

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

Financial Statements
December 31, 2024 and 2023

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
CARD 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 at December 31, 2024 and 2023, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

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

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

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

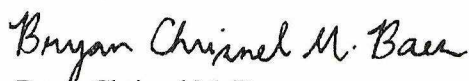
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the MORB in Note 25 and Revenue Regulations 15-2010 in Note 26 to the financial statements are presented for purposes of filing with the Bangko Sentral ng Pilipinas and Bureau of Internal Revenue, respectively, and are 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.



Bryan Chrisnel M. Baes

Partner

CPA Certificate No. 128627

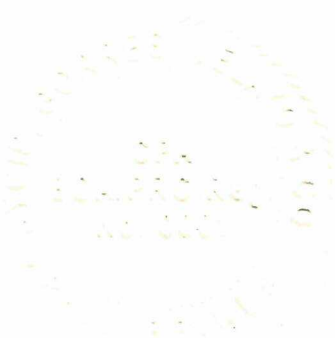
Tax Identification No. 275-229-188

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

BIR Accreditation No. 08-001998-148-2023, November 7, 2023, valid until November 6, 2025

PTR No. 10079899, January 5, 2024, Makati City

April 29, 2025



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

	December 31	
	2024	2023
ASSETS		
Cash and other cash items (Note 6)	₱272,477,972	₱238,493,157
Due from Bangko Sentral ng Pilipinas (Notes 6 and 13)	228,663,533	170,614,095
Due from other banks (Note 6)	4,981,730,393	2,066,396,088
Financial assets at fair value through other comprehensive income (FVOCI) (Note 7)	2,164,354,288	2,011,037,966
Financial assets at amortized cost (Note 8)	2,940,852,057	2,891,303,867
Loans and receivables, net (Note 9)	16,865,120,460	15,674,590,177
Investments in associates (Note 10)	936,064,790	750,686,675
Property and equipment, net (Note 11)	948,719,439	821,122,814
Retirement asset (Note 19)	98,765,376	162,048,192
Deferred tax assets (Note 21)	148,393,628	99,599,485
Other assets (Note 12)	331,281,029	161,087,396
	₱29,916,422,965	₱25,046,979,912
LIABILITIES AND EQUITY		
Liabilities		
Deposit liabilities (Notes 13 and 22)		
Demand	₱617,185,484	₱310,098,598
Savings	17,437,779,012	15,389,546,374
	18,054,964,496	15,699,644,972
Bills payable (Note 14)	109,760,528	49,833,749
Income tax payable (Note 21)	628,440,077	351,889,390
Other liabilities (Note 15)	1,140,531,037	807,468,220
	19,933,696,138	16,908,836,331
Equity		
Capital stock (Note 17)		
Preferred stock	1,380,014,600	1,372,014,600
Common stock	2,993,443,100	2,991,573,300
	4,373,457,700	4,363,587,900
Surplus	5,647,336,045	3,765,568,318
Remeasurement gains on retirement liabilities	(26,046,447)	23,804,637
Share in other comprehensive income of an associate (Note 10)	(9,912,108)	(1,723,365)
Net unrealized losses on financial assets at FVOCI (Note 7)	(2,108,363)	(13,093,909)
	9,982,726,827	8,138,143,581
	₱29,916,422,965	₱25,046,979,912

See accompanying Notes to Financial Statements.



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

	Years Ended December 31	
	2024	2023
INTEREST INCOME ON		
Loans and receivables (Note 9)	₱8,379,792,235	₱6,933,053,995
Due from other banks (Note 6)	178,644,523	147,571,930
Investment securities (Notes 7 and 8)	284,473,599	265,819,666
	8,842,910,357	7,346,445,591
INTEREST EXPENSE ON		
Deposit liabilities (Notes 13 and 22)	383,033,136	282,086,797
Bills payable (Note 14)	998,890	2,794,218
Lease liabilities (Note 20)	14,558,888	11,992,157
	398,590,914	296,873,172
NET INTEREST INCOME	8,444,319,443	7,049,572,419
Miscellaneous (Note 18)	253,829,886	232,337,921
TOTAL OPERATING INCOME	8,698,149,329	7,281,910,340
OPERATING EXPENSES		
Compensation and benefits (Notes 19 and 22)	2,152,140,471	1,925,055,435
Taxes and licenses	637,428,226	597,842,746
Transportation and travel	368,513,212	348,646,882
Provision for expected credit losses (Note 9)	349,051,195	24,338,613
Information and technology	339,894,153	296,952,323
Depreciation and amortization (Notes 11 and 12)	234,317,091	212,612,740
Stationery and office supplies	199,055,991	228,105,291
Postage, telephone, and cable	123,799,999	114,986,151
Members training and development	78,935,280	43,890,922
Employee trainings (Note 22)	78,446,202	80,930,158
Rent (Notes 20 and 22)	75,875,708	78,005,473
Security, messengerial and janitorial	71,604,104	68,691,122
Power, light, and water	51,748,142	51,574,729
Insurance	44,703,119	41,741,087
Repairs and maintenance	40,283,914	42,913,052
Donations and charitable contributions	20,000,000	30,000,000
Seminars and meetings (Note 22)	18,951,884	21,588,643
Management and other professional fees	15,921,871	17,039,368
Directors' fee	3,243,333	3,941,667
Miscellaneous (Note 18)	98,036,099	71,568,533
	5,001,949,994	4,300,424,935
INCOME BEFORE SHARE IN NET INCOME OF AN ASSOCIATES	3,696,199,335	2,981,485,405
SHARE IN NET INCOME OF ASSOCIATES (Note 10)	279,066,838	213,455,228
INCOME BEFORE TAX	3,975,266,173	3,194,940,633
PROVISION FOR INCOME TAX (Note 21)	908,329,151	738,396,209
NET INCOME	₱3,066,937,022	₱2,456,544,424

See accompanying Notes to Financial Statements.



CARD BANK, INC.
(A MICROFINANCE-ORIENTED RURAL BANK)
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2024	2023
NET INCOME	₱3,066,937,022	₱2,456,544,424
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items that may not be reclassified to profit or loss:</i>		
Remeasurement gain (loss) on retirement liabilities (Note 19)	(66,468,112)	(60,271,747)
Financial assets through other comprehensive income (Note 7)	10,303,853	(2,594,561)
Income tax effects (Note 21)	14,041,065	15,716,577
	(42,123,194)	(47,149,731)
<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)	4,343,542	35,816,479
Income tax effects (Note 21)	(1,085,886)	(8,954,119)
	3,257,656	26,862,360
Share in other comprehensive income (loss) of		
associates (Note 10)	(8,188,743)	(5,541,501)
	(47,054,281)	(25,828,872)
TOTAL COMPREHENSIVE INCOME	₱3,019,882,741	₱2,430,715,552

See accompanying Notes to Financial Statements.



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

	Preferred Stock (Note 17)	Common Stock (Note 17)	Surplus	Surplus Reserve (Note 9)	Remeasurement Gains on Retirement Liabilities (Note 19)	Share in Other Comprehensive Income (Loss) of an Associate (Note 10)	Net Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 7)	Total
Balance at January 1, 2024	₱1,372,014,600	₱2,991,573,300	₱3,765,568,318	₱—	₱23,804,637	(₱1,723,365)	(₱13,093,909)	₱8,138,143,581
Total comprehensive income	—	—	3,066,937,022	—	(49,851,084)	(8,188,743)	10,985,546	3,019,882,741
Issuance of stocks (Note 17)	8,000,000	1,869,800	—	—	—	—	—	9,869,800
Release of appropriation	—	—	—	—	—	—	—	—
Stock dividends (Note 17)	—	—	—	—	—	—	—	—
Cash dividends (Note 17)	—	—	(1,185,169,295)	—	—	—	—	(1,185,169,295)
Balance at December 31, 2024	₱1,380,014,600	₱2,993,443,100	₱5,647,336,045	₱—	(₱26,046,447)	(₱9,912,108)	(₱2,108,363)	9,982,726,827
Balance at January 1, 2023	₱1,361,010,600	₱2,700,738,000	₱2,462,898,942	₱—	₱69,008,447	₱3,818,135	(₱38,010,347)	₱6,559,463,777
Total comprehensive income	—	—	2,456,544,424	—	(45,203,810)	(5,541,500)	24,916,438	2,430,715,552
Issuance of stocks	11,004,000	43,798,800	—	—	—	—	—	54,802,800
Release of appropriation	—	—	—	—	—	—	—	—
Stock dividends (Note 17)	—	247,036,500	(247,036,500)	—	—	—	—	—
Cash dividends (Note 17)	—	—	(906,838,548)	—	—	—	—	(906,838,548)
Balance at December 31, 2023	₱1,372,014,600	₱2,991,573,300	₱3,765,568,318	₱—	₱23,804,637	(₱1,723,365)	(₱13,093,909)	₱8,138,143,581

See accompanying Notes to Financial Statements.



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

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱3,975,266,173	₱3,194,940,633
Adjustments for:		
Provision for expected credit losses (Note 9)	349,051,195	24,338,613
Share in net income of an associate (Note 10)	(279,066,838)	(213,455,228)
Depreciation and amortization (Notes 11 and 12)	234,317,091	212,612,740
Amortization of net discount on financial assets at FVOCI (Note 7)	(51,242,457)	(30,838,365)
Retirement expense (Note 19)	37,048,091	23,563,013
Amortization of net discount on financial assets at amortized cost (Note 8)	(10,213,310)	(10,512,760)
Amortization of discount on bills payable (Note 14)	166,251	618,578
Operating income before changes in operating assets and liabilities	4,255,326,196	3,201,267,224
Increase in the amounts of:		
Loans and receivables	(1,539,581,478)	(2,421,118,820)
Other assets	(170,283,663)	(21,959,079)
Increase in the amounts of:		
Deposit liabilities	2,355,319,524	808,654,525
Other liabilities	86,224,847	92,411,501
Net cash generated from operations	4,987,005,426	1,659,255,351
Income taxes paid	(667,617,428)	(518,687,666)
Contribution to retirement fund (Note 19)	(40,233,387)	(31,712,617)
Net cash provided by operating activities	4,279,154,611	1,108,855,068
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at FVOCI (Note 7)	(2,113,651,234)	(1,283,334,891)
Property and equipment (Note 11)	(207,412,617)	(214,267,850)
Financial assets at amortized cost (Note 8)	(100,000,000)	(831,057,915)
Proceeds from:		
Redemption of FVOCI investments (Note 7)	2,026,224,760	1,200,595,000
Dividends from an associate (Note 10)	85,499,980	136,799,968
Maturity of financial assets at amortized cost (Note 8)	60,665,121	193,884,384
Disposal of property and equipment (Note 11)	30,326	76,223
Net cash used in investing activities	(248,643,664)	(797,305,081)

(Forward)



	Years Ended December 31	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Notes 17 and 23)	(₱1,201,608,722)	(₱911,578,100)
Collection of deposit for stock subscription (Note 15)	250,886,800	—
Payment of principal portion of lease liability (Notes 20 and 23)	(142,050,795)	(140,746,691)
Availments of bills payable (Note 14)	109,760,528	49,833,749
Settlements of bills payable (Note 14)	(50,000,000)	(200,000,000)
Proceeds from (Note 17):		
Issuance of preferred stock	8,000,000	11,004,000
Issuance of common stock	1,869,800	43,798,800
Net cash used in financing activities	(1,023,142,389)	(1,147,688,242)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	3,007,368,558	(836,138,255)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	238,493,157	226,680,834
Due from Bangko Sentral ng Pilipinas	170,614,095	311,026,910
Due from other banks	2,066,396,088	2,773,933,851
	2,475,503,340	3,311,641,595
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	272,477,972	238,493,157
Due from Bangko Sentral ng Pilipinas	228,663,533	170,614,095
Due from other banks	4,981,730,393	2,066,396,088
	₱5,482,871,898	₱2,475,503,340
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
Interest received	₱8,914,442,975	₱7,265,147,290
Interest paid	348,098,711	276,507,808
Dividends received	85,499,980	—

See accompanying Notes to Financial Statements.



