b>               | <b>₱1,838,901,008</b>   | <b>₱10,205,122,251</b> |

The movements in gross carrying amount of regular loans (including accrued receivable) between stages follow:

|  | 2022                    |                         |                         |                       |
|--|-------------------------|-------------------------|-------------------------|-----------------------|
|  | ECL Staging             |                         |                         | Total                 |
|  | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                       |
| <b>Gross carrying amount as at January 1, 2022</b>   | <b>₱2,879,384,536</b>   | <b>₱120,783,084</b>     | <b>₱165,837,336</b>     | <b>₱3,166,004,956</b> |
| Transfers:   |                         |                         |                         |                       |
| Transfer from Stage 1 to Stage 2                     | (434,249)               | 434,249                 | –                       | –                     |
| Transfer from Stage 1 to Stage 3                     | (82,594,868)            | –                       | 82,594,868              | –                     |
| Transfer from Stage 2 to Stage 1                     | 2,851,726               | (2,851,726)             | –                       | –                     |
| Transfer from Stage 2 to Stage 3                     | –                       | (3,270,621)             | 3,270,621               | –                     |
| Transfer from Stage 3 to Stage 1                     | 690,217                 | –                       | (690,217)               | –                     |
| Transfer from Stage 3 to Stage 2                     | –                       | –                       | –                       | –                     |
| New financial assets originated or purchased         | 8,696,800,488           | –                       | –                       | 8,696,800,488         |
| Collections of principal and interest                | (7,996,665,312)         | (108,690,951)           | (101,219,292)           | (8,206,575,555)       |
| Financial assets derecognized during the period      | (175,961,910)           | (3,324,430)             | (31,317,913)            | (210,604,254)         |
| Write-offs and other movements                       | –                       | –                       | (12,801,122)            | (12,801,122)          |
| <b>Gross carrying amount as at December 31, 2022</b> | <b>₱3,324,070,628</b>   | <b>₱3,079,605</b>       | <b>₱105,674,281</b>     | <b>₱3,432,824,513</b> |

|   | 2021                    |                         |                         |                 |
|---|-------------------------|-------------------------|-------------------------|-----------------|
|   | ECL Staging             |                         |                         | Total           |
|   | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                 |
| Gross carrying amount as at January 1, 2021     | P1,508,212,828          | P4,716,457              | 251,216,430             | P1,890,664,961  |
| Transfers:                                      |                         |                         |                         |                 |
| Transfer from Stage 1 to Stage 2                | (119,503,519)           | 119,503,519             | —                       | —               |
| Transfer from Stage 1 to Stage 3                | (341,855,843)           | —                       | 341,855,843             | —               |
| Transfer from Stage 2 to Stage 1                | 131,710                 | (131,710)               | —                       | —               |
| Transfer from Stage 2 to Stage 3                | —                       | (622,221)               | 622,221                 | —               |
| Transfer from Stage 3 to Stage 1                | 154,322                 | —                       | (154,322)               | —               |
| Transfer from Stage 3 to Stage 2                | —                       | —                       | —                       | —               |
| New financial assets originated or purchased    | 8,685,230,208           | —                       | —                       | 8,685,230,208   |
| Collections of principal and interest           | (5,349,843,403)         | (424,284)               | (338,337,674)           | (5,688,605,362) |
| Financial assets derecognized during the period | (1,503,141,767)         | (2,258,676)             | (72,506,193)            | (1,577,906,636) |
| Write-offs and other movements                  | —                       | —                       | (16,858,969)            | (16,858,969)    |
| Gross carrying amount as at December 31, 2021   | P2,879,384,536          | P120,783,084            | 165,837,336             | P3,166,004,956  |

The movements in gross carrying amount of agricultural-agrarian loans (including accrued receivable) between stages follow:

|   | 2022                    |                         |                         |                 |
|---|-------------------------|-------------------------|-------------------------|-----------------|
|   | ECL Staging             |                         |                         | Total           |
|   | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                 |
| Gross carrying amount as at January 1, 2022     | P891,521,430            | P—                      | P75,968,620             | P967,490,050    |
| Transfers:                                      |                         |                         |                         |                 |
| Transfer from Stage 1 to Stage 2                | —                       | —                       | —                       | —               |
| Transfer from Stage 1 to Stage 3                | (32,845,995)            | —                       | 32,845,995              | —               |
| Transfer from Stage 2 to Stage 1                | —                       | —                       | —                       | —               |
| Transfer from Stage 2 to Stage 3                | —                       | —                       | —                       | —               |
| Transfer from Stage 3 to Stage 1                | 162,203                 | —                       | (162,203)               | —               |
| Transfer from Stage 3 to Stage 2                | —                       | —                       | —                       | —               |
| New financial assets originated or purchased    | 2,538,584,140           | —                       | —                       | 2,538,584,140   |
| Collections of principal and interest           | (1,601,601,442)         | —                       | (10,265,384)            | (1,611,866,826) |
| Financial assets derecognized during the period | (879,296,472)           | —                       | (33,523,163)            | (912,819,635)   |
| Write-offs and other movements                  | —                       | —                       | (27,877,303)            | (27,877,303)    |
| Gross carrying amount as at December 31, 2022   | P916,523,864            | P—                      | P36,986,561             | P953,510,425    |

|   | 2021                    |                         |                         |                 |
|---|-------------------------|-------------------------|-------------------------|-----------------|
|   | ECL Staging             |                         |                         | Total           |
|   | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                 |
| Gross carrying amount as at January 1, 2021     | P649,256,469            | P—                      | P144,920,294            | P794,176,763    |
| Transfers:                                      |                         |                         |                         |                 |
| Transfer from Stage 1 to Stage 2                | —                       | —                       | —                       | —               |
| Transfer from Stage 1 to Stage 3                | (264,110,750)           | —                       | 264,110,750             | —               |
| Transfer from Stage 2 to Stage 1                | —                       | —                       | —                       | —               |
| Transfer from Stage 2 to Stage 3                | —                       | —                       | —                       | —               |
| Transfer from Stage 3 to Stage 1                | 138,498                 | —                       | (138,498)               | —               |
| Transfer from Stage 3 to Stage 2                | —                       | —                       | —                       | —               |
| New financial assets originated or purchased    | 2,351,942,200           | —                       | —                       | 2,351,942,200   |
| Collections of principal and interest           | (1,213,181,704)         | —                       | (228,589,956)           | (1,441,771,660) |
| Financial assets derecognized during the period | (632,523,283)           | —                       | (99,692,882)            | (732,216,165)   |
| Write-offs and other movements                  | —                       | —                       | (4,641,088)             | (4,641,088)     |
| Gross carrying amount as at December 31, 2021   | P891,521,430            | P—                      | P75,968,620             | P967,490,050    |

While the Bank recognizes through the statements of income the movements in the expected credit losses computed using the models, the Bank also complies with BSP's regulatory requirement to appropriate a portion of its surplus at an amount necessary to bring at least the allowance for credit losses to 1% of all outstanding Stage 1 loan accounts. The amount of surplus reserve for this purpose is nil and ₱0.18 in 2022 and 2021.

## 10. Investments in Associates

This account consists of:

|  | 2022                 | 2021          |
|--|----------------------|---------------|
| <b>Acquisition cost</b>  |                      |               |
| Balance at beginning of year, as previously reported           | <b>₱207,033,075</b>  | ₱206,528,941  |
| Additional investments during the year (Note 22)               | <b>95,196,063</b>    | 504,134       |
|  | <b>302,229,138</b>   | 207,033,075   |
| <b>Accumulated equity in net earnings</b>                      |                      |               |
| Balance at beginning of year                                   | <b>563,006,213</b>   | 502,784,087   |
| Share in net income of an associate                            | <b>152,025,943</b>   | 60,222,126    |
|  | <b>715,032,156</b>   | 563,006,213   |
| <b>Accumulated equity in other comprehensive income (loss)</b> |                      |               |
| Balance at beginning of year                                   | <b>(3,671,304)</b>   | (558,006)     |
| Share in other comprehensive income of an associate            | <b>7,489,439</b>     | (3,113,298)   |
|  | <b>3,818,135</b>     | (3,671,304)   |
| <b>Dividends</b>   |                      |               |
| Balance at beginning of year                                   | <b>(308,985,465)</b> | (265,450,000) |
| Dividends  | <b>(32,521,050)</b>  | (43,535,465)  |
|  | <b>(341,506,515)</b> | (308,985,465) |
| Investment in CARD MRI Rizal Bank, Inc.                        | <b>677,738,085</b>   | 456,068,749   |
| Investment in MIDAS  | <b>1,834,830</b>     | 1,313,770     |
|  | <b>₱679,572,915</b>  | ₱457,382,519  |

### Investment in CMRBI

The Bank's investment in an associate represents the carrying value of its 40.0% interest in CARD MRI Rizal Bank, Inc. (CMRBI), formerly Rizal Bank, Inc. CMRBI is involved in the business of rural banking as defined in and authorized under Republic Act No. 3779, as amended. CMRBI's primary activities include granting loans to small farmers and to deserving rural enterprises, as well as receiving deposits in accordance with the law. The primary place of business of CMRBI is at P. Guevarra St., Cor. Aguirre St., Brgy. Poblacion 2, Sta. Cruz, Laguna.

