

# ANNUAL REPORT

2022



# **RBSMI 2022 ANNUAL REPORT**

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## Corporate Mission

The Bank aims to utilize its financial resources in providing quality banking services, adopting a market driven strategy, and obtaining sustained and competitive return on investments toward economic development of the countryside to improve rural economy.

## Corporate Vision

To serve as a dependable provider of credit and other value-added financial services to support economic growth in the community through the development of farmers and local economies by way of prudent investment that support the agriculture sector and rural businesses.

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*The Bank's Mission and Vision serve as the guiding path of the Bank in continuously providing the people in the rural community the best services it can give.*

## Corporate Profile

The Rural Bank of Sanchez Mira (Cagayan) Inc., was incorporated on 6 July 1971 and was registered with the Security and Exchange Commission (SEC) under registration number 45926 on 25 November 1971. Likewise, the Bank was granted authority to operate by the Bangko Sentral ng Pilipinas (BSP) on March 13, 1972 and started its operation on March 16, 1972 with an authorized capital of P 1 million divided into 5 thousand shares of common and 5 thousand shares of preferred stock, both with par value of P 100.00.

On October 22, 1998, the P 3 million authorized capital was increased to P 15 million increasing the common shares with a total of P 14.5 million and P 0.500 million preferred stocks. On December 31, 2006, the Bank has a total paid up capital of common stock of P 4.800 million and preferred stock of P 0.100 million. On June 15, 2007, the LBP preferred shares of P 0.100 million was redeemed/paid including interest.

Rural Bank of Sanchez Mira (Cagayan) Inc., now operates with an authorized capital stock of P 15 million with a paid-up capital of P 15 million owned by 29 private individuals.

Its primary purpose is to engage in the business of extending rural credits to small farmers and tenants and to deserving industries or enterprise, to have and exercise all authority and powers to do and perform all acts, and to transact all business which may legally be had or done by rural banks organized under or maybe amended; and to do all other things incident thereto that are necessary and proper in connection with the said purpose and within such territory, as maybe determined by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP).

The Bank's principal place is located at., Lagasca St., Centro 1, Sanchez Mira, Cagayan.





The Rural Bank of Sanchez Mira (Cagayan), Inc. Board of Directors is composed of five (5) members; one (1) executive director, two (2) non-executive directors, and two (2) of them are Independent Directors.

In pursuance to the objectives of the Bank, the stockholders recognize that it plays a very important role in the countryside development and to a broader sense to our nation's development thereby uplifting the quality of life for all. Hence, its mission is to provide sufficient financial assistance and make them available and readily accessible to those in need of financial assistance at reasonable terms especially to the rural community.

## RBSMI Brand

For over 50 years, RBSMI has been branded as basically as an agriculture-oriented bank. RBSMI also has established itself as a “Bangko ng Masa”- a stable, unswerving, and service-oriented financial institution serving generations of Filipinos in the rural community of Sanchez Mira, Cagayan, and its nearby municipalities. Aside from the challenges inherent in dealing with small farms cultivated by small farmers vulnerable to all sort of interruptions, like these cyclical patterns of production that makes trade operations an overriding concern for small agricultural producers who are often left at the mercy of middlemen in commodity pricing. Small farmers are always in weak position to negotiate with traditional traders. Knowing fully well these challenges, banks are wary on how small agricultural producers deal with this issue and this leads to aversion to open their lending window in favor of this sector The Rural Bank of Sanchez Mira remains committed to its mandate of servicing this sector.

## RBSMI Business Model

Agricultural production and Agri-based industries remain to be the priority of the Bank in the rural community lending and funding is mostly derive from customer deposits. RBSMI has been a long-time partner of the Agricultural Guarantee Fund Pool (AGFP) in catering the needs of the small farmers and Fisherfolks.

RBSMI also acknowledges the role of MSME's on their contribution to economic growth; thus, just like other sectors, the Bank supported budding entrepreneurs who has potential for growth.

RBSMI keeps its good standing to continue providing financial services for the low-income groups. RBSMI believes that the community needs the services of the rural banks especially in these trying times.

Overall, the portfolio mix of RBSMI is a demonstration of its mission in adopting a market driven strategy, and obtaining sustained and competitive return on investments toward economic development of the countryside to improve rural economy.