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

NOTES TO FINANCIAL STATEMENTS

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, 2024 and 2023, 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, 2024, and 2023, the Bank has 101 branches and 100 branches respectively.

2. Material Accounting Policy Information

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 peso (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 (PFRS) Accounting Standards.

Presentation of Financial Statements

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

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position 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 2024. 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 PAS 1, *Classification of Liabilities as Current or Non-current*
The amendments clarify:
 - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*
The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.



Material Accounting Policies

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 Bank'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, 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, 2024 and 2023, 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.

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 for debt instruments.

As of December 31, 2024 and 2023, the Bank has designated quoted government debt instrument and unquoted equity securities that meet the FVOCI criteria.



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 effective interest rate (EIR).

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.

Staging assessment

A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

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 low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 is that the account should be current for Micro loans while for Regular loans it should be current including past due up within the cure period of up to 30 days. 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. For Micro loans, a SICR is deemed present in accounts with 1 day up to 7 days past due while for Regular loans a SICR is deemed present in accounts with 31 days up to 90 days past due. 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.

Definition of “default” and “restored”

The Bank classifies loans as in default when it is credit impaired, becomes past due on its contractual payments for more than 1 day for Micro Loans and more than 90 days for Regular Loans, which are considered non- performing.

Credit risk at initial recognition

The Bank uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment uses both quantitative or qualitative approaches.

Significant increase in credit risk

The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank’s internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses.



Or, if contractual payments are more than 7 days past due for Micro Loans and more than 30 days past due for Regular Loans, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest due date elapsed in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower except as provided by law. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stages 2 and 3. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Bank segments its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It makes use of defaulted accounts that have either been identified as cured, restructured, or liquidated. The Bank segmented its LGD based on loan portfolio level.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and loan retention in savings.

Forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as gross domestic product (GDP) growth, exchange rate, interest rate, inflation rate and other economic indicators. 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 reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The key forward-looking economic variables used in each of the economic scenarios for the ECL calculations are Production Volume of Hogs, Savings Deposit Rate, and Wholesale Price Index for Micro Loans, Core Inflation, Producer Price Index, and Savings Deposit Rate for SME loans, and Bank Average Lending Rates. Savings Deposit Rate and Wholesale Price Index for Salary Loans for 2024. While in 2023, Consumer Price Index, Gross Domestic Product and Treasury Bills Rate for Micro Loans, Government Expenditure, Treasury Bills Rate, and Savings Deposit Rate for SME loans, and Bank Average Lending Rates. Savings Deposit Rate and Wholesale Price Index for Salary Loans.



The Bank records the allowance for expected credit losses for all loans and receivables and other financial debt assets not held at FVTPL. Equity investments 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 sale 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 Non-financial Assets

At each reporting date, the Bank assesses whether there is any indication that its non-financial 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 statements 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 on 'Impairment of Non-financial 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.

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 FVOCI 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 100.0% of the member's employer accumulated value, if any, provided that in no case shall 100.0% of the employee accumulated value in Fund A be less than 100.0% 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

Standards issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. The listing consists of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt these standards when they become effective. Except as otherwise indicated, the Bank does not expect the adoption



of these new and amended standards and interpretations to have a significant impact on the financial statements.

Effective beginning on or after January 1, 2025

- Amendments to PAS 21, *Lack of Exchangeability*

Effective beginning on or after January 1, 2026

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

Effective beginning on or after January 1, 2027

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

Deferred effectivity

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

3. Significant Accounting Judgments and Estimates

The preparation of the Bank's financial statements in accordance with PFRS Accounting Standards requires the management to make judgments and estimates that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities 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 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, 2024 and 2023, entities in which the Bank has significant influence are disclosed in Note 10.

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'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 ECL Committee and the Risk Oversight Committee. 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 on 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, 2024 and 2023, the present value of retirement obligation and fair value of plan assets of the Bank are disclosed in Note 19.



4. Fair Value Measurement

Cash and other cash items, due from BSP, due from other banks, current portion of loans and receivables, current portion of security deposits, current portion of deposit liabilities, bills payable, deposit for future stock subscription, accrued expenses, accrued interest payable, accounts payable and dividends payable.

The 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 1 and 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 1.

Fair values of unquoted debt securities were based on interpolation of Philippine zero rate of 6.1% and 5.2% in 2024 and 2023, 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 6.09% to 6.18% and from 5.82% to 5.92% in 2024 and 2023, respectively.

Non-current portion of deposit liabilities and bills payable

Fair values of non-current deposit liabilities are estimated using the discounted cash flow methodology, using the Bank's current incremental borrowing rates for similar borrowings, ranging from 6.09% to 6.18% and 5.82% to 5.90% in 2024 and 2023 respectively, with maturities consistent with those remaining for the liability being valued, if any.

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, 2024 and 2023 (amounts in thousands):

	2024				
	Carrying Value	Level 1	Level 2	Level 3	Total
Recurring fair value measurements					
Financial assets at FVOCI					
Government debt securities	₱2,122,165	₱2,122,165	₱—	₱—	₱2,122,165
Unquoted equity securities	42,189	—	—	42,189	42,189

(Forward)



2024					
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets and liabilities for which fair values are disclosed*:					
Financial assets					
Financial assets at amortized cost					
Government and other debt securities	₱2,909,733	₱3,200,810	₱—	₱—	₱3,200,810
Unquoted debt securities	31,119	—	—	43,241	43,241
Loans and receivables					
Receivables from borrowers	17,575	—	—	15,977	15,977
Financial liabilities carried at amortized cost*					
Deposit liabilities					
Special savings	2,841,688	—	—	2,290,128	2,290,128

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

2023					
	Carrying Value	Level 1	Level 2	Level 3	Total
Recurring fair value measurements					
Financial assets at FVOCI					
Government debt securities	₱1,979,688	₱356,344	₱1,623,344	₱—	₱1,979,688
Unquoted equity securities	31,350	—	—	31,350	31,350
Assets and liabilities for which fair values are disclosed*:					
Financial assets					
Financial assets at amortized cost					
Government and other debt securities	2,845,502	141,758	2,652,442	—	2,794,200
Unquoted debt securities	45,801	—	—	53,426	53,426
Loans and receivables					
Receivables from borrowers	16,791	—	—	14,737	14,737
Financial liabilities at amortized cost*					
Deposit liabilities					
Special savings	1,223,857	—	—	942,654	942,654

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

As of December 31, 2024 and 2023, 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 Capital Asset Pricing Model. This method estimates the expected return on an investment based on its systematic risk. It helps investors determine whether an asset offers a good expected return for its level of risk. 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 are derived to show sensitivity of the valuation to various changes in assumptions.

	2024	2023
Fair value of financial assets at FVOCI	₱42,188,564	₱31,349,911
Alternative scenarios:		
Increase/decrease in cost of equity:		
+100 basis points	(3,637,300)	(3,323,598)
-100 basis points	3,101,844	2,741,112

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.



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, 2024 and 2023:

2024				
	Maximum Exposure*	Fair Value of Collateral	Financial Effect of Collateral	Net Exposure
Receivables from borrowers	₱16,373,053,670	₱3,674,423,375	₱3,674,423,375	₱12,698,630,295

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

2023				
	Maximum Exposure*	Fair Value of Collateral	Financial Effect of Collateral	Net Exposure
Receivables from borrowers	₱15,624,470,435	₱3,118,383,860	₱3,118,383,860	₱12,506,086,575

*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, 2024 and 2023 (Note 13).

As of December 31, 2024 and 2023, 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, 2024 and 2023 (in thousands):

2024					
	Loans and Receivables*	Financial assets at FVOCI	Financial assets at amortized cost	Security Deposits**	Total
Financial and insurance activities	₱5,344,696	₱2,164,354	₱2,940,852	—	₱10,449,902
Other service activities	5,547,888	—	—	30,853	5,578,741
Agriculture, forestry and fishing	4,880,134	—	—	—	4,880,134
Wholesale and retail trade; repair of motor vehicles and motorcycles	4,447,482	—	—	—	4,447,482
Real estate activities	1,984,415	—	—	—	1,984,415
Manufacturing	370,416	—	—	—	370,416
Education	138,634	—	—	—	138,634
	22,713,665	2,164,354	2,940,852	30,853	27,849,724
Less: Allowance for credit losses	638,150	—	—	—	638,150
Total	₱22,075,514	₱2,164,354	₱2,940,852	₱30,853	₱27,211,574

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

**Reported under 'Other assets'



	2023				
	Loans and Receivables*	Financial assets at FVOCI	Financial assets at amortized cost	Security Deposits**	Total
Financial and insurance activities	₱2,333,486	₱2,011,038	₱2,891,304	–	₱7,235,828
Wholesale and retail trade; repair of motor vehicles and motorcycles	5,588,463	–	–	–	5,588,463
Agriculture, forestry and fishing	4,989,955	–	–	–	4,989,955
Other service activities	3,559,280	–	–	32,059	3,591,339
Real estate activities	1,408,011	–	–	–	1,408,011
Manufacturing	417,202	–	–	–	417,202
Education	124,284	–	–	–	124,284
	18,420,681	2,011,038	2,891,304	32,059	23,355,082
Less: Allowance for credit losses	509,082	–	–	–	509,082
Total	₱17,911,599	₱2,011,038	₱2,891,304	₱32,059	₱22,846,000

*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.

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

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.