The following table illustrates the summarized financial information in the statements of financial position, statements of income and statements of comprehensive income and a net asset reconciliation of investment in CMRBI (amounts in millions):

|   | 2022             | 2021      |
|---|------------------|-----------|
| <i>Statements of Comprehensive Income</i> |                  |           |
| Revenues                                  | <b>₱2,143.9</b>  | ₱1,805.9  |
| Expenses                                  | <b>1,763.9</b>   | 1,655.3   |
| Net income                                | <b>380.0</b>     | 150.6     |
| Other comprehensive income (loss)         | <b>18.7</b>      | (7.8)     |
| Total comprehensive income                | <b>398.7</b>     | 142.8     |
| <i>Statements of Financial Position</i>   |                  |           |
| Current assets                            | <b>5,746.8</b>   | 5,951.2   |
| Noncurrent assets                         | <b>455.2</b>     | 459.8     |
| Current liabilities                       | <b>(4,404.8)</b> | (4,705.5) |
| Noncurrent liabilities                    | <b>(80.2)</b>    | (466.5)   |
| Net assets                                | <b>1,717.0</b>   | 1,239.0   |
| Bank's share in net assets in CMRBI       | <b>677.7</b>     | 456.1     |

In 2022, the Bank made additional investments to CMRBI amounting to ₱94.7 million.

Investment in Microfinance Information Data Sharing, Inc. (MIDAS, Inc.)

Investment in MIDAS represents the Bank's 15.50% ownership for interest in the Corporation.

The primary purposes of MIDAS are: (1) to engage in the business of collating, developing and analyzing credit information individuals, institutions and all types of business concerns; (2) develop and undertake the continuing exchange of credit information among its members and subscribers; (3) provide an impartial source of credit information for debtors, creditors and the public; (4) provide its members and subscribers credit reports and references covering, among others, company profiles, financial performance and conditions, management, debt record and operating data; (5) undertake industry and market studies and surveys in support of credit analysis, credit information generation and securities rating; and, (6) publish, print and distribute newsletters, journals, books, periodicals and other printed materials containing surveys, research, evaluation, data and other information useful to the business community. The primary place of business of MIDAS is at TSKI Corporate Office, National Highway, Brgy. Mali-ao, Pavia, Iloilo.

As at December 31, 2022 and 2021, there were no agreements entered into by the Bank and any of the associates that may restrict dividends and other capital distributions to be paid and the Bank has no share on commitments and contingencies of both associates. Both MIDAS and CMRBI are not listed on any public exchange and there are no quoted market prices available for their shares.

### 11. Property and Equipment

The composition of and movements in this account follow:

|   | Land                | Building            | Furniture,<br>Fixtures and<br>Equipment | Leasehold<br>Improvements | Land<br>Improvements | Transportation<br>Equipment | Construction<br>in Progress | Right-of-use<br>Assets | Total               |
|---|---------------------|---------------------|---|---------------------------|----------------------|-----------------------------|-----------------------------|------------------------|---------------------|
| <b>December 31, 2022</b>                  |                     |                     |   |                           |                      |                             |                             |                        |                     |
| Cost                                      |                     |                     |   |                           |                      |                             |                             |                        |                     |
| Balance at beginning of year              | P197,662,431        | P360,570,462        | P489,727,616                            | P156,607,531              | P6,591,245           | P42,669,458                 | P15,594,298                 | P536,334,510           | P1,805,557,551      |
| Additions                                 | 311,487             | 198,367             | 38,540,173                              | 1,974,754                 | 70,064               | 10,565,272                  | 27,752,979                  | 133,255,546            | 212,688,642         |
| Disposals                                 | —                   | —                   | (3,755,428)                             | —                         | —                    | (1,994,318)                 | —                           | —                      | (5,749,746)         |
| Reclassification (Note 12)                | —                   | 10,205,651          | —                                       | 6,603,227                 | 74,936               | —                           | (16,883,814)                | —                      | —                   |
| Balance at end of year                    | P197,973,918        | P370,974,480        | P489,727,616                            | P165,185,512              | P6,736,245           | P51,240,412                 | P26,463,463                 | P669,590,456           | P2,012,676,447      |
| Accumulated Depreciation and Amortization |                     |                     |   |                           |                      |                             |                             |                        |                     |
| Balance at beginning of year              | —                   | 248,910,752         | 406,714,726                             | 130,484,338               | 6,217,554            | 23,032,869                  | —                           | 309,749,659            | 1,125,109,898       |
| Depreciation and amortization             | —                   | 21,378,126          | 40,640,555                              | 9,277,229                 | 402,573              | 6,454,010                   | —                           | 126,003,908            | 204,155,801         |
| Disposals                                 | —                   | —                   | (3,755,428)                             | —                         | —                    | (1,994,318)                 | —                           | —                      | (5,749,746)         |
| Reclassification (Note 12)                | —                   | —                   | —                                       | —                         | —                    | —                           | —                           | —                      | —                   |
| Balance at end of year                    | —                   | 270,288,878         | 443,599,853                             | 139,761,567               | 6,620,127            | 27,492,561                  | —                           | 435,752,967            | 1,323,515,953       |
| <b>Net Book Value</b>                     | <b>P197,973,918</b> | <b>P100,685,602</b> | <b>P80,912,508</b>                      | <b>P25,423,945</b>        | <b>P116,118</b>      | <b>P23,747,851</b>          | <b>P26,463,463</b>          | <b>P233,837,089</b>    | <b>P689,160,494</b> |
|   |                     |                     |   |                           |                      |                             |                             |                        |                     |
| <b>December 31, 2021</b>                  |                     |                     |   |                           |                      |                             |                             |                        |                     |
| Cost                                      |                     |                     |   |                           |                      |                             |                             |                        |                     |
| Balance at beginning of year              | P197,662,431        | P357,667,825        | P448,190,428                            | P151,010,251              | P6,591,245           | P36,703,007                 | P8,081,452                  | P394,638,449           | P1,600,565,088      |
| Additions                                 | —                   | 1,531,637           | 45,974,205                              | 1,178,005                 | —                    | 9,756,911                   | 15,024,741                  | 155,295,862            | 226,761,361         |
| Disposals                                 | —                   | —                   | (4,437,017)                             | (1,721,620)               | —                    | (3,790,460)                 | —                           | (11,619,801)           | (21,568,898)        |
| Reclassification (Note 12)                | —                   | 1,371,000           | —                                       | 6,140,895                 | —                    | —                           | (7,511,895)                 | —                      | —                   |
| Balance at end of year                    | P197,662,431        | P360,570,462        | P489,727,616                            | P156,607,531              | P6,591,245           | P42,669,458                 | P15,594,298                 | P536,334,510           | P1,805,557,551      |
| Accumulated Depreciation and Amortization |                     |                     |   |                           |                      |                             |                             |                        |                     |
| Balance at beginning of year              | —                   | 224,354,494         | 369,296,137                             | 116,127,302               | 5,546,555            | 22,559,693                  | —                           | 195,434,473            | 933,318,654         |
| Depreciation and amortization             | —                   | 24,556,258          | 41,853,606                              | 16,078,656                | 670,399              | 4,263,636                   | —                           | 114,515,186            | 201,740,341         |
| Disposals                                 | —                   | —                   | (4,437,017)                             | (1,721,620)               | —                    | (3,790,460)                 | —                           | —                      | (9,949,097)         |
| Reclassification (Note 12)                | —                   | —                   | —                                       | —                         | —                    | —                           | —                           | —                      | —                   |
| Balance at end of year                    | —                   | 248,910,752         | 406,714,726                             | 130,484,338               | 6,217,554            | 23,032,869                  | —                           | 309,749,659            | 1,125,109,898       |
| <b>Net Book Value</b>                     | <b>P197,662,431</b> | <b>P111,659,710</b> | <b>P83,012,890</b>                      | <b>P26,123,193</b>        | <b>P573,691</b>      | <b>P19,636,589</b>          | <b>P15,594,298</b>          | <b>P226,584,851</b>    | <b>P680,447,653</b> |

Depreciation and amortization presented in the statements of income follow:

|                             | 2022                | 2021         |
|-----------------------------|---------------------|--------------|
| Property and equipment      | <b>₱204,155,801</b> | ₱201,740,341 |
| Intangible assets (Note 12) | <b>2,300,211</b>    | 3,114,678    |
|                             | <b>₱206,456,012</b> | ₱204,855,019 |

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 of December 31, 2022, the leasehold improvements under construction pertain to the establishment of a branch and are estimated to be completed in February 2023. As of December 31, 2021, the leasehold improvements under construction pertain to the establishment of a branch and was completed in May 12, 2022.

There are no restrictions on the titles of the Bank's property and equipment and the Bank does not have any contractual commitments for the acquisition of property and equipment as of December 31, 2022 and 2021.

## 12. Other Assets

This account consists of:

|  | 2022                | 2021         |
|--|---------------------|--------------|
| <b>Financial assets</b>                |                     |              |
| Security deposits                      | <b>₱32,152,495</b>  | ₱37,496,659  |
| Subscription to CMRBI shares (Note 22) | –                   | 36,875,000   |
|  | <b>32,152,495</b>   | 74,371,659   |
| <b>Nonfinancial assets</b>             |                     |              |
| Stationeries and supplies              | <b>61,452,459</b>   | 64,206,119   |
| Prepaid expenses                       | <b>39,763,200</b>   | 36,673,965   |
| Intangible assets                      | <b>2,390,642</b>    | 7,362,053    |
| Others                                 | <b>5,669,641</b>    | 5,242,000    |
|  | <b>109,275,942</b>  | 113,484,137  |
|  | <b>₱141,428,437</b> | ₱187,855,796 |

Security deposits pertain to refundable deposits on the Bank's leased office spaces, and staff house premises and leased IT equipment with CLFC. Income from security deposits recorded under 'miscellaneous income' in 2022 and 2021 amounted to ₱0.8 million and ₱0.7 million, respectively.