In order to pursue its business model of promoting its three winning loan types- loan to Agriculture, Small and Medium Enterprise (MSME), Personal Consumption Loans, RBSMI plans to expand its network. It will search and reach out for frontier markets where there is concentration of people from its targeted sectors to have a greater performance in mission implementation





## RBSMI Strategy

RBSMI's Strategy focuses on building its brand to attain sustainability, deliver financial service to its targeted sectors, expanding market network to advance its campaign to reach out to as many clients in as many locations.

The Bank's Strategy is focused on three (3) core areas namely:

- Expanding physical presence and building a strong client acquisition; targeting the nearby towns for branch lite unit at Abulug, Cagayan and Pagudpud, Ilocos Norte.
- Inclusion to financial technology and sees every opportunity it brings to its banking operations.
- Prudently managing its assets by conservatively provisioning for risk assets and ensuring sufficient capital to support growth.

## 2022 Financial Summary/Financial Highlights

Minimum Required Data		2022	Year 2021	% of change
<b>Profitability</b>				
Total Net Interest Income	P	8,774,543	8,821,733	-1%
Total Non-Interest Income		2,588,348	2,189,852	18%
Total Non-Interest Expenses		9,205,204	8,291,491	11%
Pre-Provision Profit		2,157,687	2,720,094	-21%
Allowance for Credit Losses		333,151	550,381	-39%
Net Income		1,824,536	2,169,713	-16%
<b>Selected Balance Sheet Data</b>				
Liquid Assets	P	46,379,917	50,512,670	-8.2%
Gross Loans		69,685,098	59,715,795	16.7%
Total Assets		115,894,125	110,478,471	4.9%
Deposits		87,094,733	82,202,431	6.0%
Total Equity		24,159,753	25,059,872	-3.6%
<b>Selected Ratios</b>				
Return on Average Assets		1.16%	1.55%	-25.4%
Return on Average Equity		5.34%	6.87%	-22.4%
Capital Adequacy Ratio		19.32%	19.99%	-3.3%
<b>OTHERS</b>				
Net Income (deficit)/share:				
Basic	P	8.83	11.10	-20.5%
Book value per share		161	167	-3.6%
Cash Dividends Declared		2,500,000	-	100%
Headcount		15	15	0%
Officers		6	6	0%
Staff		9	9	0%



## 2022 At a Glance

### Profitability

**1.825 PHPMN**  
Net Income



**5.34%**  
Return on Equity



**1.16%**  
Return on Assets



### Capital Adequacy

**19.32%**  
Capital Adequacy Ratio



**115.894 PHP MN**  
Total Assets

**67.235 PHP MN**  
Net Loan Portfolio

## 2022 Financial Highlights

Total **PHP 114.731 MN** Loan Releases

Gross Loans **PHP 69.685 MN**

Deposit Liabilities  
**PHP 87.094.733 MN**

Total Equity **PHP 24.159 MN**

Gross Income  
**PHP 12.207 MN**

Loan Portfolio increased by  
**17.12 %** from last year 2021.

Number of Employees  
**15**

Cash Dividends Declared  
**PHP 2.5 MN**

### Allowance for Credit losses

GLLP **PHP0.656 MN**  
Specific **PHP 1.791 MN**

ACL booked during the year  
**PHP 0.333 MN**



# Financial Condition and Results of Operation

## President's Report 2022 Annual Stockholder's Meeting

Dear Stakeholders,

I am pleased to report to you the performance of the Rural Bank of Sanchez Mira (Cagayan), Inc. for the year 2022.

2022, with its fair share of accomplishments, challenges, and opportunities, was the year of calibration for the Rural Bank of Sanchez Mira, (Cagayan), Inc. The past year has seen further challenges and uncertainty for us all as we began to learn to live with Covid-19.

The 1<sup>st</sup> quarter of 2022 seemed optimistic, with the launching of the VIP payment center that caters additional services to the bank's clients like (1) e-loading of credits to customers who are prepaid subscribers; (2) acceptance and processing of bills payment and other online payments of customer like electric bill (CAGELCO 2), SSS & Pag-ibig contribution, and other government bills payments, (3) G-Cash, Paymaya and Smart Padala. The Bank may generate a limited income from this service on its first launching, however, it improves and widened the scope of service of the bank to its clientele; moreover, the Bank envisions for a wider and broader range to reach its customers.