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, 2024 and 2023:

	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Due from BSP	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Neither past due nor impaired				
High grade	₱228,663,533	₱—	₱—	₱228,663,533
Standard grade	—	—	—	—
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	—	—
Gross carrying amount	₱228,663,533	₱—	₱—	₱228,663,533

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Due from BSP	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Neither past due nor impaired				
High grade	₱170,614,095	₱—	₱—	₱170,614,095
Standard grade	—	—	—	—
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	—	—
Gross carrying amount	₱170,614,095	₱—	₱—	₱170,614,095

	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Due from other banks	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Neither past due nor impaired				
High grade	₱4,969,128,850	₱—	₱—	₱4,969,128,850
Standard grade	12,601,543	—	—	12,601,543
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	—	—
Gross carrying amount	₱4,981,730,393	₱—	₱—	₱4,981,730,393

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Due from other banks	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Neither past due nor impaired				
High grade	₱2,058,321,331	₱—	₱—	₱2,058,321,331
Standard grade	8,074,757	—	—	8,074,757
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	—	—
Gross carrying amount	₱2,066,396,088	₱—	₱—	₱2,066,396,088

Financial assets at FVOCI	2024			Total
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Neither past due nor impaired				
High grade	₱2,122,165,274	₱—	₱—	₱2,122,165,274
Standard grade	—	—	—	—
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	—	—
Gross carrying amount	₱2,122,165,274	₱—	₱—	₱2,122,165,274



	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Financial assets at FVOCI	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Neither past due nor impaired				
High grade	₱1,979,688,055	₱—	₱—	₱1,979,688,055
Standard grade	—	—	—	—
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	—	—
Gross carrying amount	₱1,979,688,055	₱—	₱—	₱1,979,688,055

	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Financial assets at amortized cost	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Neither past due nor impaired				
High grade	₱2,940,852,057	₱–	₱–	₱2,940,852,057
Standard grade	–	–	–	–
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	–	–
Gross carrying amount	₱2,940,852,057	₱–	₱–	₱2,940,852,057

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Financial assets at amortized cost	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Neither past due nor impaired				
High grade	₱2,891,303,867	₱—	₱—	₱2,891,303,867
Standard grade	—	—	—	—
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	—	—
Gross carrying amount	₱2,891,303,867	₱—	₱—	₱2,891,303,867

Receivable from borrowers

	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Microfinance loans	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Neither past due nor impaired				
High grade	P=	P=	P=	P=
Standard grade	9,953,223,187	—	—	9,953,223,187
Past due but not impaired	—	11,588	—	11,588
Past due and impaired	—	—	448,220,823	448,220,823
Gross carrying amount	P9,953,223,187	P11,588	P448,220,823	P10,401,455,598

	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Microfinance loans	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Neither past due nor impaired				
High grade	₪—	₪—	₪—	₪—
Standard grade	9,891,048,753	—	—	9,891,048,753
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	331,866,241	331,866,241
Gross carrying amount	₪9,891,048,753	₪—	₪331,866,241	₪10,222,914,994

	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Other loans	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Neither past due nor impaired				
High grade	₱–	₱–	₱–	₱–
Standard grade	6,394,577,200	–	–	6,394,577,200
Past due but not impaired	–	79,104,433	–	79,104,434
Past due and impaired	–	–	82,417,342	82,417,342
Gross carrying amount	₱6,394,577,200	₱79,104,433	₱82,417,342	₱6,556,098,976



2023				
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Other loans				
Neither past due nor impaired				
High grade	P–	P–	P–	P–
Standard grade	5,308,528,908	–	–	P 5,308,528,908
Past due but not impaired	–	35,279,744	–	35,279,744
Past due and impaired	–	–	73,635,316	73,635,316
Gross carrying amount	P5,308,528,908	P35,279,744	P73,635,316	P5,417,443,968

2024				
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Islamic loans				
Neither past due nor impaired				
High grade	P–	P–	P–	P–
Standard grade	46,352,475	–	–	46,352,475
Past due but not impaired	–	10,000	–	10,000
Past due and impaired	–	–	265,095	265,095
Gross carrying amount	P46,352,475	P10,000	P265,095	P46,627,570

Other receivables

2024				
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Accrued interest receivables				
Neither past due nor impaired				
High grade	P34,620,940	P–	P–	P34,620,940
Standard grade	378,499,476	–	–	378,499,476
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	–	–
Gross carrying amount	P413,120,416	P–	P–	P413,120,416

2023				
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Accrued interest receivables				
Neither past due nor impaired				
High grade	P37,815,871	P–	P–	P37,815,871
Standard grade	446,837,164	–	–	446,837,164
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	–	–
Gross carrying amount	P484,653,035	P–	P–	P484,653,035

2024				
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Accounts receivables				
Neither past due nor impaired				
High grade	P–	P–	P–	P–
Standard grade	65,706,184	–	–	65,706,184
Past due but not impaired	–	4,121,632	–	4,121,632
Past due and impaired	–	–	16,140,258	16,140,258
Gross carrying amount	P65,706,184	P4,121,632	P16,140,258	P85,968,074



	2023			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Accounts receivables	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Neither past due nor impaired				
High grade	₪—	₪—	₪—	₪—
Standard grade	51,486,841	—	—	51,486,841
Past due but not impaired	—	196,479	—	196,479
Past due and impaired	—	—	6,976,811	6,976,811
Gross carrying amount	₪51,486,841	₪196,479	₪6,976,811	₪58,660,131

	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Security deposits	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Neither past due nor impaired				
High grade	₱30,852,930	₱—	₱—	₱30,852,930
Standard grade	—	—	—	—
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	—	—
Gross carrying amount	₱30,852,930	₱—	₱—	₱30,852,930

	2023			Total
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Security deposits	12-month ECL	Lifetime ECL	Lifetime ECL	
Neither past due nor impaired				
High grade	₹32,059,374	₹—	₹—	₹32,059,374
Standard grade	—	—	—	—
Past due but not impaired	—	—	—	—
Past due and impaired	—	—	—	—
Gross carrying amount	₹32,059,374	₹—	₹—	₹32,059,374

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, 2024 and 2023, 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, 2024 and 2023, the Bank's outstanding restructured receivables tagged as impaired account amounted to P0.1 million and P6.8 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

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, 2024, the Bank used sophisticated PD methodology using Binary Logistic Regression Model per Loan Product, while as at December 31, 2023 and 2024, the PD methodology for each relevant portfolio is 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 5 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.

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):

	2024					Total
	On Demand	Less than 30 days	30 to 90 days	91 to 360 days	More than 360 days	
Financial Assets						
Cash and other cash items	₱272,478	₱—	₱—	₱—	₱—	₱272,478
Due from BSP	228,664	—	—	—	—	228,664
Due from other banks*	872,927	1,065,260	3,195,996	—	—	5,134,183
Financial assets at FVOCI*	42,189	—	—	1,125,883	1,098,147	2,266,219
Financial assets at amortized cost*	86	48	74	205,143	2,876,700	3,082,051
Loans and receivables*						
Microfinance	374,283	346,516	2,063,146	11,933,070	12,149	14,729,164
Others	178,496	481,369	953,089	5,852,292	10,348	7,475,594
Islamic	162	1,643	11,973	33,782	—	47,560
Security Deposit	—	—	—	—	30,853	30,853
Total Financial Assets	1,969,285	1,894,836	6,224,278	19,150,170	4,028,197	33,266,766
Financial Liabilities						
Deposit liabilities						
Demand	—	618,214	—	—	—	618,214
Savings*	2,459,005	2,435,607	1,120,998	8,604,808	2,846,425	17,466,843
Bills payable*	—	—	—	114,151	—	114,151
Other liabilities	484,288	26,651	30,679	71,780	323,867	937,265
Total Financial Liabilities	2,943,293	3,080,472	1,151,677	8,790,739	3,170,292	19,136,473
Net	(₱974,008)	(₱1,185,636)	₱5,072,601	₱10,359,431	₱857,905	₱14,130,293

*includes future interest

	2023					Total
	On Demand	Less than 30 days	30 to 90 days	91 to 360 days	More than 360 days	
Financial Assets						
Cash and other cash items	₱238,493	₱—	₱—	₱—	₱—	₱238,493
Due from BSP	170,614	—	—	—	—	170,614
Due from other banks*	659,584	—	1,391,186	75,664	—	2,126,434
Financial assets at FVOCI*	—	—	54,588	215,409	1,822,707	2,092,704
Financial assets at amortized cost*	233	40	82	48,239	2,958,362	3,006,956
Loans and receivables*						
Microfinance	267,429	762,857	2,674,925	12,970,489	2,322	16,678,022
Others	125,208	682,373	936,228	4,927,868	14,469	6,686,146
Total Financial Assets	1,461,561	1,445,270	5,057,009	18,237,669	4,797,860	30,999,369
Financial Liabilities						
Deposit liabilities						
Demand	310,099	—	—	—	—	310,099
Savings*	12,752,949	1,189,301	170,337	272,660	1,260,573	15,645,820
Bills payable*	—	—	—	51,827	—	51,827
Other liabilities	254,307	15,663	31,394	72,294	269,287	642,945
Total Financial Liabilities	13,317,355	1,204,964	201,731	396,781	1,529,860	16,650,691
Net	(₱11,855,794)	₱240,306	₱4,855,278	₱17,840,888	₱3,268,000	₱14,348,678

*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 2024 and 2023. 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 2024 and 2023. Special savings deposits have interest rates of 2.0% to 4.3% in 2024 and 2023.

The Bank pays fixed interest rates on its bills payables, with interest rates ranging from 4.2% to 6.5% per annum in 2024 and 2023, and payable within 6 months to 7 years in 2024 and 2023.

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)			
	2024		2023	
	+10.0	-10.0	+10.0	-10.0
Sensitivity of equity	(P15,384,626)	P15,712,053	(P21,908,564)	P22,308,009

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, 2024 and 2023, the Bank has no financial assets at FVOCI, financial assets at amortized cost, 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, 2024 and 2023, 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:

	2024	2023
Cash and other cash items	₱272,477,972	₱238,493,157
Due from BSP	228,663,533	170,614,095
Due from other banks	4,981,730,393	2,066,396,088
	₱5,482,871,898	₱2,475,503,340

Cash and Other Cash Items

Cash includes cash in vault and in automated teller machines.

Due from BSP

Due from BSP account represents the aggregate balance of non-interest-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

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:

	2024	2023
Demand deposit	₱752,660,112	₱522,881,976
Savings deposit	111,624,097	130,171,086
Time deposit	4,117,446,184	1,413,343,026
	₱4,981,730,393	₱2,066,396,088

As at December 31, 2024 and 2023, due from other banks include dollar-denominated deposits amounting to \$0.3 million (₱16.9 million) and \$0.5 million (₱27.1 million), respectively.

Peso-denominated deposits pertain to demand, savings, and time deposit accounts that earn interest at annual rates ranging from nil to 6.2% and from nil to 6.4% in 2024 and 2023, respectively. Dollar-denominated deposits earn interest at annual rates ranging from 0.1% to 4.0% and from 0.1% to 4.9% in 2024 and 2023 respectively.

Total interest income earned on deposits from other banks amounted to ₱178.6 million and ₱147.6 million in 2024 and 2023, respectively. Of these amounts, ₱114,298 and ₱96,295 pertain to interest income from dollar deposits in 2024 and 2023, respectively. Foreign exchange gain recognized under miscellaneous income amounted to ₱643,040 and ₱483,502 in 2024 and 2023, respectively (Note 18).

7. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	2024	2023
Quoted government debt securities	₱2,122,165,724	₱1,979,688,055
Unquoted equity securities (Note 22)	42,188,564	31,349,911
	₱2,164,354,288	₱2,011,037,966

Quoted Government Debt Securities

Debt securities at FVOCI consist of quoted government debt securities that earn nominal interest rates ranging from 0.0% to 6.5% in 2024 and 2023. Effective interest rates range from 3.2% to 6.5% and from 2.7% to 6.5% in 2024 and 2023, respectively.

Unquoted Equity Securities

In 2023, the Bank acquired 155,745 preferred shares of CARD MRI Rizal Bank, Inc. (RBI), at ₱200 par value representing 15.6% ownership with a total amount of ₱31.1 million. In 2024, the Bank's ownership interest to CARD RBI increased to 15.8% by acquiring additional preferred shares of 2,674.