Subscription to CMRBI shares pertains to deposit made by the Bank for future stock subscription of the last 2021 which was approved last June 14, 2022 and was reclassified as part of Investments in Associate.

Intangible assets include purchased licenses and software.

Others pertain to artworks and paintings owned by the Bank.

The movements of intangible assets follow:

|                                 | 2022               | 2021        |
|---------------------------------|--------------------|-------------|
| <b>Cost</b>                     |                    |             |
| Balance at beginning of year    | <b>₱53,948,043</b> | ₱52,943,673 |
| Additions                       | -                  | 1,004,370   |
| Reclassifications               | <b>(2,671,200)</b> | -           |
| Balance at end of year          | <b>51,276,843</b>  | 53,948,043  |
| <b>Accumulated Amortization</b> |                    |             |
| Balance at beginning of year    | <b>46,585,990</b>  | 43,471,312  |
| Amortization (Note 11)          | <b>2,300,211</b>   | 3,114,678   |
| Balance at end of year          | <b>48,886,201</b>  | 46,585,990  |
| <b>Net Book Value</b>           | <b>₱2,390,642</b>  | ₱7,362,053  |

### 13. Deposit Liabilities

The Bank's savings deposit liabilities include pledge savings amounting to ₱10.3 billion and ₱10.0 billion as at December 31, 2022 and 2021, respectively. These represent the aggregate compulsory savings of ₱50.0 per week collected from each member and earn an annual interest rate of 2.0% in 2022 and 2021. Under an assignment agreement, the pledge savings balances serve as security for loans granted by the Bank to its members. Pledge savings equivalent to 15.0% of the loan proceeds serves as guarantee fund of the outstanding loan receivable from members.

Savings deposits include regular and special savings deposit. Regular savings deposits include "Kayang-kaya", "Tagumpay", "Maagap", "Matapat" and "Dollar" savings. These savings accounts bear annual fixed interest rates ranging from 0.3% to 4.5% in 2022 and 2021. Special savings deposits include "Tiwala" savings with annual interest rates ranging from 1.8% to 2.7% in 2022 and 2021. Interest expense on deposit liabilities amounted to ₱266.8 million and ₱313.2 million in 2022 and 2021, respectively.

BSP Circular No. 830 requires reserves against deposit liabilities. As at December 31, 2022 and 2021, due from BSP amounting to ₱311.0 million and ₱302.7 million, respectively, were set aside as reserves for deposit liabilities per latest report submitted by the Bank to the BSP. As at December 31, 2022 and 2021, the Bank is in compliance with such regulation.

### 14. Bills Payable

The Bank's bills payable consists of payables to local banks and to International Finance Corporation (IFC). The movements in the account follow:

|                              | 2022                 | 2021          |
|------------------------------|----------------------|---------------|
| <b>Face Value</b>            |                      |               |
| Balance at beginning of year | <b>₱582,620,000</b>  | ₱915,780,000  |
| Availments                   | <b>200,000,000</b>   | 500,000,000   |
| Principal payments           | <b>(582,620,000)</b> | (833,160,000) |
| Balance at end of year       | <b>200,000,000</b>   | 582,620,000   |

(Forward)

|                                      | 2022                | 2021                |
|--------------------------------------|---------------------|---------------------|
| <b>Unamortized Transaction Costs</b> |                     |                     |
| Balance at beginning of year         | (P1,712,452)        | (P5,035,801)        |
| Availments                           | (769,883)           | (1,849,315)         |
| Amortization                         | 1,863,757           | 5,172,664           |
| Balance at end of year               | (618,578)           | (1,712,452)         |
| <b>Carrying Value</b>                | <b>P199,381,422</b> | <b>P580,907,548</b> |

#### Local banks

Bills payable of P199.4 million and P498.5 million as at December 31, 2022 and 2021, respectively, pertain to promissory notes obtained from various local banks for working capital requirements with a tenor of six (6) months in 2022 and one (1) year in 2021 and annual interest rates ranging from 4.0% to 4.5% and 2.5% to 3.1% in 2022 and 2021, respectively.

#### International Finance Corporation

On December 16, 2015, the Bank entered into a Loan Agreement (Agreement) with IFC for the availment of loan amounting to P540.0 million (the Loan). The purpose of the Loan is to provide funds to be used by the Bank for financing its lending operations to small and medium-sized enterprises and microfinance entities. The note bears a Philippine fixed base rate of 6.5%, inclusive of 2.7% spread and has a tenor of seven (7) years.

As at December 31, 2022 and 2021, carrying value of the loan amounted to nil and P82.6 million, respectively.

Borrowings from IFC contain the following embedded derivatives:

- prepayment option which allows the Bank to redeem the Loan (or portion of the loan not less than P45.0 million) prior to the respective maturities; and
- cross currency swap which allows the parties to exchange interest payments and principals denominated in different currencies (in USD and Philippine Pesos).

The Bank assessed that these embedded derivatives are clearly and closely related to the host loan instruments, since their redemption price approximate the loans' amortized cost on redemption dates. Accordingly, these embedded derivatives were not accounted for separately from the host loan instrument.

#### Debt covenants

The Agreement covering the loan with IFC provide for restrictions and requirements which includes the following negative and financial covenants, among others:

- Negative covenants

Unless IFC otherwise agrees, the Bank shall not take action on the following, among others:

- declare or pay any dividend or make any distribution on its share capital (other than dividends or distribution payable in shares of the Bank), unless the proposed payment or distribution is out of net income of the current financial year, no event of default or potential event of default has occurred and is then continuing; and after giving effect to any such action the Bank is in compliance with the financial covenants stated in the agreement;
- purchase, redeem or otherwise acquire any shares of the Bank or any option over them;
- incur, create, assume or permit to exist any liability that is covered or ranks prior or senior to the Loan, except those that is in existence of the date of Agreement;

- create or permit to exist any lien on any property, revenues or other assets, present or future, of the Bank subject to exceptions indicated in the Agreement;
- enter into any transaction except in the ordinary course of business on ordinary commercial terms and on the basis of arm's-length arrangements;
- enter into or establish any partnership, profit-sharing or royalty agreement or other similar arrangement whereby the Bank's income or profits are, or might be, shared with any other person; or enter into any management contract or similar arrangement whereby its business or operations are managed by any other persons;
- have any subsidiaries subject to exceptions indicated in the Agreement;
- change its charter in any manner which would be inconsistent with the provisions of the agreement or any other transaction document; its financial year; or the nature or scope of its present or contemplated business or operations;
- undertake or permit any merger, spin-off, consolidation or reorganization; or sell, transfer, lease or otherwise dispose of all or a substantial part of its assets, other than assets acquired in the enforcement of security created in favor of the Bank in the ordinary course of its banking business, whether in a single transaction or in a series of transaction; and
- prepay or repurchase any long-term debt (other than the Loan) subject to conditions indicated the agreement.

Both loans have the same negative covenants but different financial covenants which are:

b. Financial covenants

The Bank agreed to prudently manage its financial position in accordance with sound banking and financial practices, applicable laws and the prudential standards of the BSP. To the extent that the banking regulation imposes financial requirements or ratios that are more stringent than the following, the Bank shall observe and comply with those more stringent requirements or ratios.

- risk weighted capital adequacy ratio of not less than 10.0%;
- equity to assets ratio of not less than 5.0%;
- economic group exposure ratio of not more than 15.0%;
- aggregate large exposure ratio of not more than 400.0%;
- related party exposure ratio of not more than 15.0%;
- open credit exposures ratio of not more than 25.0%;
- fixed assets plus equity participants ratio of not more than 35.0%;
- aggregate foreign exchange risk ratio of not more than 25.0%;
- single currency foreign exchange risk ratio of not more than 10.0%;
- interest rate risk ratio of not less than -10.0% and not more than 10.0%;
- aggregate interest rate risk ratio of not less than -20.0% and not more than 20.0%;

The period of compliance with the above covenants commenced on March 31, 2016. As at December 31, 2022 and 2021, the Bank is in compliance with the above covenants.

Receivable from borrowers, particularly microfinance loans amounting to ₱0.25 billion and ₱1.2 billion secure the above borrowings as at December 31, 2022 and 2021, respectively (Note 9).

The Bank has undrawn credit line amounting to ₱1.8 billion and ₱1.5 billion in 2022 and 2021, respectively.

Interest expense recognized in the statements of income amounted to ₱11.1 million and ₱31.6 million in 2022 and 2021, respectively. Unpaid interest as at December 31, 2022 and 2021 amounted to ₱0.6 million and ₱1.0 million, respectively, is presented under 'Accrued expenses' (Note 15).

## 15. Other Liabilities

This account consists of:

|   | 2022                | 2021         |
|---|---------------------|--------------|
| <b>Financial liabilities</b>                      |                     |              |
| Lease liabilities (Note 20)                       | <b>₱223,142,892</b> | ₱222,345,354 |
| Accrued interest on deposit liabilities (Note 22) | <b>142,465,281</b>  | 143,227,821  |
| Accrued expenses                                  | <b>80,040,568</b>   | 100,862,383  |
| Dividends payable (Note 17)                       | <b>60,531,213</b>   | 58,140,350   |
| Accounts payable (Note 22)                        | <b>79,145,868</b>   | 26,510,637   |
| Accrued interest on bills payable (Note 14)       | <b>625,000</b>      | 1,002,018    |
| Refundable deposits                               | <b>604,235</b>      | 462,919      |
|   | <b>586,555,057</b>  | 552,551,482  |
| <b>Nonfinancial liabilities</b>                   |                     |              |
| Accrued taxes                                     | <b>93,715,897</b>   | 77,232,531   |
| Deposit for future stock subscription             | –                   | 69,302,800   |
| Accrued vacation leaves                           | <b>21,857,925</b>   | 27,773,150   |
| Withholding taxes payable                         | <b>30,330,771</b>   | 16,102,069   |
|   | <b>145,904,593</b>  | 190,410,550  |
|   | <b>₱732,459,650</b> | ₱742,962,032 |

Accrued expenses include accrued rent, unpaid Philippine Deposit Insurance Corporation premium and other operating expenses.