### **EARNINGS**

RB Sanchez Mira posted total revenue of P 11.362 million and net profit after tax of P1.313 million in 2022. The bank achieved a net income of P1.313 million in 2022, though, net income significantly decreased by 22.60 percent from previous year, due to a modest salary adjustment of personnel and provident fund contribution, and other administrative expenses, the bank is still grateful for a positive income.

### **LOAN PORTFOLIO**

Loan portfolio continues to increase by 16.69 percent to P 69.685 million in 2022 from P 59.715 million in 2021 due to the collaborative efforts of the officers and staff under the leadership of the Board of Directors to improve the marketing schemes of the bank. Total loans extended to 532 accounts for the year aggregated to P67.235 million which is 17.14 percent higher from previous year of P 57.395 million.

The Bank remains steadfast to its commitment to be of service most especially to the small farmers and fisherfolks as it posted the highest loan releases for the Agri-Agra Sector amounting to P14.057 million which is 34.74% of the total loan releases catering to 175 loan accounts. Loan releases were granted to the following projects:





Purpose	Number of Accounts	Amount of Loans Granted	% to total releases
Agri-Agra	New Loan: 20 Reloan/Renewal: 155 Total: 175	39,855,000	34.74%
Medium Scale Enterprises	New Loan: 1 Reloan/Renewal: 8 Total: 9	27,300,000	23.79%
Small Scale Enterprises	New Loan: 17 Reloan/Renewal: 49 Total: 66	17,088,000	14.89%
Salary Loan	New Loan: 40 Reloan/Renewal: 175 Total: 215	16,385,000	14.28%
Loans to Individuals for Housing Purposes	New Loan: 6 Reloan/Renewal: 22 Total: 28	6,616,000	5.77%
Personal Consumptions	New Loan: 8 Reloan/Renewal: 13 Total: 21	4,307,000	3.76%
Loans to Individuals for Other Purposes	New Loan: 4 Reloan/Renewal: 13 Total: 17	3,180,000	2.78%
Total	New Loan: 96 Reloan /Renewal: 435 Total: 531	114,731,000	100.00%

RBSMI's business model and niche market will remain in 2023 with the same commitment to remain financially viable despite limiting circumstances. The top priorities of RBSMI in 2023 are initiatives to build on the foundations already laid down in the previous periods. It is a matter of continuing the work but with improved productivity and efficiency across the entire organization.

### Gross Loan Portfolio

As of 31 December	Gross Loan Portfolio	% of increase (decrease) from previous year
2022	71.798 million	17.12
2021	61.304 million	17.38
2020	52.228 million	0.11
2019	52.170 million	(14.21)
2018	60.810 million	16.56



While it continues to encounter challenges in dealing with clients severely affected by the pandemic, the Bank strives to increase its loan portfolio for the last two years citing stronger signs of recovery. For the year 2022, loan portfolio increased by 17.12 percent from previous year of P 61.304 million.

### Past-Due Loans

As of 31 December	Past Due Not yet non-performing	Non-Performing and Loans in Litigation	Total Past Due Loans	Past Due Ratio
2022	2.392 million	1.723 million	4.114 million	5.91%
2021	2.809 million	2.158 million	4.998 million	8.32%
2020	3.077 million	3.034 million	6.111 million	11.70%
2019	1.999 million	0.904 million	2.903 million	5.57%
2018	1.651 million	1.048 million	2.699 million	4.44%

For the last five years, the Bank still has a manageable past due ratio averaging to 7.18 percent. Year 2020, posted the highest past due ratio due to the adverse effect of the pandemic, however, continues decrease on past due ratio over the last two (2) years- 2021 and 2022 is a manifestation that the Board and Senior Management resolved to prioritize the following measures to reduce past due:

- Constant communication and follow-up with all loan borrowers: Personnel from the loan department are tasked to communicate with all existing borrowers in order to determine their current status and payment capacity, still due to the impact of the recent pandemic. Communication with the borrowers is directly reported to the Senior Management in order to address the root cause of delinquency. The Loans department may recommend to the Senior Management for restructuring of loans based on the result of investigation on the borrower's capacity.
- In view of the effect of the pandemic which affected majority of the Bank's borrowers, especially on the MSME sector, the Board and Senior Management resolved to further strengthen the Bank's Credit Risk Management by considering borrower's resilience to withstand similar economic crisis or the soundness and adaptability of the business model in dealing with economic turbulence and evaluating credit worthiness.