Interest income on financial assets at FVOCI amounted to ₱140.8 million and ₱122.9 million in 2024 and 2023, respectively. Amortization of premium on financial assets at FVOCI amounted to ₱51.2 million and ₱30.8 million in 2024 and 2023, respectively. Redeemed FVOCI investment amounted to ₱2.0 billion and ₱1.2 billion in 2024 and 2023, respectively.



The movements in the net unrealized losses on financial assets at FVOCI of the Bank follow:

	2024	2023
Balance at January 1	(P13,093,909)	(P38,010,347)
Fair value changes during the year	14,647,395	33,221,917
Income tax effects	(3,661,849)	(8,305,479)
	10,985,546	24,916,438
Balance at December 31	(P2,108,363)	(P13,093,909)

8. Financial Assets at Amortized Cost

This account consists of:

	2024	2023
Quoted debt securities	P2,909,733,203	P2,845,501,893
Unquoted debt securities	31,118,854	45,801,974
	P2,940,852,057	P2,891,303,867

Quoted Debt Securities

Government debt securities have fixed annual interest rates ranging from 2.6% to 6.5% and from 1.5% to 6.5% in 2024 and 2023, respectively. Effective interest rates range from 3.4% to 6.5% and from 3.4% to 6.2% in 2024 and 2023, respectively. Amortization of premium on financial assets at Amortized Cost amounted to P10.2 million and P10.5 million in 2024 and 2023, respectively.

The terms of these investments range from 3 to 10 years in 2024 and 2023.

Unquoted Debt Securities

Unquoted debt securities consist of long-term certificates of Agrarian Reform (AR) bonds issued by the National Government.

The AR bonds, which were acquired in 2017, bear annual interest rates based on the 91-day Treasury bills and is subject to repricing. Interest income on investments in AR bonds amounted to P2.3 million in 2024 and P3.1 million in 2023, and amortization discount amounted to nil in 2024 and 2023.

These instruments are acquired in compliance with the requirements set by RA No. 9501 and Agri-Agra Reform Credit Act of 2000 (RA No. 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:

	2024	2023
Quoted debt securities	P141,409,683	P139,794,840
Unquoted debt securities	2,252,410	3,103,079
	P143,662,093	P142,897,919



9. Loans and Receivables

This account consists of:

	2024	2023
Receivables from borrowers		
Microfinance loans* (Note 14)	₱10,401,455,598	₱10,222,914,994
Regular loans	5,450,394,971	4,347,709,487
Agricultural-agrarian loans	1,105,704,005	1,069,734,481
Islamic loans	46,627,570	—
	17,004,182,144	15,640,358,962
Other receivables:		
Accrued interest receivables		
Receivable from borrowers	364,786,768	446,837,164
Financial asset at FVOCI	13,140,289	13,683,035
Financial asset at amortized cost	21,480,651	21,662,334
Cash and cash equivalents	13,712,708	2,470,502
Accounts receivable (Note 22)	85,968,074	58,660,131
	17,503,270,634	16,183,672,128
Less: Allowance for credit losses	638,150,174	509,081,951
	₱16,865,120,460	₱15,674,590,177

*Include microfinance loans used to secure bills payable amounting to ₱0.2 billion and ₱0.1 billion as of December 31, 2024 and 2023, respectively.

Regular loans include salary loans granted to the Bank's employees and officers, and government and schools employees amounting to ₱10.1 million and ₱14.8 million as at December 31, 2024 and 2023, respectively, and earning fixed annual interest rates ranging from 6.0% to 28.0% in 2024 and 2023 (Note 22).

Interest income on receivables from borrowers amounted to ₱8.4 billion and ₱6.9 billion in 2024 and 2023, respectively. Receivables from borrowers earn interest with effective interest rates ranging from 33.5% to 57.9% in 2024 and 2023. Nominal interest rates of these receivables range from 12.0% to 28.0% in 2024 and 2023.

The movements in allowance for credit losses on loans and receivables from borrowers follow:

	2024	2023
Balance at beginning of year	₱500,541,562	₱901,341,724
Provision for credit losses	343,676,349	19,513,069
Written-off loans	(213,089,436)	(420,313,231)
Balance at end of year	₱631,128,475	₱500,541,562

The movements in allowance for credit losses on other receivables follow:

	2024	2023
Balance at beginning of year	₱8,540,389	₱3,714,845
Provision for credit losses	5,374,846	4,825,544
Written-off loans	(6,893,536)	—
Balance at end of year	₱7,021,699	₱8,540,389



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:

	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2024	₱115,456,505	₱–	₱245,268,095	₱360,724,600
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(3,248)	3,248	–	–
Transfer from Stage 1 to Stage 3	(102,963,745)	–	102,963,745	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	66,908	–	(66,908)	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased	273,652,183	–	–	273,652,183
Changes in PDs/LGDs/EADs	(18,550)	–	294,906,727	294,888,177
Financial assets derecognized during the period	(112,387,758)	–	(177,666,982)	(290,054,740)
Total net P&L charge during the period	58,345,790	3,248	220,136,582	278,485,620
Other movements without P&L impact				
Write-offs and other movements	–	–	(166,676,848)	(166,676,848)
Total movements without P&L impact	–	–	(166,676,848)	(166,676,848)
Loss allowance at December 31, 2024	₱173,802,295	₱3,248	₱298,727,829	₱472,533,372

	2023			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2023	₱88,595,985	₱–	₱622,515,674	₱711,111,659
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	(60,068,966)	–	60,068,966	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	1,449,828	–	(1,449,828)	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased	174,022,719	–	–	174,022,719
Changes in PDs/LGDs/EADs	(1,859,196)	–	395,826,054	393,966,858
Financial assets derecognized during the period	(86,683,865)	–	(475,313,192)	(561,997,057)
Total net P&L charge during the period	26,860,520	–	(20,868,000)	5,992,520
Other movements without P&L impact				
Write-offs and other movements	–	–	(356,379,579)	(356,379,579)
Total movements without P&L impact	–	–	(356,379,579)	(356,379,579)
Loss allowance at December 31, 2023	₱115,456,505	₱–	₱245,268,095	₱360,724,600



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:

	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2024	₱56,364,215	₱395,164	₱61,996,533	₱118,755,912
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(260,743)	260,743	—	—
Transfer from Stage 1 to Stage 3	(30,270,402)	—	30,270,402	—
Transfer from Stage 2 to Stage 1	—	—	—	—
Transfer from Stage 2 to Stage 3	—	(222,878)	222,878	—
Transfer from Stage 3 to Stage 1	81,849	—	(81,849)	—
Transfer from Stage 3 to Stage 2	—	—	—	—
New financial assets originated or purchased	79,459,087	—	—	79,459,087
Changes in PDs/LGDs/EADs	(2,837,938)	907,986	68,960,274	67,030,322
Financial assets derecognized during the period	(54,179,478)	(170,121)	(45,725,270)	(100,074,869)
Total net P&L charge during the period	(8,007,625)	775,730	53,646,435	46,414,540
Other movements without P&L impact				
Write-offs and other movements	—	—	(39,054,312)	(39,054,312)
Total movements without P&L impact	—	—	(39,054,312)	(39,054,312)
Loss allowance at December 31, 2024	₱48,356,590	₱1,170,894	₱76,588,656	₱126,116,140

	2023			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2023	₱35,776,555	₱3,079,605	₱105,674,280	₱144,530,440
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(117,649)	117,649	—	—
Transfer from Stage 1 to Stage 3	(18,028,401)	—	18,028,401	—
Transfer from Stage 2 to Stage 1	56,744	(56,744)	—	—
Transfer from Stage 2 to Stage 3	—	(2,193,105)	2,193,105	—
Transfer from Stage 3 to Stage 1	506,675	—	(506,675)	—
Transfer from Stage 3 to Stage 2	—	—	—	—
New financial assets originated or purchased	14,756,881	—	—	14,756,881
Changes in PDs/LGDs/EADs	55,937,228	220,513	51,664,326	107,822,067
Financial assets derecognized during the period	(32,523,818)	(772,754)	(71,138,246)	(104,434,818)
Total net P&L charge during the period	20,587,660	(2,684,441)	240,911	18,144,130
Other movements without P&L impact				
Write-offs and other movements	—	—	(43,918,658)	(43,918,658)
Total movements without P&L impact	—	—	(43,918,658)	(43,918,658)
Loss allowance at December 31, 2023	₱56,364,215	₱395,164	₱61,996,533	₱118,755,912



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:

	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2024	₱6,135,390	₱–	₱14,925,659	₱21,061,049
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(1)	1	–	–
Transfer from Stage 1 to Stage 3	(8,171,867)	–	8,171,867	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	1,239	–	(1,239)	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased	17,928,559	–	–	17,928,559
Changes in PDs/LGDs/EADs	(11,689)	10,396	18,830,890	18,829,597
Financial assets derecognized during the period	(6,023,976)	–	(10,535,684)	(16,559,660)
Total net P&L charge during the period	3,722,265	10,397	16,465,834	20,198,496
Other movements without P&L impact				
Write-offs and other movements	–	–	(9,410,887)	(9,410,887)
Total movements without P&L impact	–	–	(9,410,887)	(9,410,887)
Loss allowance at December 31, 2024	₱9,857,655	₱10,397	₱21,980,606	₱31,848,658

	2023			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2023	₱8,713,063	₱–	₱36,986,562	₱45,699,625
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	(5,059,777)	–	5,059,777	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	153,922	–	(153,922)	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased	4,504,015	–	–	4,504,015
Changes in PDs/LGDs/EADs	6,439,455	–	21,267,184	27,706,639
Financial assets derecognized during the period	(8,615,288)	–	(28,218,947)	(36,834,235)
Total net P&L charge during the period	(2,577,673)	–	(2,045,908)	(4,623,581)
Other movements without P&L impact				
Write-offs and other movements	–	–	(20,014,995)	(20,014,995)
Total movements without P&L impact	–	–	(20,014,995)	(20,014,995)
Loss allowance at December 31, 2023	₱6,135,390	₱–	₱14,925,659	₱21,061,049



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 Islamic loans:

	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loss allowance at January 1, 2024	₱-	₱-	₱-	₱-
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(161)	161	-	-
Transfer from Stage 1 to Stage 3	(162,731)	-	162,731	-
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	630,303	-	-	630,303
Changes in PDs/LGDs/EADs	-	-	-	-
Financial assets derecognized during the period	-	-	-	-
Total net P&L charge during the period	467,411	161	162,731	630,303
Other movements without P&L impact				
Write-offs and other movements	-	-	-	-
Total movements without P&L impact	-	-	-	-
Loss allowance at December 31, 2024	₱467,411	₱161	₱162,731	₱630,303

Transfers of gross outstanding loans with accrued interest receivable between stages

The movements in gross carrying amount of microfinance loans (including accrued interest receivable) between stages follow:

	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount as at January 1, 2024	₱10,166,825,365	₱-	₱331,866,241	₱10,498,691,606
Transfers:				
Transfer from Stage 1 to Stage 2	(60,394)	60,394	-	-
Transfer from Stage 1 to Stage 3	(439,383,128)	-	439,383,128	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	142,200	-	(142,200)	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets originated or purchased	17,068,093,268	-	-	17,068,093,268
Collections of principal and interest	(6,685,491,668)	(48,806)	(117,541,631)	(6,803,082,105)
Financial assets derecognized during the period	(9,951,618,113)	-	(38,667,867)	(9,990,285,980)
Write-offs and other movements	-	-	(166,676,848)	(166,676,848)
Gross carrying amount as at December 31, 2024	₱10,158,507,530	₱11,588	₱448,220,823	₱10,606,739,941