Accrued taxes pertain to gross receipts taxes payable as of December 31, 2022.

Accounts payable include due to suppliers and contractors, due to staff, due to Social Security System for collection remittances, Automated Teller Machine overages, statutory payables on employee compensation, and due to related parties (Note 22).

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

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

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

As of December 31, 2022, increase of capitalization was approved last May 20, 2022 applying the deposit for stock subscription last December 31, 2021 to newly authorized and issued shares.

## 16. Maturity Analysis of Assets and Liabilities

The following table presents the Bank's assets and liabilities as at December 31, 2022 and 2021 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from respective reporting date (in thousands):

|   | 2022               |                    |                    | 2021               |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | Within<br>one year | Beyond<br>one year | Total              | Within<br>one year | Beyond<br>one year | Total              |
| <b>Financial Assets</b>                     |                    |                    |                    |                    |                    |                    |
| Cash and other cash items                   | P226,681           | P–                 | P226,681           | P222,663           | P–                 | P222,663           |
| Due from BSP                                | 311,027            | –                  | 311,027            | 302,678            | –                  | 302,678            |
| Due from other banks                        | 2,773,934          | –                  | 2,773,934          | 3,003,050          | –                  | 3,003,050          |
| Financial assets at FVOCI                   | 49,015             | 1,815,223          | 1,864,238          | 649,532            | 570,999            | 1,220,531          |
| Loans and receivables, net                  | 13,258,772         | 19,038             | 13,277,810         | 12,891,666         | 16,750             | 12,908,416         |
| Investment securities at<br>amortized costs | 178,645            | 2,064,972          | 2,243,617          | 1,218,425          | 741,606            | 1,960,031          |
| Security deposits                           | –                  | 30,834             | 30,834             | –                  | 38,188             | 38,188             |
| <b>Nonfinancial Assets</b>                  |                    |                    |                    |                    |                    |                    |
| Investments in associates                   | –                  | 679,573            | 679,573            | –                  | 457,383            | 457,383            |
| Property and equipment, net                 | –                  | 689,160            | 689,160            | –                  | 680,648            | 680,648            |
| Retirement asset                            | –                  | 214,170            | 214,170            | –                  | 158,858            | 158,858            |
| Deferred tax assets                         | –                  | 189,213            | 189,213            | –                  | 330,515            | 330,515            |
| Other assets                                | –                  | 110,595            | 110,595            | –                  | 149,667            | 149,667            |
| <b>Total Assets</b>                         | <b>P16,798,074</b> | <b>P5,812,778</b>  | <b>P22,610,852</b> | <b>P18,288,014</b> | <b>P3,144,614</b>  | <b>P21,432,628</b> |

|  | 2022               |                    |                    | 2021               |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | Within<br>one year | Beyond<br>one year | Total              | Within<br>one year | Beyond<br>one year | Total              |
| <b>Financial liabilities</b>             |                    |                    |                    |                    |                    |                    |
| Deposit liabilities                      | 13,777,650         | 1,113,340          | 14,890,990         | 13,632,967         | 1,214,368          | 14,847,335         |
| Bills payable, net                       | 199,381            | –                  | 199,381            | 580,908            | –                  | 580,908            |
| Other liabilities:                       |                    |                    |                    |                    |                    |                    |
| Accrued expenses                         | 80,041             | –                  | 80,041             | 100,862            | –                  | 100,862            |
| Accrued interest                         | 5,542              | 137,548            | 143,090            | 144,230            | –                  | 144,230            |
| Dividends payable                        | 60,531             | –                  | 60,531             | 58,140             | –                  | 58,140             |
| Accounts payable                         | 79,146             | –                  | 79,146             | 26,511             | –                  | 26,511             |
| Finance lease liability                  | 126,277            | 96,866             | 223,143            | 104,719            | 117,626            | 222,345            |
| Refundable deposits                      | –                  | 604                | 604                | –                  | 463                | 463                |
| <b>Nonfinancial liabilities</b>          |                    |                    |                    |                    |                    |                    |
| Deposit for future stock<br>subscription | –                  | –                  | –                  | 69,303             | –                  | 69,303             |
| Income tax payable                       | 228,557            | –                  | 228,557            | 250,417            | –                  | 250,417            |
| Other liabilities:                       |                    |                    |                    |                    |                    |                    |
| Accrued vacation leaves                  | –                  | 21,858             | 21,858             | –                  | 27,773             | 27,773             |
| Accrued taxes                            | 93,716             | –                  | 93,716             | 77,233             | –                  | 77,233             |
| Withholding taxes payable                | 30,331             | –                  | 30,331             | 16,102             | –                  | 16,102             |
| <b>Total Liabilities</b>                 | <b>P14,681,172</b> | <b>P1,370,216</b>  | <b>P16,051,388</b> | <b>P15,061,392</b> | <b>P1,360,230</b>  | <b>P16,421,622</b> |

## 17. Equity

### Capital Stock

As at December 31, 2022 and 2021, the Bank's capital stock consists of:

|  | 2022       |                | 2021       |                |
|--|------------|----------------|------------|----------------|
|  | Shares     | Amount         | Shares     | Amount         |
| <b>Preferred stock - ₱200 par value,<br/>7,500,000 authorized shares</b> |            |                |            |                |
| Issued and outstanding   |            |                |            |                |
| Beginning of year  | 6,295,349  | ₱1,259,069,800 | 5,717,875  | ₱1,143,575,000 |
| Issuance of shares of stocks   | 509,704    | 101,940,800    | 577,474    | 115,494,800    |
| Preferred stock at the end of the year                                   | 6,805,053  | 1,361,010,600  | 6,295,349  | 1,259,069,800  |
| Subscribed   | 6,905,053  | 1,381,010,600  | 6,460,449  | 1,292,089,800  |
| Subscription receivable  | 100,000    | (20,000,000)   | (165,100)  | (33,020,000)   |
|  | 6,805,053  | ₱1,361,010,600 | 6,295,349  | ₱1,259,069,800 |
| <b>Common stock - ₱100 par value,<br/>20,000,000 authorized shares</b>   |            |                |            |                |
| Issued and outstanding   |            |                |            |                |
| Beginning of year  | 19,998,965 | ₱1,999,896,500 | 16,207,676 | ₱1,620,767,600 |
| Issuance of shares of stocks   | 2,058,663  | 205,866,300    | 1,292,308  | 129,230,800    |
| Stock dividends  | 4,949,752  | 494,975,200    | 2,498,981  | 249,898,100    |
| Common stock at the end of the year                                      | 27,007,380 | 2,700,738,000  | 19,998,965 | 1,999,896,500  |
| Subscribed   | 27,448,716 | 2,744,871,600  | —          | —              |
| Subscription receivable  | 441,336    | (44,133,600)   | —          | —              |
|  | 27,890,052 | ₱2,700,738,000 | 19,998,965 | ₱1,999,896,500 |

As of December 31, 2022, the Bank had outstanding subscriptions amounting to ₱33.0 million for preferred stocks. As of December 31, 2021, the Bank had outstanding subscriptions amounting to ₱1.4 million and ₱129.4 million for preferred and common stocks, respectively.

Preferred has the following features: (a) 8.0% cumulative dividends, (b) non-participating, (c) non-redeemable, and (d) non-voting. As of December 31, 2022 and 2021, dividends amounted to ₱790.0 million and ₱920.0 million, respectively.

### Dividend Declaration

#### *2022 Cash Dividends*

On April 16, 2022, the BOD declared cash dividends of 8.0% and ₱10.0 per share to its preferred and common stockholders, respectively, to stockholders of record as at March 31, 2022. Cash dividends declared amounting to ₱303.4 million were paid starting May 1, 2022 to preferred and common stockholders.

On June 18, 2022, the BOD declared cash dividends of 4.0% and ₱8.0 per share to its preferred and common stockholders, respectively, to stockholders of record as at May 31, 2022. Cash dividends declared amounting to ₱233.6 million were paid starting July 1, 2022 to preferred and common stockholders.

On November 19, 2022, the BOD declared cash dividends of 3.0% and ₱7.0 per share to its preferred and common stockholders, respectively, to stockholders of record as at October 31, 2022. Cash dividends declared amounting to ₱233.6 million were paid starting December 1, 2022 to preferred and common stockholders.

*2022 Stock Dividends*

On June 18, 2022, the BOD declared stock dividends of 22.00% per share to its common stockholders of record as at May 31, 2022. The Shareholders approved the declaration of stock dividend on June 18, 2022. Stock dividends declared amounting to ₱495.0 million were distributed starting July 1, 2022.

*2021 Cash Dividends*

On July 6, 2022, the BOD declared cash dividends of 8.0% and ₱17.0 per share to its preferred and common stockholders, respectively, to stockholders of record as at April 30, 2022 and December 31, 2021 respectively. Cash dividends declared amounting to ₱389.1 million were paid starting August 1, 2022 to preferred and common stockholders.

On October 16, 2022, the BOD declared cash dividends of 4.0% and ₱5.0 per share to its preferred and common stockholders, respectively, to stockholders of record as at September 30, 2022 and December 31, 2021 respectively. Cash dividends declared amounting to ₱151.7 million were paid starting November 1, 2022 to preferred and common stockholders.