As a result, the Bank's allowance for credit losses significantly decreased as the bank's past due ratio posted 5.91 percent, down by 2.24 percent from 8.32 percent of last year. The Bank was able to maintain a single digit past due ratio for the year which is below the RB's industry of 11.32 percent. This resulted to a lower provision on credit losses amounting to P333 thousand.

The bank recorded interest income for the year 2022 slightly increased by 1.00 percent from the previous year. Non-interest income increased by 18.20 percent due to the increase on the loan releases and number of accounts for the year 2022. Overall, gross income slightly increased by 4.06 percent from P 11.730 million to P12.207 million of 2022.

Interest Expense on Deposit Liabilities went up by 17.39 percent or P 844 thousand from P 719 thousand of 2021 primarily as a result of the surge in deposit liabilities by P 4.892 million.



30.67 percent is directed to the interest expense on regular savings deposit or P259 thousand and 69.33 percent is directed to special savings deposit or P 585 thousand.

The Bank's allowance for credit losses of P 333 thousand, down by 39.47 percent represented 3.62 percent of the total operating expenses. This is a result of the collective efforts of the officers and staff to lower the past due ratio of the bank since all are aware on the adverse effect on the booking of ACL to the overall income.

The earnings per share serve as an indicator of the Bank's Profitability. It indicates how much profit the Bank makes for each share of stock. The Bank's EPS slightly decreased from 11.10 percent to 8.76 percent which has been the result of the decrease on the net income this year. Nonetheless, the Management looks forward for a better performance this coming year.

Notwithstanding the strong performance of the Bank this 2022, we are again faced in a challenging situation brought by BSP Circular 1151: Amendments to the Minimum Capitalization for Rural Banks which was approved by the Monetary Board last 04 August 2022, in connection with BSP Memorandum No. M-2022-024: Rural Bank Strengthening Program which aims to enhance the operations, capacity, and competitiveness of rural banks. A strong capital base enables rural banks to enhance their risk management system, upgrade resources and manage operational costs, meet prudential standards, and accelerate digital transformation.

With this, Rural Bank of Sanchez Mira being a stand-alone bank, needs to comply with the minimum capital of P 50 million within a period of five (5) years under Track 4 (Capital Build-Up Program) or until 30 September 2027. As of the year ended 31 December 2022, the capital of the bank stood at P24.159.753 million which is below the aforesaid minimum capital for head-office only or a capital deficiency of P25.840.247 million.

We are truly grateful to all our stockholders for their unwavering support during this trying times. I am happy to report that we have successfully submitted to the Bangko Sentral ng Pilipinas (BSP) on 20 March 2023, the Board approved Five (5)-Year Capital Program which will be the roadmap of the Bank in achieving the P50 million capitalization.

Part of the bank's 5-year capital build up program consist of infusion of fresh capital from stockholders who subscribed amounting to P 14 million pesos to be infused for a period of five years and accretion from income amounting to P12.320 million with breakdown as follows:

<b>Year</b>	<b>Fresh Capital Infusion</b>	<b>Capital Accretion from Net Income</b>
2023	1.000 million	1.810 million
2024	1.500 million	1.999 million
2025	2.000 million	2.283 million
2026	2.000 million	2.575 million
2027	7.500 million	3.654 million
<b>Total</b>	<b>14.000 million</b>	<b>12.321 million</b>





Rest assured that the Management and Board of Directors will do its part to achieve the targeted net income and by the end of year 2027, we will be able to put up the required minimum capital of P50 million for our bank.

Moreover, during the Special Stockholders Meeting on 03 February 2023, Stockholders approved the Amendment of the Section 7 of the Bank's Article of Incorporation increasing the Authorized Capital of the Bank from P15 million to P50 million. Twenty-five percent of the increase in authorized capital amounting P8.750 million was subscribed and 25% of the subscribed capital amounting to P2, 187,500 was paid by the stockholders. After the BSP's approval of our Five-Year Capital Build Up-Program, the Bank will submit the necessary documents for the amendment to the BSP and Securities and Exchange Commission (SEC).