	2023			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount as at January 1, 2023	₱9,096,843,040	₱-	₱622,515,673	₱9,719,358,713
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	(311,248,048)	-	311,248,048	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	1,449,828	-	(1,449,828)	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets originated or purchased	24,718,290,420	-	-	24,718,290,420
Collections of principal and interest	(14,437,672,363)	-	(125,134,460)	(14,562,806,823)
Financial assets derecognized during the period	(8,900,837,512)	-	(118,933,613)	(9,019,771,125)
Write-offs and other movements	-	-	(356,379,579)	(356,379,579)
Gross carrying amount as at December 31, 2023	₱10,166,825,365	₱-	₱331,866,241	₱10,498,691,606



The movements in gross carrying amount of regular loans (including accrued receivable) between stages follow:

	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount as at January 1, 2024	₱4,377,714,442	₱2,551,974	₱83,814,823	₱4,464,081,239
Transfers:				
Transfer from Stage 1 to Stage 2	(3,242,527)	3,242,527	—	—
Transfer from Stage 1 to Stage 3	(118,066,751)	—	118,066,751	—
Transfer from Stage 2 to Stage 1	—	—	—	—
Transfer from Stage 2 to Stage 3	—	(1,867,440)	1,867,440	—
Transfer from Stage 3 to Stage 1	179,705	—	(179,705)	—
Transfer from Stage 3 to Stage 2	—	—	—	—
New financial assets originated or purchased	9,380,139,527	—	—	9,380,139,527
Collections of principal and interest	(3,890,842,819)	—	(27,295,616)	(3,918,138,435)
Financial assets derecognized during the period	(4,311,372,292)	(680,001)	(16,292,446)	(4,328,344,739)
Write-offs and other movements	—	—	(39,054,312)	(39,054,312)
Gross carrying amount as at December 31, 2024	₱5,434,509,285	₱3,247,060	₱120,926,935	₱5,558,683,280

	2023			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount as at January 1, 2023	₱3,324,070,628	₱3,079,605	₱105,674,280	₱3,432,824,513
Transfers:				
Transfer from Stage 1 to Stage 2	(1,722,219)	1,722,219	—	—
Transfer from Stage 1 to Stage 3	(71,676,486)	—	71,676,486	—
Transfer from Stage 2 to Stage 1	56,744	(56,744)	—	—
Transfer from Stage 2 to Stage 3	—	(2,193,105)	2,193,105	—
Transfer from Stage 3 to Stage 1	506,675	—	(506,675)	—
Transfer from Stage 3 to Stage 2	—	—	—	—
New financial assets originated or purchased	10,736,308,226	—	—	10,736,308,226
Collections of principal and interest	(6,344,234,476)	—	(23,311,374)	(6,367,545,850)
Financial assets derecognized during the period	(3,265,594,651)	—	(27,992,341)	(3,293,586,992)
Write-offs and other movements	—	—	(43,918,658)	(43,918,658)
Gross carrying amount as at December 31, 2023	₱4,377,714,441	₱2,551,975	₱83,814,823	₱4,464,081,239

The movements in gross carrying amount of agricultural-agrarian loans (including accrued receivable) between stages follow:

	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount as at January 1, 2024	₱1,102,148,369	₱—	₱22,274,911	₱1,124,423,280
Transfers:				
Transfer from Stage 1 to Stage 2	(38,575)	38,575	—	—
Transfer from Stage 1 to Stage 3	(31,524,988)	—	31,524,988	—
Transfer from Stage 2 to Stage 1	—	—	—	—
Transfer from Stage 2 to Stage 3	—	—	—	—
Transfer from Stage 3 to Stage 1	4,705	—	(4,705)	—
Transfer from Stage 3 to Stage 2	—	—	—	—
New financial assets originated or purchased	1,445,582,910	—	—	1,445,582,910
Collections of principal and interest	(303,713,758)	—	(6,837,273)	(310,551,031)
Financial assets derecognized during the period	(1,090,238,473)	—	(2,887,678)	(1,093,126,151)
Write-offs and other movements	—	—	(9,410,887)	(9,410,887)
Gross carrying amount as at December 31, 2024	₱1,122,220,190	₱38,575	₱34,659,356	₱1,156,918,121



	2023			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount as at January 1, 2023	₱916,523,864	₱–	₱36,986,562	₱953,510,426
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	(20,527,418)	–	20,527,418	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	153,922	–	(153,922)	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased	2,812,198,410	–	–	2,812,198,410
Collections of principal and interest	(1,699,830,486)	–	(6,866,199)	(1,706,696,685)
Financial assets derecognized during the period	(906,369,923)	–	(8,203,954)	(914,573,877)
Write-offs and other movements	–	–	(20,014,994)	(20,014,994)
Gross carrying amount as at December 31, 2023	₱1,102,148,369	₱–	₱22,274,911	₱1,124,423,280

The movements in gross carrying amount of Islamic loans between stages follow:

	2024			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount as at January 1, 2024	₱–	₱–	₱–	₱–
Transfers:				
Transfer from Stage 1 to Stage 2	(10,000)	10,000	–	–
Transfer from Stage 1 to Stage 3	(265,095)	–	265,095	–
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	87,615,632	–	–	87,615,632
Collections of principal and interest	(40,988,062)	–	–	(40,988,062)
Financial assets derecognized during the period	–	–	–	–
Write-offs and other movements	–	–	–	–
Gross carrying amount as at December 31, 2024	₱46,352,475	₱10,000	₱265,095	₱46,627,570

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 1.0% of all outstanding Stage 1 loan accounts. No surplus reserve for this purpose in 2024 and 2023. Allowance for credit losses for stage 1 loan accounts is equal to 1.0% in 2024 and 2023.

10. Investments in Associates

This account consists of:

	2024	2023
Investment in CARD MRI Rizal Bank, Inc.	₱932,695,400	₱748,435,016
Investment in MIDAS	3,369,390	2,251,659
	₱936,064,790	₱750,686,675



Presented below is the rollforward of investments in associates:

	2024	2023
Acquisition cost		
Balance at beginning of year, as previously reported	₱302,229,138	₱302,229,138
Additional investments during the year (Note 22)	—	—
	302,229,138	302,229,138
Accumulated equity in net earnings		
Balance at beginning of year	928,487,384	715,032,156
Share in net income of associates	279,066,838	213,455,228
	1,207,554,222	928,487,384
Accumulated equity in other comprehensive income (loss)		
Balance at beginning of year	(1,723,365)	3,818,135
Share in other comprehensive income of associates	(8,188,743)	(5,541,500)
	(9,912,108)	(1,723,365)
Dividends received		
Balance at beginning of year	(478,306,482)	(341,506,515)
Dividends	(85,499,980)	(136,799,967)
	(563,806,462)	(478,306,482)
	₱936,064,790	₱750,686,675

Investment in CMRBI

The Bank's investments in associates include the carrying value of its 40.7% 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 RA 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):

	2024	2023
<i>Statements of Comprehensive Income</i>		
Revenues	₱2,726.2	₱2,358.5
Expenses	2,043.4	1,825.9
Net income	682.75	532.6
Other comprehensive income (loss)	(20.1)	(13.9)
Total comprehensive income	662.6	518.7
<i>Statements of Financial Position</i>		
Current assets	₱6,817.3	₱6,703.5
Non-current assets	663.4	197.0
Current liabilities	(5,128.9)	(3,561.0)
Non-current liabilities	—	(1,420.3)
Net assets	2,351.7	1,919.1
Bank's share in net assets in CMRBI	957.4	767.6

In 2024 and 2023, the Bank did not make additional investments to CMRBI.



Investment in Microfinance Information Data Sharing, Inc. (MIDAS, Inc.)

Investment in MIDAS represents the Bank's 15.5% 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.

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 MIDAS (amounts in millions):

Amounts in million	2024	2023
<i>Statements of Comprehensive Income</i>		
Revenues	₱15.93	₱9.27
Expenses	4.89	6.58
Net income	7.21	2.69
Other comprehensive income (loss)	—	—
Total comprehensive income	7.21	2.69
<i>Statements of Financial Position</i>		
Current assets	32.00	24.40
Non-current assets	0.78	0.38
Current liabilities	(1.21)	(0.69)
Non-current liabilities	—	—
Net assets	31.61	24.03
Bank's share in net assets in MIDAS	4.89	3.73

As at December 31, 2024 and 2023, 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, Fixtures and Equipment	Leasehold Improvements	Land Improvements	Transportation Equipment	Construction in Progress	Right-of-use Assets (Note 20)	Total
December 31, 2024									
Cost									
Balance at beginning of year	₱267,185,422	₱408,648,662	₱561,392,831	₱205,847,321	₱6,736,245	₱62,115,904	₱20,428,397	₱797,673,368	₱2,330,028,150
Additions	70,335,000	5,052,349	66,894,364	4,118,417	—	13,215,071	47,797,416	158,133,696	365,546,313
Disposals	—	(141,873)	(15,930,072)	—	—	(2,617,778)	—	—	(18,689,723)
Reclassification	(3,692,304)	34,434,407	—	14,693,963	—	—	(49,128,370)	—	(3,692,304)
Balance at end of year	333,828,118	447,993,545	612,357,123	224,659,701	6,736,245	72,713,197	19,097,443	955,807,064	2,673,192,436
Accumulated depreciation and amortization									
Balance at beginning of year	—	290,785,382	460,022,774	150,246,511	6,675,228	34,683,541	—	566,491,900	1,508,905,336
Depreciation and amortization	—	22,563,618	52,596,240	16,032,273	48,334	10,761,387	—	132,225,208	234,227,058
Disposals	—	(141,873)	(15,899,746)	—	—	(2,617,778)	—	—	(18,659,397)
Reclassification	—	(793,743)	—	793,743	—	—	—	—	—
Balance at end of year	—	312,413,384	496,719,268	167,072,527	6,723,562	42,827,148	—	698,717,108	1,724,472,997
Net book value	₱333,828,118	₱135,580,161	₱115,637,855	₱57,587,174	₱12,683	₱29,886,049	₱19,097,443	₱257,089,956	₱948,719,439

	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Land Improvements	Transportation Equipment	Construction in Progress	Right-of-use Assets	Total
December 31, 2023									
Cost									
Balance at beginning of year	₱197,973,918	₱370,974,480	₱524,512,361	₱165,185,512	₱6,736,245	₱51,240,412	₱26,463,463	₱669,590,056	₱2,012,676,447
Additions	69,211,504	1,996,057	60,622,212	9,103,405	—	12,171,769	61,162,911	128,083,312	342,351,170
Disposals	—	—	(23,703,190)	—	—	(1,296,277)	—	—	(24,999,467)
Reclassification	—	35,678,125	(38,552)	31,558,404	—	—	(67,197,977)	—	—
Balance at end of year	267,185,422	408,648,662	561,392,831	205,847,321	6,736,245	62,115,904	20,428,397	797,673,368	2,330,028,150
Accumulated depreciation and amortization									
Balance at beginning of year	—	270,288,877	443,599,853	139,761,566	6,620,127	27,492,560	—	435,752,967	1,323,515,950
Depreciation and amortization	—	20,496,505	40,049,889	10,484,945	55,101	8,487,258	—	130,738,933	210,312,631
Disposals	—	—	(23,626,968)	—	—	(1,296,277)	—	—	(24,923,245)
Balance at end of year	—	290,785,382	460,022,774	150,246,511	6,675,228	34,683,541	—	566,491,900	1,508,905,336
Net book value	₱267,185,422	₱117,863,280	₱101,370,057	₱55,600,810	₱61,017	₱27,432,363	₱20,428,397	₱231,181,468	₱821,122,814



Depreciation and amortization presented in the statements of income follow:

	2024	2023
Property and equipment	₱234,227,060	₱210,312,629
Intangible assets (Note 12)	90,031	2,300,111
	₱234,317,091	₱212,612,740

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, 2024, the leasehold improvements under construction pertain to the establishment of a branch and are estimated to be completed in June 2025. As of December 31, 2023, the leasehold improvements under construction pertain to the establishment of branches and were completed on January 8, 2024, February 5, 2024, April 29, 2024, June 23, 2024, and August 27, 2024.