*2021 Stock Dividends*

On June 19, 2021, the BOD declared stock dividends of 14.28% per share to its common stockholders of record as at December 31, 2021 and April 30, 2022 respectively. The Shareholders approved the declaration of stock dividend on June 19, 2022. Stock dividends declared amounting to ₱249.9 million were distributed starting June 24, 2022.

Capital Management

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

The Bank manages its capital structure and appropriately effect adjustment according to the changes in economic conditions and the risk level it recognizes at every point of time in the course of its business operations.

In order to maintain or adjust for good capital structure, the Bank carefully measures the amount of dividend payment to shareholders, call payment due from the capital subscribers or issue capital securities as necessary. No changes were made in the objectives, policies and processes from the previous years.

As of December 31, 2022 and 2021, the Bank issues two classes of capital stock, preferred and common stocks. The Bank considers its paid-up capital as capital as of year-end.

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 capital) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects. The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines. As at December 31, 2022 and 2021, the Bank was in compliance with the risk-based capital adequacy ratio (CAR).

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 consistent with the BSP's goal of promoting the soundness and stability of individual banks and of the banking system as a whole. BSP Circular No. 688 replaced BSP Circular No. 280 which is primarily based on Basel 1.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10.0%) of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excluding:

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

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

Under BSP Circular No. 360, effective July 1, 2003, the 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 BSP Circular No. 854 which amends the provisions of the Manual of Regulations for Banks on the minimum capitalization of banks and on the prerequisites for the grant of authority to establish a branch. Based on this circular, the Bank is required to maintain a minimum capitalization of ₱400.0 million.

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings including current year profit. The other component of regulatory capital is Tier 2 capital, which includes revaluation reserves. Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP.

The CAR of the Bank as at December 31, 2022 and 2021, as reported to the BSP, is shown in the table below (amounts in millions):

|                                 | 2022             | 2021      |
|---------------------------------|------------------|-----------|
| Tier 1 capital                  | <b>₱4,324.3</b>  | ₱3,147.1  |
| Tier 2 capital                  | <b>1,242.7</b>   | 1,151.8   |
| <b>Total qualifying capital</b> | <b>₱5,567.0</b>  | ₱4,298.9  |
| Risk weighted assets            | <b>₱23,348.0</b> | ₱23,449.8 |
| Tier 1 capital ratio            | <b>18.52%</b>    | 13.42%    |
| Tier 2 capital ratio            | <b>5.32%</b>     | 4.91%     |
| <b>Total CAR</b>                | <b>23.84%</b>    | 18.33%    |

As at December 31, 2022 and 2021, the Bank's CAR and capital is in compliance with the regulatory requirements.

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.

#### Minimum Liquidity Ratio (MLR)

The Minimum Liquidity Ratio is expressed as a percentage of a covered institution's eligible stock of liquid assets to its total qualifying liabilities. The stock of liquid assets is required to be unencumbered and readily liquefiable, while the qualifying liabilities include both on-balance sheet and off-balance sheet commitments.

The Liquidity Coverage Ratio (LCR) for universal and commercial banks, which also applies to their subsidiary and affiliate thrift banks (TBs), rural banks (RBs), cooperative banks (CBs) and quasi-banks (QBs), is 90% beginning January 1, 2018 and 100% beginning January 1, 2021 onwards. Meanwhile, stand-alone TBs, RBs, CBs and QBs will be subject to a Minimum Liquidity Ratio of 20% starting January 1, 2021.

The Bank's MLR as at December 31, 2022 and 2021, as reported to the BSP is shown in the table below (amount in millions):

|                        | 2022    | 2021    |
|------------------------|---------|---------|
| Stock of liquid assets | 7,354.9 | 6,604.3 |
| Qualifying liabilities | 9,820.2 | 9,878.0 |
| MLR                    | 74.9%   | 66.9%   |

As at December 31, 2022 and 2021, the Bank's MLR is in compliance with the regulatory requirements.

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

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## 18. Miscellaneous Income and Expenses

Miscellaneous income consists of:

|  | 2022                | 2021               |
|--|---------------------|--------------------|
| Deposit-related fees and other charges     | ₱3,648,852          | ₱19,881,432        |
| Commission income                          | 73,942,512          | 13,469,106         |
| Recoveries of written-off account          | 98,560,199          | 13,074,738         |
| Rental income (Note 20)                    | 5,937,689           | 5,784,380          |
| Gain on disposal of property and equipment | 669,403             | 858,359            |
| Others (Note 22)                           | 4,397,892           | 4,240,647          |
|  | <b>₱187,156,546</b> | <b>₱57,308,662</b> |

Others include service charges on remittances, security deposit and insurance claims for transportation equipment.

Miscellaneous expense consists of the following:

|  | 2022               | 2021        |
|--|--------------------|-------------|
| Medical and other related expenses         | <b>₱5,836,391</b>  | ₱6,576,961  |
| COVID-19 related expenses                  | <b>1,367,103</b>   | 5,943,738   |
| Representation and entertainment (Note 21) | <b>3,012,926</b>   | 3,110,607   |
| Advertising and promotions                 | <b>3,755,827</b>   | 3,138,263   |
| Others                                     | <b>23,747,463</b>  | 26,289,104  |
|  | <b>₱37,719,710</b> | ₱45,058,673 |

COVID-19 expenses include disinfectants purchased, and other cleaning expenses of the Bank.

Others include notarial and other legal expenses, loss on asset disposal, foreign currency exchange loss, laundry expenses and other small value expenses that are non-recurring.

## 19. Retirement Benefits

The Bank, CARD MRI Development Institute, Inc. (CMDI), CARD Mutual Benefit Association (MBA), Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency (CAMIA), Inc., CARD Business Development Service Foundation, Inc. (BDSFI), Inc., CARD MRI Information Technology, Inc. (CMIT), CARD Employees Multi-Purpose Cooperative (EMPC), Responsible Investments for Solidarity and Empowerment Financing Co. (RISE), BotiCARD Inc., CARD Leasing and Finance Corporation (CLFC), CMRBI, CARD, Inc. and Mga Likha ni Inay Inc. (MLNI), maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (MERP) - covering all of their regular employees and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2016. MERP and Hybrid Plan comply with the requirements of Republic Act No. 7641 (Retirement Pay Law).

MERP is valued using the projected unit cost method and is financed solely by the Bank and its related parties. MERP provides lump sum benefits equivalent to up to 120% of final salary for every year of credited service, a fraction of at least six (6) months being considered as one whole year, upon retirement, death, total and permanent disability, or voluntary separation after completion of at least one year of service with the participating companies.

Hybrid Plan provides a retirement benefit equal to 100.00% of the member's employer accumulated value (the Bank's contributions of 8.0% plan salary to Fund A plus credited earnings) and 100.00% of the Member's Employee accumulated value (member's own contributions up to 10.0% 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 latest actuarial valuation report covers reporting period as of December 31, 2022 and 2021.



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

|                           | 2022                | 2021         |
|---------------------------|---------------------|--------------|
| Cash and other cash items | <b>₱124,199,791</b> | ₱301,501,980 |
| Government securities     | <b>520,214,501</b>  | 317,857,389  |
| Other bonds               | <b>39,404,449</b>   | 41,295,558   |
| Loans and receivables     | <b>63,577,562</b>   | 62,609,395   |
| Other assets              | <b>10,381,557</b>   | 16,799,448   |
| Fair value of plan assets | <b>₱757,777,860</b> | ₱740,063,770 |

All plan assets do not have quoted prices in an active market except for government securities. Cash and other cash items are deposited in reputable financial institutions and related parties and are deemed to be standard grade. Mutual fund, loans and receivables 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 risk 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:

|                         | 2022        | 2021 |
|-------------------------|-------------|------|
| Discount rates          |             |      |
| January 1               | <b>5.1%</b> | 3.9% |
| December 31             | <b>7.3%</b> | 5.1% |
| Future salary increases | <b>5.0%</b> | 5.0% |

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

|                         | 2022              |                    | 2021          |              |
|-------------------------|-------------------|--------------------|---------------|--------------|
|                         | +100              | -100               | +100          | -100         |
| Discount rates          | (₱47,829,518)     | <b>₱56,560,539</b> | (₱64,997,922) | ₱78,391,986  |
| Future salary increases | <b>57,316,443</b> | (49,223,094)       | 77,693,487    | (65,646,762) |

As at December 31, 2022, the average duration of defined benefit obligations is 10.8 years.

Expected fund contribution in 2022 amounts to ₱30.0 million.

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

|                                | 2022                 | 2021          |
|--------------------------------|----------------------|---------------|
| Less than 1 year               | <b>₱36,990,192</b>   | ₱35,502,147   |
| More than 1 year to 5 years    | <b>172,346,431</b>   | 150,177,070   |
| More than 5 years to 10 years  | <b>275,199,925</b>   | 252,840,636   |
| More than 10 years to 15 years | <b>420,066,211</b>   | 384,013,762   |
| More than 15 years to 20 years | <b>553,444,725</b>   | 528,313,453   |
| More than 20 years to 25 years | <b>727,341,972</b>   | 705,724,903   |
| More than 25 years             | <b>1,200,717,092</b> | 1,351,828,450 |

## 20. Leases

### *Bank as a lessee*

#### *Office spaces and staff house*

The Bank leases the premises occupied by some of its branches in which lease payments are subjected to escalation clauses at 5.0% to 10.0% starting either on the second or third year of lease. The lease contracts are for the periods ranging from one (1) to ten (10) years and are renewable upon mutual agreement between the Bank and the lessors.