### **THE WAY AHEAD**

From a hindsight looking forward, RBSMI leadership has become more analytical in dealing with economic shocks and impact to its business portfolio and business contingency concerns. The Bank has the support from its stockholders from its funding needs and risk mitigation strategy; the right business models it had built and innovative ways adopted to continue servicing its targeted sectors; and the wealth of lessons it learned from more than five decades of rural banking. There lie the critical factors, however, leaders of RBSMI in the individual and collective levels continue to demonstrate business sense, competence, and dedication so they can lead the entire organization and help them equip with coping mechanism to adopt with ever-constant changes in its environment.

We were well-positioned to grow in the face of a rebounding economy. Alongside our ambitious plans, we will continue to nurture our people, so they engage more, both physically and virtually, develop growth mindset for them to become effective and efficient as they remain agile in an ever-changing environment, and embrace the future with a positive spirit. With full support from our board of directors, and the rest of the bank's leadership team, we will continue to make meaningful changes to our ways of working.

We are truly grateful to all our stakeholders, Board of Directors, clients, partners, and friends for supporting us we look forward to a more fruitful year with you all. RBSMI has remained resilient, adaptable, and innovative while remaining grounded to our founders' values which are keys to our success. I would like to thank also our dedicated officers and staff in these extraordinary times for their excellent services to cater our client's financial needs. Truly, as one family, we at RBSMI withstand all challenges that will come our way and grow to be a more resilient and established rural bank.

Kudos to us all for God's grace is always with us!

**ALEJANDRO M. PULIDO, JR.**

President



## Operational Highlights

### Financial Condition:

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>	<b>Variance</b>
Cash and Cash Equivalents	2,155,670	1,855,341	300,329
Due from BSP	2,199,210	2,246,682	-47,472
Due from other Banks	40,025,037	44,410,647	-4,385,610
Held to Maturity Investment	2,000,000	2,000,000	-
Loans and receivables, Net	67,235,196	57,395,721	9,839,475
Bank Premises, Furniture, Fixtures and Equipment, net	1,199,609	1,059,225	140,384
Deferred Tax Assets	330,857	330,858	1
Other Assets	748,546	1,179,997	-431,451
<b>TOTAL ASSETS</b>	<b>115,894,125</b>	<b>110,478,471</b>	<b>5,415,656</b>

*\*The Financial Condition and result of operation are based on the Audited Financial Statement of the Bank as at December 31, 2022 and 2021*

RBSMI's Total Assets stood at P115.894 million. The Bank recorded an increase in the Total Asset specifically on the loans and receivables, net since the deposit liabilities has been properly utilized by the Bank. The Bank recorded an increase of 17.15 percent from last year. This was the result of the persistence of the Bank to achieved its strategy specifically on increasing its loan portfolio. The Bank should continue to deploy its deposits versus its loan portfolio to establish balance on its asset accounts. Other asset has increased due to the reclassification of GOVIP Payment Center franchise to IT equipment.

### LIABILITIES & SHAREHOLDERS' EQUITY

<b>LIABILITIES</b>	<b>2022</b>	<b>2021</b>	<b>Variance</b>
Deposit Liabilities	87,094,733	82,202,431	4,892,302
Due to the treasurer of the Philippines	2,873	2,873	-
Accrued Interest taxes and other expenses Payable	226,941	289,124	-62,183
Other liabilities	4,228,464	2,604,750	1,623,714
Income tax Payable	181,362	319,421	-138,059
<b>TOTAL LIABILITIES</b>	<b>91,734,372</b>	<b>85,418,599</b>	

*\*Total Liabilities of the bank is made up of deposits generated, accrued interest and other expenses payable.*

Deposit Liabilities were recorded at P87.095 million and represented 94.94 percent of total the liabilities. Regular Savings deposit increased by 2.43 percent and Special Savings Deposit by 8.65 percent. Deposit for capital subscription which comprised of the payment of net income deficiency based on the 5-year strategic plan from 2015 to 2019 and the subscription for capital increase is still lodged on the liability section on the Balance Sheet which will be booked to the capital account upon the approval on the increase on authorized capital. Amendment on the By-laws and Articles of Incorporation is still on process for submission to the BSP.