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, 2024 and 2023. Cost of fully depreciated still in use amounted to ₱0.7 billion and ₱0.7 billion in December 31, 2024 and 2023, respectively.

12. Other Assets

This account consists of:

	2024	2023
Financial assets		
Security deposits	₱30,852,930	₱32,059,374
Non-financial assets		
Land deposits	199,384,380	—
Stationeries and supplies	57,276,435	66,545,157
Prepaid expenses	37,225,988	56,685,784
Intangible assets	500	90,531
Others	6,540,796	5,706,550
	300,428,099	129,028,022
	₱331,281,029	₱161,087,396

Security deposits pertain to refundable deposits on the Bank's leased office spaces, and staff house premises and leased IT equipment with CLFC. Interest income from security deposits recorded under 'Miscellaneous income' in 2024 and 2023 amounted to ₱0.8 million (Note 18).

Land deposits pertains to deposits paid to seller of land in Makati City.

Intangible assets include purchased licenses and software.

Others pertain to artworks and paintings owned by the Bank.



The movements of intangible assets follow:

	2024	2023
Cost		
Balance at beginning of year	₱51,276,843	₱51,276,843
Reclassifications	—	—
Balance at end of year	51,276,843	51,276,843
Accumulated amortization		
Balance at beginning of year	51,186,312	48,886,201
Amortization (Note 11)	90,031	2,300,111
Balance at end of year	51,276,343	51,186,312
Net book value	₱500	₱90,531

13. Deposit Liabilities

The Bank's savings deposit liabilities include pledge savings amounting to ₱12.4 billion and ₱11.1 billion as at December 31, 2024 and 2023, 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 2024 and 2023. 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", "Dollar" savings, and "Magalang Regular" savings. These savings accounts bear annual fixed interest rates ranging from 0.1% to 4.5% in 2024 and 2023. Special savings deposits include "Tiwala" and "Magalang deposit" savings with annual interest rates ranging from 1.8% to 4.5% in 2024 and 2023. Interest expense on deposit liabilities amounted to ₱383.0 million and ₱282.1 million in 2024 and 2023, respectively.

BSP Circular No. 1201 requires reserves against deposit liabilities. As at December 31, 2024 and 2023, due from BSP amounting to ₱228.7 million and ₱170.6 million, respectively, were set aside as reserves for deposit liabilities per latest report submitted by the Bank to the BSP. As at December 31, 2024 and 2023, the Bank is in compliance with such regulation.

14. Bills Payable

The movements in the account follow:

	2024	2023
Face value		
Balance at beginning of year	₱50,000,000	₱200,000,000
Availments	110,000,000	50,000,000
Principal payments	(50,000,000)	(200,000,000)
Balance at end of year	110,000,000	50,000,000

(Forward)



	2024	2023
Unamortized transaction costs		
Balance at beginning of year	(P166,251)	(P618,578)
Availments	(239,472)	(166,251)
Amortization	166,251	618,578
Balance at end of year	(239,472)	(166,251)
Carrying value	P109,760,528	P49,833,749

Bills payable of P109.8 million and P49.8 million as at December 31, 2024 and 2023, respectively, pertain to promissory notes obtained from various local banks for working capital requirements with a tenor of one (1) month and six (6) months in 2024 and 2023, respectively, and annual interest rates of 6% and ranging from 4.5% to 6.5% in 2024 and 2023, respectively.

Receivable from borrowers, particularly microfinance loans amounting to P0.2 billion and P0.1 billion secure the above borrowings as at December 31, 2024 and 2023, respectively. (Note 9).

The Bank has undrawn credit line amounting to P2.0 billion and P1.9 billion in 2024 and 2023, respectively.

Interest expense recognized in the statements of income amounted to P1.0 million and P2.8 million in 2024 and 2023, respectively. Unpaid interest as at December 31, 2024 and 2023 amounted to P0.4 million and P0.1 million, respectively, is presented under 'Accrued interest on bills payable' (Note 15).

15. Other Liabilities

This account consists of:

	2024	2023
Financial liabilities		
Lease liabilities (Note 20)	P264,865,564	P229,096,397
Deposit for stock subscription	250,886,800	—
Accrued interest on deposit liabilities (Note 22)	186,988,469	151,346,126
Accounts payable (Note 22)	156,429,115	95,914,936
Dividends payable (Notes 17 and 22)	39,352,234	55,791,661
Accrued expenses	37,619,772	102,600,186
Refundable deposits	715,135	604,235
Accrued interest on bills payable (Note 14)	408,333	117,361
	937,265,422	635,470,902
Nonfinancial liabilities		
Accrued taxes	138,843,389	120,653,576
Accrued vacation leaves	45,156,718	36,592,724
Withholding taxes payable	19,265,508	14,751,018
	203,265,615	171,997,318
	P1,140,531,037	P807,468,220

Deposit for stock subscription pertains to payment of stockholders in relation to the application for increase in capital stock. The application was submitted to BSP on August 20, 2024, and approved by the latter on October 7, 2024. SEC approved the same on March 14, 2025



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).

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, 2024 and 2023.

16. Maturity Analysis of Assets and Liabilities

The following table presents the Bank's assets and liabilities as at December 31, 2024 and 2023 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):

	2024			2023		
	Within one year	Beyond one year	Total	Within one year	Beyond one year	Total
Financial Assets						
Cash and other cash items	₱272,478	₱—	₱272,478	₱238,493	₱—	₱238,493
Due from BSP	228,664	—	228,664	170,614	—	170,614
Due from other banks	4,981,730	—	4,981,730	2,066,396	—	2,066,396
Financial assets at FVOCI	1,116,504	1,047,850	2,164,354	261,116	1,749,922	2,011,038
Loans and receivables, net	16,847,546	17,575	16,865,121	15,657,799	16,791	15,674,590
Investment securities at amortized costs	195,909	2,744,943	2,940,852	46,725	2,844,579	2,891,304
Security deposits	—	30,853	30,853	—	32,059	32,059
Nonfinancial Assets						
Investments in associates	—	936,065	936,065	—	750,687	750,687
Property and equipment, net	—	948,719	948,719	—	821,123	821,123
Retirement asset	—	98,765	98,765	—	162,048	162,048
Deferred tax assets	—	148,394	148,394	—	99,599	99,599
Other assets	—	300,428	300,428	—	129,029	129,029
Total Assets	₱23,642,831	₱6,273,592	₱29,916,423	₱18,441,143	₱6,605,837	₱25,046,980

	2024			2023		
	Within one year	Beyond one year	Total	Within one year	Beyond one year	Total
Financial liabilities						
Deposit liabilities	₱15,213,276	₱2,841,688	₱18,054,964	₱14,475,788	₱1,223,857	₱15,699,645
Bills payable	109,761	—	109,761	49,834	—	49,834
Other liabilities:						
Lease liabilities	112,931	151,934	264,865	111,770	117,326	229,096
Deposit for future stock subscription	250,887	—	250,887	—	—	—
Accrued interest	16,180	171,217	187,397	4,800	146,663	151,463
Accounts payable	156,429	—	156,429	95,915	—	95,915
Dividends payable	39,352	—	39,352	55,792	—	55,792
Accrued expenses	37,620	—	37,620	102,600	—	102,600
Refundable deposits	—	715	715	—	604	604
Non-financial liabilities						
Income tax payable	628,440	—	628,440	351,889	—	351,889
Other liabilities:						
Accrued taxes	138,843	—	138,843	120,654	—	120,654
Accrued vacation leaves	—	45,157	45,157	—	36,594	36,594
Withholding taxes payable	19,266	—	19,266	14,750	—	14,750
Total Liabilities	₱16,722,985	₱3,210,711	₱19,933,696	₱15,383,792	₱1,525,044	₱16,908,836



17. Equity

Capital Stock

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

	2024		2023	
	Shares	Amount	Shares	Amount
Preferred stock - ₱200 par value, 7,500,000 authorized shares				
Issued and outstanding				
Beginning of year	6,860,073	₱1,372,014,600	6,805,053	₱1,361,010,600
Issuance of shares of stocks	40,000	8,000,000	55,020	11,004,000
Preferred stock at the end of the year	6,900,073	1,380,014,600	6,860,073	1,372,014,600
Subscribed	6,900,073	1,380,014,600	6,900,073	1,380,014,600
Subscription receivable	—	—	(40,000)	(8,000,000)
	6,900,073	₱1,380,014,600	6,860,073	₱1,372,014,600
Common stock - ₱100 par value, 20,000,000 authorized shares				
Issued and outstanding				
Beginning of year	29,915,733	₱2,991,573,300	27,007,380	₱2,700,738,000
Issuance of shares of stocks	18,698	1,869,800	437,988	43,798,800
Stock dividends	—	—	2,470,365	247,036,500
Common stock at the end of the year	29,934,431	2,993,443,100	29,915,733	2,991,573,300
Subscribed	30,000,000	3,000,000,000	29,919,081	2,991,908,100
Subscription receivable	(65,569)	(6,556,900)	(3,348)	(334,800)
	29,934,431	₱2,993,443,100	29,915,733	₱2,991,573,300

Preferred has the following features: (a) 8.0% cumulative dividends, (b) non-participating, (c) non-redeemable, and (d) non-voting. As of December 31, 2024 and 2023, dividends amounted to ₱138.0 million and ₱165.7 million, respectively.

As of December 31, 2024, the Bank had outstanding subscriptions amounting to nil and ₱6.6 million for preferred and common stocks, respectively. As of December 31, 2023, the Bank had outstanding subscriptions amounting ₱8.0 million and ₱0.3 million for preferred and common stocks, respectively.

Dividend Declaration

2024 cash dividends

On April 19, 2024, the BOD declared cash dividends of 8.0% and ₱20.0 per share to its preferred and common stockholders, respectively, to stockholders of record as at December 31, 2023. Cash dividends declared amounting to ₱681.2 million were paid starting May 1, 2024 to preferred and common stockholders.