#### *Transportation and IT equipment*

The Bank leases transportation and IT equipment from CLFC. The lease contracts have a term of eighteen (18) months to twenty-four (24) months and eighteen months in 2022 and 2021, respectively.

The following are the amounts recognized in the statement of income:

|   | 2022                | 2021                |
|---|---------------------|---------------------|
| Depreciation expense of ROU assets (Note 11)  | <b>₱126,003,308</b> | ₱114,315,186        |
| Interest expense on lease liabilities   | <b>11,685,715</b>   | 14,407,852          |
| Expenses relating to short-term leases and leases of low-value assets (included in general and administrative expenses) | <b>73,036,550</b>   | 91,484,155          |
| <b>Total amount recognized in statement of income</b>   | <b>₱210,725,573</b> | <b>₱220,207,193</b> |

The roll-forward analysis of lease liabilities follows:

|                               | 2022                 | 2021                |
|-------------------------------|----------------------|---------------------|
| Balance at beginning of year  | <b>₱222,345,354</b>  | ₱196,514,544        |
| Addition                      | <b>130,904,003</b>   | 150,172,355         |
| Termination                   | <b>(363,130)</b>     | (11,962,969)        |
| Interest expense              | <b>11,685,715</b>    | 14,407,852          |
| Principal payments            | <b>(141,429,050)</b> | (126,786,428)       |
| <b>Balance at end of year</b> | <b>₱223,142,892</b>  | <b>₱222,345,354</b> |

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

|                              | 2022                | 2021         |
|------------------------------|---------------------|--------------|
| 1 year                       | <b>₱126,277,013</b> | ₱121,812,075 |
| more than 1 years to 2 years | <b>73,044,792</b>   | 82,652,522   |
| more than 2 years to 3 years | <b>26,114,371</b>   | 30,438,156   |
| more than 3 years to 4 years | <b>9,352,071</b>    | 3,796,564    |
| more than 4 to 5 years       | <b>4,878,124</b>    | 2,337,950    |
| more than 5 years            | <b>3,210,308</b>    | 4,833,310    |

*Bank as a lessor*

The Bank earns income from leased office spaces to CARD MRI Information Technology (CMIT) and CARD MRI Property Management, Inc. (CMPMI). As of December 31, 2022 and 2021, rental income recognized under “Miscellaneous Income” in the Statements of Comprehensive Income amounted to ₱5.9 million and ₱5.8 million, respectively (Note 18).

## 21. Income Taxes

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

Income taxes include corporate income tax, as discussed below, and 20.0% final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2022, 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. Republic Act (RA) 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% to 25%. 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%. Furthermore, based on the provisions of Revenue Regulations (RR) No. 5-2022 dated April 8, 2022 issued by the Bureau of Internal Revenue (BIR), the prorated RCIT rate of the Bank for the year 2021 is 27.5%. Applying these provisions, the Bank is subject to lower RCIT rate of 25% effective July 1, 2021.
- The bill also provides that effective July 1, 2021 to June 30, 2023, the MCIT will be lowered from 2% to 1%.
- Interest expense allowed as a deduction against taxable income shall be reduced by 20% in 2022 and 33% in 2021 of interest income subjected to final tax.

As of December 31, 2021, the Bank did not consider the provisions of CREATE yet in the tax computation as reported in the financial statements given that the law became substantially enacted in 2022 when it was signed into law. However, the Bank already reflected the lower provision in its 2021 annual income tax return following transitional guidelines from the BIR. For financial reporting

purposes, the Bank started to use the new tax rate for the income tax computation in the first quarter of 2022. These resulted to a reduction of ₱25.05 million in the provision for current income tax in the statement of income for the year ended December 31, 2022. Furthermore, the Bank revalued net deferred tax assets by ₱33.93 million in 2022 as a result of the reduction in RCIT rates. This consisted of ₱39.16 million in deferred tax assets revalued against provision for deferred taxes and ₱5.23 million in deferred tax liabilities revalued against other comprehensive income.

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 2022 and 2021 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. The regulations also provide for MCIT of 1.0% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception. However, NOLCO incurred in 2021 and 2022 may be applied over a five-year period as provided under RA 11494 or the Bayanihan to Recover as One Act.

The Bank's provision for income tax consists of:

|           | 2022                | 2021          |
|-----------|---------------------|---------------|
| Current:  |                     |               |
| RCIT      | <b>₱432,021,425</b> | ₱465,324,840  |
| Final tax | <b>45,478,945</b>   | 21,964,805    |
|           | <b>477,500,370</b>  | 487,289,645   |
| Deferred  | <b>140,050,507</b>  | (100,709,419) |
|           | <b>₱617,550,877</b> | ₱386,580,226  |

Components of net deferred tax assets are as follows:

|  | 2022                 | 2021          |
|--|----------------------|---------------|
| <i>Deferred tax asset</i>                    |                      |               |
| Allowance for credit and impairment losses   | <b>₱226,264,142</b>  | ₱367,658,049  |
| Finance lease liability                      | <b>55,785,722</b>    | 55,586,338    |
| Unrealize loss on financial assets at FVOCI  | <b>12,404,516</b>    | —             |
| Accrued rent and vacation leave              | <b>6,428,303</b>     | 7,024,130     |
| Unamortized past service cost                | <b>499,206</b>       | 499,206       |
| Unrealized foreign exchange loss             | <b>2,371</b>         | 31,174        |
|  | <b>301,384,260</b>   | 430,798,897   |
| <i>Deferred tax liability</i>                |                      |               |
| Retirement asset                             | <b>(53,542,584)</b>  | (39,714,475)  |
| Right-of-use assets                          | <b>(58,459,271)</b>  | (56,646,211)  |
| Unrealized gain on financial assets at FVOCI | —                    | (3,831,625)   |
| Unrealized foreign exchange gain             | <b>(169,644)</b>     | (91,560)      |
|  | <b>(112,171,499)</b> | (100,283,871) |
|  | <b>₱189,212,761</b>  | ₱330,515,026  |

The income tax effect arising from retirement asset recognized in 2022 and 2021 in other comprehensive income amounted to a provision of ₱12.9 million and ₱6.0 million, respectively.

The income tax effect arising from unrealized losses on financial assets at FVOCI investments recognized in statements of other comprehensive income amounted to a benefit of ₱13.2 million and ₱12.9 million in 2022 and 2021, respectively.

As at December 31, 2022 and 2021, the Bank has no unrecognized deferred tax assets.

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

|   | 2022                | 2021         |
|---|---------------------|--------------|
| Statutory income tax                              | <b>₱654,390,613</b> | ₱361,203,843 |
| Income tax effects of:                            |                     |              |
| Interest income subject to final tax              | <b>(58,383,716)</b> | (34,445,043) |
| Nontaxable income                                 | <b>(38,006,486)</b> | (15,055,532) |
| Nondeductible interest expense and other expenses | <b>59,550,465</b>   | 53,093,241   |
| Implementation of CREATE Law                      | –                   | 21,783,717   |
| Provision for income tax                          | <b>₱617,550,877</b> | ₱386,580,226 |

## 22. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. The Bank's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- post-employment benefit plans for the benefit of the Bank's employees, and
- other related parties within the CARD-MRI Group.

### Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. CARD-MRI's MERP is a stand-alone entity assigned in facilitating the contributions to retirement starting 2015. The plan assets are mostly invested in time deposits and special savings of related party banks and government bonds (Note 19). As of December 31, 2022 and 2021, 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.

The compensation of key management personnel included under ‘Compensation and benefits’ in the statements of income are as follows (in millions):

|                              | 2022         | 2021         |
|------------------------------|--------------|--------------|
| Short-term employee benefits | <b>P4.5</b>  | <b>P5.3</b>  |
| Post-employment benefits     | <b>6.7</b>   | <b>11.5</b>  |
|                              | <b>P11.2</b> | <b>P16.8</b> |

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 Group, also qualify as related party transactions.

#### *Deposit liabilities, accounts receivable, accounts payable and miscellaneous income*

Deposit liabilities, accounts receivable, accounts payable and miscellaneous income held by the Bank for key management personnel, shareholder and other related parties as at December 31, 2022 and 2021 follow:

| Category                        | December 31, 2022    |                        | Nature, Terms and Conditions   |
|---------------------------------|----------------------|------------------------|--|
|                                 | Amount/<br>Volume    | Outstanding<br>Balance |  |
| <b>Key Management Personnel</b> |                      |                        |  |
| Deposit liabilities             |                      | <b>P9,276,221</b>      | These are demand and savings accounts with annual interest rates ranging from 1.5% to 6.0%.  |
| Deposits                        | <b>P50,194,750</b>   |                        |  |
| Withdrawals                     | <b>40,918,529</b>    |                        |  |
| Dividends paid                  | <b>14,274,286</b>    |                        | Relates to common and preference shares of the Bank held by key management personnel   |
| <b>Shareholders</b>             |                      |                        |  |
| Deposit liabilities             |                      | <b>1,347,925,314</b>   | These are demand and savings accounts maintained by shareholders with the Bank with annual interest rates ranging from nil to 4.3%.  |
| Deposits                        | <b>3,167,834,146</b> |                        |  |
| Withdrawals                     | <b>1,819,908,833</b> |                        |  |
| Accounts receivable             |                      | <b>464,896</b>         | This amount represents the shareholders' share in expenses still payable to the Bank.  |
| Share in expenses               | <b>17,110,220</b>    |                        |  |
| Collections                     | <b>16,645,323</b>    |                        |  |
| Accounts payable                |                      | <b>7,743,674</b>       | This amount represents the Bank's share in expenses still payable to its shareholders.   |
| Share in expenses               | <b>165,727,861</b>   |                        |  |
| Remittances                     | <b>157,995,187</b>   |                        |  |
| Dividends paid                  | <b>549,093,303</b>   |                        | Pertains to dividends on common and preference shares of the Bank held by its shareholders   |
| Dividends payable               |                      | -                      | Pertains to unpaid dividends on common and preference shares of the Bank held by its shareholders  |
| Rent expense                    | <b>32,590,683</b>    |                        | Certain establishments are being owned by shareholders leased to the Bank. The lease contracts have a three-year term with no escalation clause and five to six-year term with escalation clause of 10% every after 2 years. |
| <b>Associates</b>               |                      |                        |  |
| Additional investments          | <b>95,196,063</b>    |                        | Pertains to additional investments of the Bank in MIDAS  |
| Prepaid subscription            |                      | -                      | Pertains to deposit made by the Bank for future stock subscription of the CMRBI's proposed increase of capital stock   |
| Financial assets at FVOCI       |                      | <b>32,734,872</b>      | Pertains to investment in preferred shares of the Bank in CARD MRI Rizal Bank.   |
| Dividend income                 | <b>32,521,050</b>    |                        | Pertains to income received by the Bank from RBI as an associate   |