Showing the capital accounts for CY 2022 and 2021

### SHAREHOLDERS' EQUITY

<b>Capital Stock</b>	<b>2022</b>	<b>2021</b>	<b>Variance</b>
Common Stock	15,000,000	15,000,000	-
Retained Earnings	9,159,753	10,059,872	900,119
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>24,159,753</b>	<b>25,059,872</b>	<b>900,119</b>





Authorize Ordinary share capital as of December 31, 2022 amounted to P 15,000,000.00 divided into 150,000 shares with a par value of P100.00 each. Total subscribed and paid-up ordinary shares amounted to P 15 million or 150,000 shares. The Bank looks forward to the approval of the increase in authorized capital stock amounting to P50Million.

The Bank has submitted a five (5) year-Capital Build-Up Program to increase capitalization to P 50,000,000.00 in accordance with BSP Circular 1151: Amendments to the Minimum capitalization for Rural Banks. By the end of 2027, the Bank must at least attain a P50 M capital for rural banks with one to five branches.

The following are the computed capital ratios of the Bank as prescribed under BSP Circular 1079 issued on 9 March 2020 on the Amendments to the Risk-Based Capital Adequacy Framework for Stand-Alone Thrift banks, Rural Banks and Cooperative Banks.

	<b>2021</b>	<b>2022</b>
Tier 1 Capital	24,729,014	23,828,896
Tier 2 Capital	559,260	658,500
<b>Total Qualifying Capital</b>	<b>25,288,274</b>	<b>24,487,397</b>
Net Risk weighted Assets	126,520,230	126,736,749
Tier 1 Capital Ratio	19.99%	19.32%
Tier 2 Capital Ratio	0.44%	0.50%
<b>Total CAR</b>	<b>19.99%</b>	<b>19.32%</b>

#### **Calculation of Qualifying Capital**

	<b>2021</b>	<b>2022</b>
<b>A. Calculation of Qualifying Capital</b>		
<b>A.1 Tier 1 Capital</b>		
Core Tier 1 Capital		
Paid-up Capital- Ordinary	15,000,000	15,000,000
Retained Earnings	9,159,753	10,059,872
Deductions from Core Tier 1 Capital		
Deferred Tax Assets, Net of Deferred tax Liability	330,857	330,857
Total Outstanding unsecured credit accommodations to DOSRI	-	-
<b>Total Tier 1 Capital</b>	<b>23,828,896</b>	<b>24,729,014</b>
<b>A.2 Tier 2 Capital</b>		
Upper Tier 2 Capital		
General Loan Loss Provision	658,500	559,260
Total Upper Tier 2 Capital	658,500	559,260
<b>Total Qualifying Capital</b>	<b>24,487,397</b>	<b>25,288,273</b>

BSP Circular No. 688, Revised Risk-Based Capital Adequacy Framework for stand-alone Thrift Banks, Rural Banks and Cooperative which took effect on January 1, 2012 represents BSP's commitment to align existing prudential regulations with international standards, which is consistent with the BSP's goal of promoting the soundness and stability of individual banks and of the banking system. BSP Circular 688 (Basel 1.5) superseded BSP Circular No. 280 which is primarily based on Basel 1.





Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10%) of its risk weighted assets. The qualifying capital of the bank for purposes of determining the capital-to-risk assets ratio to total equity excludes:

- Unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- Total outstanding unsecured credit accommodations to DOSRI;
- Deferred tax assets or liability; and
- Accumulated equity in net earnings of investee where the bank holds 50% or less but where the equity method of accounting has been applied, and
- Appraisal increment on property and equipment other than those allowed to be recognized in accordance with merger or consolidation
- Other regulatory deductions

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

## **STRATEGIC DIRECTIONS**

With this, the key highlights for various strategies are organized in the following agenda designed to jumpstart bank efforts for the year 2023 to 2027.

### **Calendar Year 2023**

1. Expedite the amendments of the Bank's Articles of Incorporation to increase authorize capital stock to P 50,000 million and accommodate the P2,540 million deposits for subscription as well as additional infusions in the future;
2. Infuse fresh capital of P 1,000 million.
3. Attain at least a net income after tax of PhP 1.810 million for CY 2023.
4. Explore new growth opportunities within the province and the rest of the region to select the most potential municipality to establish branch lite;
5. Improve marketing strategies to meet targets: Development of new marketing schemes to improve performance.