On July 20, 2024, the BOD declared cash dividends of 4.0% and ₱15.0 per share to its preferred and common stockholders, respectively, to stockholders of record as at December 31, 2023. Cash dividends declared amounting to ₱503.9 million were paid starting August 1, 2024 to preferred and common stockholders.

2023 cash dividends

On March 18, 2023, the BOD declared cash dividends of 8.0% and ₱15.0 per share to its preferred and common stockholders, respectively, to stockholders of record as at December 31, 2022. Cash dividends declared amounting to ₱522.2 million were paid starting April 1, 2023 to preferred and common stockholders.



On September 16, 2023, the BOD declared cash dividends of 4.0% and ₱12.0 per share to its preferred and common stockholders, respectively, to stockholders of record as at December 31, 2022. Cash dividends declared amounting to ₱384.6 million were paid starting October 1, 2023 to preferred and common stockholders

2023 stock dividends

On March 18, 2023, the BOD declared stock dividends of 9.0% per share to its common stockholders of record as at December 31, 2022. The Shareholders approved the declaration of stock dividend on March 18, 2023. Stock dividends declared amounting to ₱247.0 million were distributed starting April 1, 2023.

Capital Management

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

The Bank manages its capital structure and appropriately effect adjustment according to the changes in economic conditions and the risk level it recognizes at every point of time in the course of its business operations.

In order to maintain or adjust for good capital structure, the Bank carefully measures the amount of dividend payment to shareholders, call payment due from the capital subscribers or issue capital securities as necessary. No changes were made in the objectives, policies and processes from the previous years.

As of December 31, 2024 and 2023, 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 PFRSs 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, 2024 and 2023, 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 I.

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 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 PFRSs-based results and reserves, as prescribed by the BSP.

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

	2024	2023
Tier 1 capital	₱8,541.2	₱6,655.5
Tier 2 capital	633.7	758.8
Total qualifying capital	₱9,174.9	₱7,414.3
Risk-weighted assets	₱32,023.0	₱27,473.3
Tier 1 capital ratio	26.67%	24.23%
Tier 2 capital ratio	1.98%	2.76%
Total CAR	28.65%	26.99%

As at December 31, 2024 and 2023, 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 90.0% beginning January 1, 2018 and 100.0% beginning January 1, 2023 onwards. Meanwhile, stand-alone TBs, RBs, CBs and QBs will be subject to a Minimum Liquidity Ratio of 20.0% starting January 1, 2023.



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

	2024	2023
Stock of liquid assets	10,528.0	7,335.0
Qualifying liabilities	12,638.8	10,367.3
MLR	83.3%	70.8%

As at December 31, 2024 and 2023, 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.

18. Miscellaneous Income and Expenses

Miscellaneous income consists of:

	2024	2023
Commission income	₱135,979,435	₱95,370,389
Recoveries of written-off account	95,644,662	116,634,191
Rental income (Note 20)	7,151,134	6,601,131
Deposit-related fees and other charges	1,503,915	3,263,959
Gain on disposal of property and equipment and supplies	188,309	224,328
Others (Notes 12 and 22)	13,362,431	10,243,923
	₱253,829,886	₱232,337,921

Others include service charges on remittances, security deposit, forex gain/loss, and insurance claims for transportation equipment.

Miscellaneous expense consists of the following:

	2024	2023
Penalties and other charges	₱40,420,245	₱9,836,676
Advertising and promotions	12,285,043	6,659,742
Medical and other related expenses	9,374,050	6,316,639
Periodicals and Magazine	6,846,865	3,923,389
Banking Fee	3,899,672	4,555,540
Representation and entertainment	3,157,277	4,849,741
Others	22,052,947	35,426,806
	₱98,036,099	₱71,568,533

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 non-contributory 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 RA No. 7641 (Retirement Pay Law).

MERP is valued using the projected unit cost method and is financed solely by the Bank and its related parties. MERP provides lump sum benefits equivalent to up to 120.0% 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 100.0% of the member's employer accumulated value (the Bank's contributions of 8.0% plan salary to Fund A plus credited earnings) and 100.0% 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 100.0% of the Employee Accumulated Value in Fund A be less than 100.0% of plan salary for every year of credited service.

The latest actuarial valuation report covers reporting period as of December 31, 2024 and 2023.



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

2024													
Net benefit cost in statements of income*						Remeasurements in other comprehensive income							
	January 1	Current service cost	Net interest	Subtotal	Transfer from the plan	Benefits paid	Return on plan assets (excluding amount included in net interest)	Experience adjustments	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Effect of asset ceiling	Subtotal	Contribution by employer
													December 31
Fair value of plan assets	₱802,820,408	₱—	₱49,454,164	₱49,454,164	(₱1,854,563)	(₱27,870,477)	(₱13,538,353)	₱—	₱—	₱—	₱—	(₱43,263,393)	₱40,233,387
Present value of defined benefit obligation	(615,988,264)	(47,286,995)	(37,698,482)	(84,985,477)	1,854,563	27,870,477	—	(73,686,415)	4,884,177	(1,546,749)	—	(40,623,947)	—
Effect of asset ceiling	(24,783,952)	—	(1,516,778)	(1,516,778)	—	—	—	—	—	—	17,419,228	17,419,228	—
Net retirement asset	₱162,048,192	(₱47,286,995)	₱10,238,904	(₱37,048,091)	₱—	₱—	(₱13,538,353)	(₱73,686,415)	₱4,884,177	(₱1,546,749)	₱17,419,228	(₱66,468,112)	₱40,233,387
													₱98,765,376

*The net benefit cost is included in 'Compensation and benefits' in the statements of income

2023													
Net benefit cost in statements of income*						Remeasurements in other comprehensive income							
	January 1	Current service cost	Net interest	Subtotal	Transfer from the plan	Benefits paid	Return on plan assets (excluding amount included in net interest)	Experience adjustments	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Effect of asset ceiling	Subtotal	Contribution by employer
													December 31
Fair value of plan assets	₱757,777,860	₱—	₱55,686,086	₱55,686,086	(₱366,831)	(₱21,255,304)	(₱20,734,020)	₱—	₱—	₱—	₱—	(₱42,356,155)	₱31,712,617
Present value of defined benefit obligation	(481,369,232)	(39,565,750)	(35,139,954)	(74,705,704)	366,831	21,255,304	—	(12,179,563)	(352,632)	(69,003,268)	—	(59,913,328)	—
Effect of asset ceiling	(62,238,293)	—	(4,543,395)	(4,543,395)	—	—	—	—	—	—	(41,997,736)	41,997,736	—
Net retirement asset	₱214,170,335	(₱39,565,750)	₱16,002,737	(₱23,563,013)	₱—	₱—	(₱20,734,020)	(₱12,179,563)	(₱352,632)	(₱69,003,268)	(₱41,997,736)	(₱60,271,747)	₱31,712,617
													₱162,048,192

*The net benefit cost is included in 'Compensation and benefits' in the statements of income.



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:

	2024	2023
Cash and other cash items	₱101,569,650	₱94,411,680
Government securities	503,856,801	545,436,185
Other bonds	33,884,858	34,440,996
Loans and receivables	199,657,397	119,620,241
Other assets	10,275,860	8,911,306
Fair value of plan assets	₱849,244,566	₱802,820,408

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:

	2024	2023
Discount rates		
January 1	6.1%	7.3%
December 31	6.1%	6.1%
Future salary increases	5.0%	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:

	2024		2023	
	+100	-100	+100	-100
Discount rates	(₱71,547,980)	₱84,216,738	(₱59,296,020)	₱69,846,248
Future salary increases	84,302,975	(72,878,870)	69,932,009	(60,409,139)

As at December 31, 2024, the average duration of defined benefit obligations is 10.5 years.

Expected fund contribution in 2025 amounts to ₱43.5 million.



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

	2024	2023
Less than 1 year	₱58,506,250	₱48,405,916
More than 1 year to 5 years	257,277,214	218,956,767
More than 5 years to 10 years	377,527,554	335,680,060
More than 10 years to 15 years	599,128,216	451,500,456
More than 15 years to 20 years	755,758,308	556,171,991
More than 20 years to 25 years	770,188,521	639,959,474
More than 25 years	1,043,397,278	897,064,858

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 2024 and 2023, respectively.

The following are the amounts recognized in the statement of income:

	2024	2023
Depreciation expense of ROU assets (Note 11)	₱132,225,208	₱130,738,933
Interest expense on lease liabilities	14,558,888	11,992,157
Expenses relating to short-term leases and leases of low-value assets (included in general and administrative expenses)	75,875,708	78,005,473
Total amount recognized in statement of income	₱222,659,804	₱220,736,563

The rollforward analysis of lease liabilities follows:

	2024	2023
Balance at beginning of year	₱229,096,397	₱223,142,892
Addition	163,261,074	134,708,039
Termination	—	—
Interest expense	14,558,888	11,992,157
Principal payments	(142,050,795)	(140,746,691)
Balance at end of year	₱264,865,564	₱229,096,397



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

	2024	2023
Less than 1 year	₱124,838,950	₱122,518,391
More than 1 years to 2 years	88,019,209	75,333,331
More than 2 years to 3 years	47,528,282	38,531,603
More than 3 years to 4 years	21,481,597	20,178,361
More than 4 to 5 years	6,163,951	7,898,402
More than 5 years	1,040,150	1,672,802

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). In 2024 and 2023, rental income recognized under ‘miscellaneous income’ in the statements of income amounted to ₱7.2 million and ₱6.6 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, 2023, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. This aimed to attract more investments and maintain fiscal prudence and stability in the Philippines. RA No.11534 or the CREATE Act introduced reforms to the corporate income tax and incentives systems.

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

- Effective July 1, 2021, RCIT was reduced for domestic and resident foreign corporations from 30.0% to 25.0%. For domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000 (excluding land on which the particular business entity’s office, plant, and equipment are situated) during the year, RCIT rate is reduced to 20%.
- The bill also provides that effective July 1, 2021 to June 30, 2024, the MCIT will be lowered from 2.0% to 1.0%, starting July 1, 2024 MCIT reverted to 2.0%.
- Interest expense allowed as a deduction against taxable income shall be reduced by 20% of interest income subjected to final tax.

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

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.0% of the Bank’s net revenue. The regulations also provide that MCIT



and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

The Bank's provision for income tax consists of:

	2024	2023
Current:		
RCIT	₱866,587,464	₱567,972,939
Final tax	77,580,650	74,047,537
	944,168,114	642,020,476
Deferred	(35,838,963)	96,375,733
	₱908,329,151	₱738,396,209

Components of net deferred tax assets are as follows:

	2024	2023
<i>Deferred tax asset</i>		
Allowance for credit and impairment losses	₱159,537,544	₱127,270,488
Lease liabilities	66,216,390	57,274,099
Accrued rent and vacation leave	11,289,180	9,148,181
Unrealized loss on financial assets at FVOCI	437,188	4,099,036
Unamortized past service cost	37,919	75,839
Unrealized foreign exchange loss	—	39,257
	237,518,221	197,906,900
<i>Deferred tax liability</i>		
Unrealized foreign exchange gain	(160,760)	—
Retirement asset	(24,691,344)	(40,512,048)
Right-of-use assets	(64,272,489)	(57,795,367)
	(89,124,593)	(98,307,415)
	₱148,393,628	₱99,599,485

The income tax effect arising from retirement asset recognized in 2024 and 2023 in other comprehensive income amounted to a provision of ₱16.6 million and ₱15.1 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 ₱3.6 million and ₱8.3 million in 2024 and 2023, respectively.