|                                 | December 31, 2021 |                        |  |
|---------------------------------|-------------------|------------------------|--|
| Category                        | Amount/<br>Volume | Outstanding<br>Balance | Nature, Terms and Conditions   |
| <b>Key Management Personnel</b> |                   |                        |  |
| Deposit liabilities             |                   | ₱14,649,748            | These are demand and savings accounts with annual interest rates ranging from 1.5% to 6.0%.  |
| Deposits                        | ₱31,806,137       |                        |  |
| Withdrawals                     | 26,736,705        |                        |  |
| Dividends paid                  | 10,946,851        |                        | Relates to common and preference shares of the Bank held by key management personnel   |
| <b>Shareholders</b>             |                   |                        |  |
| Deposit liabilities             |                   | 1,206,346,957          | These are demand and savings accounts maintained by shareholders with the Bank with annual interest rates ranging from nil to 4.3%.  |
| Deposits                        | 7,522,810,606     |                        |  |
| Withdrawals                     | 8,028,332,700     |                        |  |
| Accounts receivable             |                   | 561,215                | This amount represents the shareholders' share in expenses still payable to the Bank.  |
| Share in expenses               | 10,672,611        |                        |  |
| Collections                     | 14,856,358        |                        |  |
| Accounts payable                |                   | 187,705                | This amount represents the Bank's share in expenses still payable to its shareholders.   |
| Share in expenses               | 54,063,109        |                        |  |
| Remittances                     | 53,883,571        |                        |  |
| Dividends paid                  | 345,248,719       |                        | Pertains to dividends on common and preference shares of the Bank held by its shareholders   |
| Dividends payable               |                   | -                      | Pertains to unpaid dividends on common and preference shares of the Bank held by its shareholders  |
| Rent expense                    | 31,704,512        |                        | Certain establishments are being owned by shareholders leased to the Bank. The lease contracts have a three-year term with no escalation clause and five to six-year term with escalation clause of 10% every after 2 years. |
| <b>Associates</b>               |                   |                        |  |
| Additional investments          | 232,359           |                        | Pertains to additional investments of the Bank in MIDAS  |
| Prepaid subscription            |                   | 36,875,000             | Pertains to deposit made by the Bank for future stock subscription of the CMRBI's proposed increase of capital stock   |
| Financial assets at FVOCI       |                   | 30,719,472             | Pertains to investment in preferred shares of the Bank in CARD MRI Rizal Bank.   |
| Dividend income                 |                   |                        | Pertains to income received by the Bank from RBI as an associate   |
|                                 | 43,535,465        |                        |  |

Transitioned units from CARD, Inc. to the Bank were nil and 31 in 2022 and 2021, respectively. The BOD passed a resolution for the transition of the units from CARD, Inc. after receipt of approval from the BSP to establish additional microfinance-oriented branches on June 13, 2021 with 3 branches to be opened within one (1) year from date of approval.

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

| Category                 | 2022          |       | 2021          |       |
|--------------------------|---------------|-------|---------------|-------|
|                          | Net exposure  | Ratio | Net exposure  | Ratio |
| Key management personnel | ₱9,276,211    | 0.1%  | ₱14,649,747   | 0.3%  |
| Shareholders             | 1,347,925,314 | 20.6% | 1,206,346,957 | 24.0% |

### 23. Notes to Statements of Cash Flows

The following is the summary of noncash activities in 2022 and 2021:

|   | 2022                | 2021         |
|---|---------------------|--------------|
| <b>Non-cash investing activity:</b>                                   |                     |              |
| Additions to property and equipment through lease contracts (Note 11) | <b>₱133,191,175</b> | ₱153,295,862 |
| <b>Non-cash financing activities:</b>                                 |                     |              |
| Stock dividends paid – common stock                                   | <b>494,975,200</b>  | 249,898,100  |

The following table shows the reconciliation analysis of liabilities and equity arising from financing activities for the year ended December 31, 2022 and 2021, respectively:

| 2022  |                            |  |  |  |                            |                       |
|---|----------------------------|--|--|--|----------------------------|-----------------------|
|   | Bills payable<br>(Note 14) | Lease<br>liabilities<br>(Notes 15<br>and 20) | Deposit for<br>future<br>stock<br>subscription<br>(Notes 15<br>and 17) | Dividends<br>payable<br>(Notes 15<br>and 17) | Capital stock<br>(Note 17) | Total<br>₱            |
| <b>Balances as of January 1, 2022,<br/>as reported</b>    | <b>₱580,907,548</b>        | <b>₱222,345,354</b>                          | <b>₱69,302,800</b>   | <b>₱58,140,350</b>                           | <b>₱3,258,966,300</b>      | <b>4,189,662,352</b>  |
| Cash flows  | (383,389,883)              | (141,429,050)                                | –  | (768,214,492)                                | 307,807,100                | (985,226,325)         |
| Non-cash items  |                            |  |  |  |                            |                       |
| Cash dividend declaration                                 | –                          | –  | –  | 770,605,355                                  | –                          | 770,605,535           |
| Application of deposit for future<br>stock subscription   | –                          | –  | (69,302,800)   | –  | –                          | (69,302,800)          |
| New lease contracts entered during<br>the year            | –                          | 130,904,003                                  | –  | –  | –                          | 130,904,003           |
| Lease termination   | –                          | (363,130)                                    | –  | –  | –                          | (363,130)             |
| Amortization of discount of bills<br>payables             | 1,863,757                  | –  | –  | –  | –                          | 1,863,757             |
| Amortization on interest expenses<br>of lease liabilities | –                          | 11,685,715                                   | –  | –  | –                          | 11,685,715            |
| Stock dividend declaration                                | –                          | –  | –  | –  | 494,975,200                | 494,975,200           |
| <b>Balances as of December 31, 2022</b>                   | <b>₱199,381,422</b>        | <b>₱223,142,892</b>                          | <b>₱–</b>  | <b>₱60,531,213</b>                           | <b>₱4,061,748,600</b>      | <b>₱4,544,804,307</b> |

| 2021  |                            |  |  |  |                            |                       |
|---|----------------------------|--|--|--|----------------------------|-----------------------|
|   | Bills payable<br>(Note 14) | Lease<br>liabilities<br>(Notes 15<br>and 20) | Deposit for<br>future<br>stock<br>subscription<br>(Notes 15<br>and 17) | Dividends<br>payable<br>(Notes 15<br>and 17) | Capital stock<br>(Note 17) | Total                 |
| <b>Balances as of January 1, 2021,<br/>as reported</b>    | <b>₱910,744,199</b>        | <b>₱196,514,544</b>                          | <b>₱–</b>  | <b>₱58,729,043</b>                           | <b>₱2,764,342,600</b>      | <b>₱3,930,330,386</b> |
| Cash flows  | (335,009,315)              | (126,786,428)                                | 69,302,800   | (541,368,509)                                | 244,725,600                | (689,135,852)         |
| Non-cash items  |                            |  |  |  |                            |                       |
| Cash dividend declaration                                 | –                          | –  | –  | 540,779,816                                  | –                          | 540,779,816           |
| New lease contracts entered during<br>the year            | –                          | 150,172,355                                  | –  | –  | –                          | 150,172,355           |
| Lease termination   | –                          | (11,962,969)                                 | –  | –  | –                          | (11,962,969)          |
| Amortization of discount of bills<br>payables             | 5,172,664                  | –  | –  | –  | –                          | 5,172,664             |
| Amortization on interest expenses<br>of lease liabilities | –                          | 14,407,852                                   | –  | –  | –                          | 14,407,852            |
| Stock dividend declaration                                | –                          | –  | –  | –  | 249,898,100                | 249,898,100           |
| <b>Balances as of December 31, 2021</b>                   | <b>₱580,907,548</b>        | <b>₱222,345,354</b>                          | <b>₱69,302,800</b>   | <b>₱58,140,350</b>                           | <b>₱3,258,966,300</b>      | <b>₱4,189,662,352</b> |

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## 24. Approval of the Issuance of the Financial Statements

The accompanying financial statements of the Bank were approved and authorized for issue by the Bank's BOD on April 28, 2023.

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## 25. Supplementary Information Required under Section 1074 of the Manual of Regulations for Banks (MORB)

The Section 174 of the MORB, as amended on February 7, 2020, provides disclosure requirements to the audited financial statements, which are to be presented either (i) on specific notes to the financial statements, or (ii) in a separate note containing supplementary information as required by the BSP. This supplementary information is not a required disclosure under PFRS.

In compliance with the requirements set forth by MORB Section 174, hereunder is the supplementary information:

### Financial Performance

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

|                          | 2022  | 2021  |
|--------------------------|-------|-------|
| Return on average equity | 34.6% | 22.7% |
| Return on average assets | 9.1%  | 5.2%  |
| Net interest margin      | 31.8% | 29.5% |

In accordance with BSP regulations, the Bank considers a loan as part of portfolio-at-risk (PAR) when an installment payment that is past due for one day. As at December 31, 2022 and 2021, the Bank's PAR amounted to ₱0.77 billion and ₱2.1 billion, respectively.

### Performing and non-performing loans

According to BSP Circular 941 *Amendments to the Regulations on Past Due and Non-Performing Loans* effective January 1, 2018, loans shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any.

All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

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

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

In the case of loans that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the

receivable shall be considered as past due when the total amount of arrearages reaches ten percent (10.00%) of the total receivable balance.

In the case of microfinance loans, past due/PAR accounts are considered as NPLs.

Information on the amounts of performing and non-performing loans (NPLs) and receivables (gross of allowance for impairment and credit losses) of the Bank are as follows:

|                             | 2022                   |                     |                        | 2021                   |                       |                        |
|-----------------------------|------------------------|---------------------|------------------------|------------------------|-----------------------|------------------------|
|                             | Performing             | Non-Performing      | Total                  | Performing             | Non-Performing        | Total                  |
| Loans and receivables       |                        |                     |                        |                        |                       |                        |
| Microfinance loans          | <b>₱12,135,296,178</b> | <b>₱506,109,481</b> | <b>₱12,641,405,659</b> | <b>₱8,368,018,400</b>  | <b>₱1,838,855,773</b> | <b>₱10,206,874,173</b> |
| Regular loans               | <b>165,748,049</b>     | <b>22,031,336</b>   | <b>187,779,385</b>     | <b>2,973,526,499</b>   | <b>190,672,282</b>    | <b>3,164,198,781</b>   |
| Agricultural-agrarian loans | <b>885,455,928</b>     | <b>22,836,951</b>   | <b>908,292,879</b>     | <b>916,365,392</b>     | <b>51,178,911</b>     | <b>967,544,303</b>     |
|                             | <b>₱13,186,500,155</b> | <b>₱550,977,768</b> | <b>₱13,737,477,923</b> | <b>₱12,257,910,291</b> | <b>₱2,080,706,966</b> | <b>₱14,338,617,257</b> |

As of December 31, 2022 and 2021, secured and unsecured NPLs of the Bank follow:

|           | 2022                | 2021                  |
|-----------|---------------------|-----------------------|
| Secured   | <b>₱9,575,567</b>   | <b>₱1,556,922,541</b> |
| Unsecured | <b>541,402,202</b>  | <b>523,784,425</b>    |
|           | <b>₱550,977,769</b> | <b>₱2,080,706,966</b> |

Restructured loans as of December 31, 2022 and 2021 amounted to ₱6.7 million and ₱30.7 million, respectively. The Bank's loan portfolio includes non-risk loans as defined under BSP regulations totaling ₱13.0 billion and ₱11.8 billion as of December 31, 2022 and 2021, respectively.

#### Secured and unsecured portion of loans

The following table shows the secured and unsecured portions of receivables from borrowers as of December 31, 2022 and 2021:

|                            | 2022                   |               | 2021                   |               |
|----------------------------|------------------------|---------------|------------------------|---------------|
|                            | Amount                 | %             | Amount                 | %             |
| Secured portion            |                        |               |                        |               |
| Deposit hold-out (Note 13) | <b>₱13,718,278,928</b> | <b>99.9%</b>  | <b>₱14,317,793,464</b> | <b>99.9%</b>  |
| Unsecured portion          | <b>19,198,995</b>      | <b>0.1%</b>   | <b>20,823,793</b>      | <b>0.1%</b>   |
|                            | <b>₱13,737,477,923</b> | <b>100.0%</b> | <b>₱14,338,617,257</b> | <b>100.0%</b> |

#### Industry concentration of loans

As of December 31, 2022 and 2021, information on the concentration of gross loans and receivables as to industry follows (amounts in thousands):

|                                   | 2022               |               | 2021               |               |
|-----------------------------------|--------------------|---------------|--------------------|---------------|
|                                   | Amount             | %             | Amount             | %             |
| Wholesale and retail trade        | <b>₱7,759,050</b>  | <b>56.5%</b>  | <b>₱11,070,179</b> | <b>78.8%</b>  |
| Agriculture, forestry and fishing | <b>3,954,797</b>   | <b>28.8%</b>  | <b>73,010</b>      | <b>0.5%</b>   |
| Other service activities          | <b>1,431,875</b>   | <b>10.4%</b>  | <b>2,879,673</b>   | <b>20.5%</b>  |
| Real estate activities            | <b>304,194</b>     | <b>2.2%</b>   | <b>942</b>         | <b>0.0%</b>   |
| Manufacturing                     | <b>216,549</b>     | <b>1.6%</b>   | <b>15,451</b>      | <b>0.1%</b>   |
| Education                         | <b>71,014</b>      | <b>0.5%</b>   | <b>12,164</b>      | <b>0.1%</b>   |
|                                   | <b>₱13,737,479</b> | <b>100.0%</b> | <b>₱14,051,419</b> | <b>100.0%</b> |

The BSP considers, and it is the Bank's policy, that loan concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

#### Information on related party loans

As required by BSP, the Bank discloses loan transactions with investees and with certain DOSRI. Existing banking regulations limit the amount of individual loans to DOSRI, 70.0% 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 15.0% of total loan portfolio, whichever is lower. As at December 31, 2022 and 2021, the Bank is in compliance with the regulatory requirements.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. On October 8, 2010, BSP Circular No. 695 is issued to provide guidance on the definition of Related Interest. BSP Circular No. 749, dated February 6, 2012, provides that related party transactions are expected to cover a wider definition than DOSRI under existing regulations and a broader spectrum of transactions (i.e., not limited to credit exposures).

As at December 31, 2022 and 2021, DOSRI accounts under the existing regulations are shown in the table below (as reported to BSP):

|   | 2022               | 2021               |
|---|--------------------|--------------------|
|   | <b>DOSRI Loans</b> | <b>DOSRI Loans</b> |
| Total outstanding DOSRI loans   | <b>₱746,245</b>    | ₱752,826           |
| Percent of DOSRI/Related Party loans to total loan portfolio                | <b>0.0%</b>        | 0.0%               |
| Percent of unsecured DOSRI/Related Party loans to total loan portfolio      | <b>0.0%</b>        | 0.0%               |
| Percent of past due DOSRI/Related Party loans to total loan portfolio       | <b>0.0%</b>        | 0.0%               |
| Percent of non-performing DOSRI/Related Party loans to total loan portfolio | <b>0.0%</b>        | 0.0%               |

As of December 31, 2022 and 2021, there were no outstanding loans to related parties.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation.

## 26. Supplementary Information Required under Revenue Regulations 15-2010

The components of 'Taxes and licenses' recognized in the statement of income for the year ended December 31, 2022, follow:

|                               |                     |
|-------------------------------|---------------------|
| Gross receipt tax (GRT)       | ₱351,060,797        |
| Business permits and licenses | 16,907,193          |
| Documentary stamp (DST)       | 78,752,117          |
| Real property tax             | 5,111,675           |
| Others                        | 2,445,699           |
|                               | <u>₱454,277,481</u> |

GRT in 2022 consists of taxes on:

|                          |                     |
|--------------------------|---------------------|
| Interest income on loans | ₱334,611,904        |
| Other income             | 16,448,893          |
|                          | <u>₱351,060,797</u> |

DST in 2022 consists of taxes on special savings account, loans, and capital increase.

Withholding taxes in 2022 are categorized into:

|  |                     |
|--|---------------------|
| Paid:  |                     |
| Expanded withholding tax   | ₱19,127,271         |
| Withholding taxes on compensation and benefits                   | 8,943,992           |
| Final withholding tax on interest expense and dividends declared | 73,471,564          |
| <u></u>  |                     |
| Accrued:   |                     |
| Expanded withholding tax   | 1,936,282           |
| Withholding taxes on compensation and benefits                   | 4,538,273           |
| Final withholding tax on interest expense                        | 9,888,023           |
| Documentary stamp tax  | 13,968,193          |
|  | <u>30,330,771</u>   |
|  | <u>₱131,873,598</u> |

### Tax Assessment and Cases

On February 6, 2021, the BIR rendered a letter of authority to examine the books of accounts and other accounting records of the Bank for the taxable period January 1, 2018 to December 31, 2018. The Bank acknowledged receipt of the LOA on February 12, 2021 and submitted the initial data requests on February 19, 2021 along with the waiver to submit other requirements on a later date due to the ECQ protocols implemented. Succeeding submission of documentary requirements were made on August 26, 2022, October 18, 2022, and January 4, 2022, aside from regular visit to RLTAII under RDO No. 125 to have discussions and clarifications on submitted documents. As of April 9, 2022, the BIR is currently inspecting the information submitted by the Bank and has not issued any formal assessments to the Bank.

On October 28, 2022, the BIR rendered a letter of authority to examine the books of accounts and other accounting records for all internal revenue taxes including documentary stamp taxes and other taxes for the taxable period January 1, 2019 to December 31, 2019. The data request letter dated November 2, 2022 were sent and received by bank representative on November 12, 2022, that requires the submission of all listed master and transaction files in electronic form within 5 days pursuant to Sec. 4 of Revenue Regulations (RR) No. 16-2006. Second and final notice to submit.





*Buhay, para sa lahat*



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