As at December 31, 2024 and 2023, the Bank has no unrecognized deferred tax assets.



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

	2024	2023
Statutory income tax	₱993,816,543	₱798,735,158
Income tax effects of:		
Interest income subject to final tax	(43,410,417)	(29,300,362)
Non-taxable income	(69,766,710)	(53,363,807)
Non-deductible interest expense and other expenses	27,689,735	22,325,220
Provision for income tax	₱908,329,151	₱738,396,209

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 PFRSs, 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, 2024 and 2023, the retirement funds do not hold or trade the Bank's shares of stock.

Remunerations of Key Management Personnel

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

The compensation of key management personnel included under 'Compensation and benefits' in the statements of income are as follows (in millions):

	2024	2023
Short-term employee benefits	₱8.4	₱5.3
Post-employment benefits	14.7	9.2
	₱23.1	₱14.5

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 and will be settled in cash.

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, 2024 and 2023 follow:

December 31, 2024			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Key Management Personnel			
Deposit liabilities		₱13,194,221	These are demand and savings accounts with annual interest rates ranging from 1.5% to 6.0%.
Deposits	₱42,795,079		
Withdrawals	38,083,700		
Dividends paid	12,230,545		Relates to common and preference shares of the Bank held by key management personnel
Shareholders			
Deposit liabilities		699,899,398	These are demand and savings accounts maintained by shareholders with the Bank with annual interest rates ranging from nil to 4.3%.
Deposits	7,861,270,264		
Withdrawals	8,364,843,817		
Accounts receivable		-	This amount represents the shareholders' share in expenses still payable to the Bank.
Share in expenses	831,815		
Collections	1,927,469		
Share in expenses	1,798,577		
Remittances	2,301,390		
Dividends paid	1,047,167,835		Pertains to dividends on common and preference shares of the Bank held by its shareholders
Rent expense	6,358,050		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.
Other related parties			
Financial assets at FVOCI		42,188,564	Pertains to investment in preferred shares of the Bank in CARD MRI Rizal Bank.
Dividend income	85,499,980		Pertains to income received by the Bank from RBI as an associate
December 31, 2023			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Key Management Personnel			
Deposit liabilities		₱8,482,842	These are demand and savings accounts with annual interest rates ranging from 1.5% to 6.0%.
Deposits	₱47,186,085		
Withdrawals	47,979,464		
Dividends paid	10,851,048		Relates to common and preference shares of the Bank held by key management personnel
Shareholders			
Deposit liabilities		1,203,472,951	These are demand and savings accounts maintained by shareholders with the Bank with annual interest rates ranging from nil to 4.3%.
Deposits	13,805,231,206		
Withdrawals	12,601,758,255		
Accounts receivable		1,095,654	This amount represents the shareholders' share in expenses still payable to the Bank.
Share in expenses	22,239,132		
Collections	21,143,478		
Accounts payable		502,833	This amount represents the Bank's share in expenses still payable to its shareholders.
Share in expenses	179,026,732		
Remittances	178,523,899		
Dividends paid	492,036,897		Pertains to dividends on common and preference shares of the Bank held by its shareholders
Rent expense	18,011,838		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.
Other related parties			
Financial assets at FVOCI		31,349,911	Pertains to investment in preferred shares of the Bank in CARD MRI Rizal Bank.
Dividend income	136,799,967		Pertains to income received by the Bank from RBI as an associate



Transitioned units from CARD, Inc. to the Bank were nil and 31 in 2024 and 2023. 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, 2023 with three (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	2024		2023	
	Net exposure	Ratio	Net exposure	Ratio
Key management personnel	₱13,194,221	0.0%	₱8,482,842	0.1%
Shareholders	699,899,398	7.0%	1,203,472,951	14.8%

23. Notes to Statements of Cash Flows

The following is the summary of non-cash activities in 2024 and 2023:

	2024	2023
Non-cash investing activity:		
Additions to property and equipment through lease contracts (Note 11)	₱158,133,696	₱128,083,312
Non-cash financing activities:		
Stock dividends paid – common stock	–	247,036,500

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

	2024				Total
	Bills payable (Note 14)	Lease liabilities (Notes 15 and 20)	Deposit for future stock subscription (Notes 15 and 17)	Dividends payable (Notes 15 and 17)	
Balances as of January 1, 2024, as reported	₱49,833,749	₱229,096,397	₱–	₱55,791,661	₱334,721,807
Cash flows	59,760,528	(142,050,795)	250,886,800	(1,201,608,722)	(1,033,012,189)
Non-cash items					
Cash dividend declaration	–	–	–	1,185,169,295	1,185,169,295
New lease contracts entered during the year	–	163,261,074	–	–	163,261,074
Amortization of discount of bills payables	166,251	–	–	–	166,251
Amortization on interest expenses of lease liabilities	–	14,558,888	–	–	14,558,888
Balances as of December 31, 2024	₱109,760,528	₱264,865,564	₱250,886,800	₱39,352,234	₱664,865,126



	2023				
	Bills payable (Note 14)	Lease liabilities (Notes 15 and 20)	Deposit for future stock subscription (Notes 15 and 17)	Dividends payable (Notes 15 and 17)	Total
Balances as of January 1, 2023, as reported	P199,381,422	P223,142,892	P—	P60,531,213	P483,055,527
Cash flows	(150,166,251)	(140,746,691)	—	(911,578,100)	(1,202,491,042)
Non-cash items					
Cash dividend declaration	—	—	—	906,838,548	906,838,548
New lease contracts entered during the year	—	134,708,039	—	—	134,708,039
Lease termination					
Amortization of discount of bills payables	618,578	—	—	—	618,578
Amortization on interest expenses of lease liabilities	—	11,992,157	—	—	11,992,157
Balances as of December 31, 2023	P49,833,749	P229,096,397	P—	P55,791,661	P334,721,807

24. Approval for 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 29, 2025.

25. Supplementary Information Required under Section 174 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 PFRSs.

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:

	2024	2023
Return on average equity	33.8%	33.6%
Return on average assets	11.2%	10.3%
Net interest margin	32.9%	31.1%

Description of Capital Instrument Issued

As of December 31, 2024 and 2023, the Bank has two classes of capital stock, preferred and common stocks.



Significant Credit Exposures as to Industry/Economic Sector

As of December 31, 2024 and 2023, information on the concentration of gross loans and receivables as to industry follows (amounts in thousands):

	2024		2023	
	Amount	%	Amount	%
Other service activities	₱5,431,369	31.8	₱3,460,418	22.1
Agriculture, forestry and fishing	4,777,641	28.1	4,851,354	31.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	4,354,076	25.6	5,433,239	34.7
Real estate activities	1,942,738	11.4	1,368,902	8.8
Manufacturing	362,636	2.1	405,614	2.6
Education	135,722	0.8	120,832	0.8
	₱17,004,182	100.0	₱15,640,359	100.0

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.

Breakdown of Total Loans as to Security

The following table shows the secured and unsecured portions of receivables from borrowers as of December 31, 2024 and 2023:

	2024		2023	
	Amount	%	Amount	%
Secured portion				
Deposit hold-out (Note 13)	₱3,674,423,375	21.61%	₱3,118,383,860	19.94%
Unsecured portion	13, 329,758,769	78. 39%	12,521,975,102	80.06%
	₱17,004,182,144	100.0%	₱15,640,358,962	100.0%

Breakdown of Total Loans as to Status and Security

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:

	2024			2023		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Loans and receivables						
Microfinance loans	₱9,953,223,187	₱448,232,411	₱10,401,455,598	₱9,891,048,753	₱331,866,241	₱10,222,914,994
Regular loans	5,385,926,853	64,468,118	5,450,394,971	4,287,874,677	59,834,810	4,347,709,487
Agricultural-agrarian loans	1,071,006,074	34,697,931	1,105,704,005	1,047,459,570	22,274,911	1,069,734,481
Islamic loans	46,352,475	275,095	46,627,570	—	—	—
	₱16,456,508,589	₱547,673,555	₱17,004,182,144	₱15,226,383,000	₱413,975,962	₱15,640,358,962

As of December 31, 2024 and 2023, secured and unsecured NPLs of the Bank follow:

	2024	2023
Secured	₱88,133,178	₱55,877,848
Unsecured	459,540,377	358,098,114
	₱547,673,555	₱413,975,962

Restructured loans as of December 31, 2024 and 2023 amounted to ₱0.1 million and ₱6.7 million, respectively. The Bank's loan portfolio includes non-risk loans as defined under BSP regulations totaling ₱13.0 billion and ₱13.0 billion as of December 31, 2024 and 2023, respectively.

Portfolio-at-risk (PAR)

In accordance with BSP regulations, the Bank considers a loan as part of portfolio-at-risk (PAR) when an installment payment that is past due for one day. As at December 31, 2024 and 2023, the Bank's PAR amounted to ₱0.61 billion and ₱0.77 billion, respectively.

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.

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, 2024 and 2023, DOSRI accounts under the existing regulations are shown in the table below (as reported to BSP):

	2024		2023	
	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loan)	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loan)
Total outstanding DOSRI loans	₱573,985	₱11,643,763	₱521,107	₱3,852,677
Percent of DOSRI/Related Party loans to total loan portfolio	0.0%	0.0%	0.0%	0.0%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0.0%	0.0%	0.0%	0.0%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	0.0%	0.0%	0.0%	0.0%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.0%	0.0%	0.0%	0.0%

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.

Aggregate amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2024 and 2023, the bank has no secured liabilities and assets pledged as security.

Nature and Amount of Contingencies and Commitments arising from Off-balance Sheet Items

As of December 31, 2024 and 2023, the bank has no outstanding contingencies arising from off-balance sheet items.

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, 2024, follow:

Gross receipt tax (GRT)	₱469,103,666
Documentary stamp tax (DST)	142,957,562
Business permits and licenses	18,506,449
Real property tax	4,728,990
Others	2,131,559
	<u>₱637,428,226</u>



GRT in 2024 consists of taxes on:

Interest income on loans	₱418,984,367
Other income	50,119,299
	<u>₱469,103,666</u>

DST in 2024 consists of taxes on special savings account, loans, and capital increase.

Withholding taxes in 2024 are categorized into:

Paid:	
Expanded withholding tax	₱23,496,411
Withholding taxes on compensation and benefits	20,402,842
Final withholding tax on interest expense and dividends declared	117,168,687
	<u>161,067,940</u>
Accrued:	
Expanded withholding tax	2,553,573
Withholding taxes on compensation and benefits	276,691
Final withholding tax on interest expense	16,435,244
	<u>19,265,508</u>
	<u>₱180,333,448</u>

Tax Assessment and Cases

Last September 29, 2023, the BIR rendered a letter of authority (LOA) to examine the books of accounts and other accounting records of the Bank for the taxable period January 1, 2021, to December 31, 2021. The Bank acknowledged receipt of the LOA and after succeeding submission of documents followed by the reconciliation and discussion on BIR National Office, the BIR issued Preliminary Assessment Notice on June 21, 2024, which the Bank settled on June 28, 2024.

As of December 31, 2024, the Bank has no ongoing LOA assessment from BIR.