### **Calendar Year 2024**

1. Establish a Branch Lite at Ayaga, Abulug, Cagayan to cater the municipalities of Abulug, Cagayan, Ballesteros, Cagayan; Flora, Sta. Marcela, and Luna, Apayao;
2. Accreditation or partnering of the Bank with Philippine Crop Corporation (PCIC) to provide insurance protection to the main clients of the bank-the farmers against losses arising from natural calamities.
3. Infuse Fresh Capital of Php 1,500 million.
4. Attain at least a net income after tax of Php 1,999 million for CY 2024.



**Calendar Year 2025**

1. Establishment of a Branch Lite at Claveria, Cagayan to cater the nearby municipalities of Sta. Praxedes, Cagayan and Pagudpud, Ilocos Norte.
2. Procuring the services of ATM providers to install one unit (1) Automated Teller Machine on the Bank building for the greater convenience of bank clients.
3. Infuse fresh capital of Php 2.000 million.
4. Attain at least a net income after tax of PhP 2.284 million for CY 2025.

**Calendar Year 2026**

1. In the final year of the Business Plan, the bank envisions the automation of the business process and digital infrastructures;
2. Infuse fresh capital of Php 2.000 million;
3. Attain at least a net income after tax of PhP 2.575 million;

**Calendar Year 2027**

1. Attain at least a net income after tax of Php 3.655 million;
2. Infuse fresh Capital of Php 7.500 million.
3. Evaluate whether the aims of the Business Plan have been fully accomplished especially on the achievement of the minimum capital requirement under BSP Circular 1151.

## RISK MANAGEMENT

RBSMI prudently manage risks within its capacity and capabilities. Amidst the challenges posed by the COVID-19 pandemic, sound risk management, effective crisis handling and well-run business continuity steer RB Sanchez Mira's resilience. Future changes in laws and regulations are not predictable that may have implications on the Bank's operations especially on its capital and liquidity.

### Overall Risk Management Culture and Philosophy

Opportunities are associated by risks. However, risk management is embedded on the Bank's strategy; adequacy of framework, policies and procedures, internal controls, risk management systems and procedures.

A strong independent oversight has been established at all levels within the Bank. A clear and defined Risk Management Policy is in place that includes the following:

- A comprehensive risk management approach;
- A detailed structure of limits, guidelines and other parameters used to govern risk-taking;
- A clear explanation of lines of responsibilities for managing risks;
- An effective internal controls and comprehensive monitoring and risk-reporting process; and
- Adherence to standards and regulations



## Risk Management Principles

- Sound Liquidity Management
- Sustainable Earnings Generation
- Capital Adequacy

## Risk Appetite and Strategy

RBSMI's risk appetite is the level of risk that it is prepared to accept in pursuit of its business goals and objectives. The Bank's principle on risk appetite is expressed as risk tolerance and is embedded throughout the Bank's departments. Risk threshold emphasizes that "the risk should not go beyond" the Bank's capacity to manage risk, thus risk management is everyone's responsibility. The Bank ensures that credit, market, interest rate, and liquidity risks are within Board-approved operating limits.

Moreover, the Bank ensures:

- To pursue business objectives by accepting risks up to the level where it remains aligned with its risk appetite.
- To avoid possible risk on financial loss as a result of regulatory fines/sanctions and deviations.
- To remain compliant with Philippine Laws and regulatory bodies and its public mandate.

Per BSP statements in MORB, the Bank's Risk Appetite, should be clearly understood by the members of the Board of Directors, senior management, employees, shareholders, the public and the BSP itself, as the regulator. As defined, the risk appetite has to be contained in a statement made to present "the individual and aggregate level and types of risks" that the Rural Bank of Sanchez Mira is willing to assume, in order to achieve its business objectives and considering its current capacities in managing those risks.

As Risk Management is simply a practice of systematically selecting cost-effective approaches for minimizing the effect of actual threats realized by the bank. All risks can never be fully avoided for mitigated simply because of financial and practical limitations. Therefore, all organizations must accept some level of residual risks.

Factors in determining Risk Appetite

- 1) Credit quality of potential/existing borrowers as basis for loan approval
- 2) Fluctuations in investment values, prices of commodity and interest rates
- 3) Adaptation to the IT innovations to support business operation
- 4) Management of bank's cash flows to meet obligations when due
- 5) Retirement & resignation of employees which may affect business continuity

## Bank-wide Risk Governance Structure

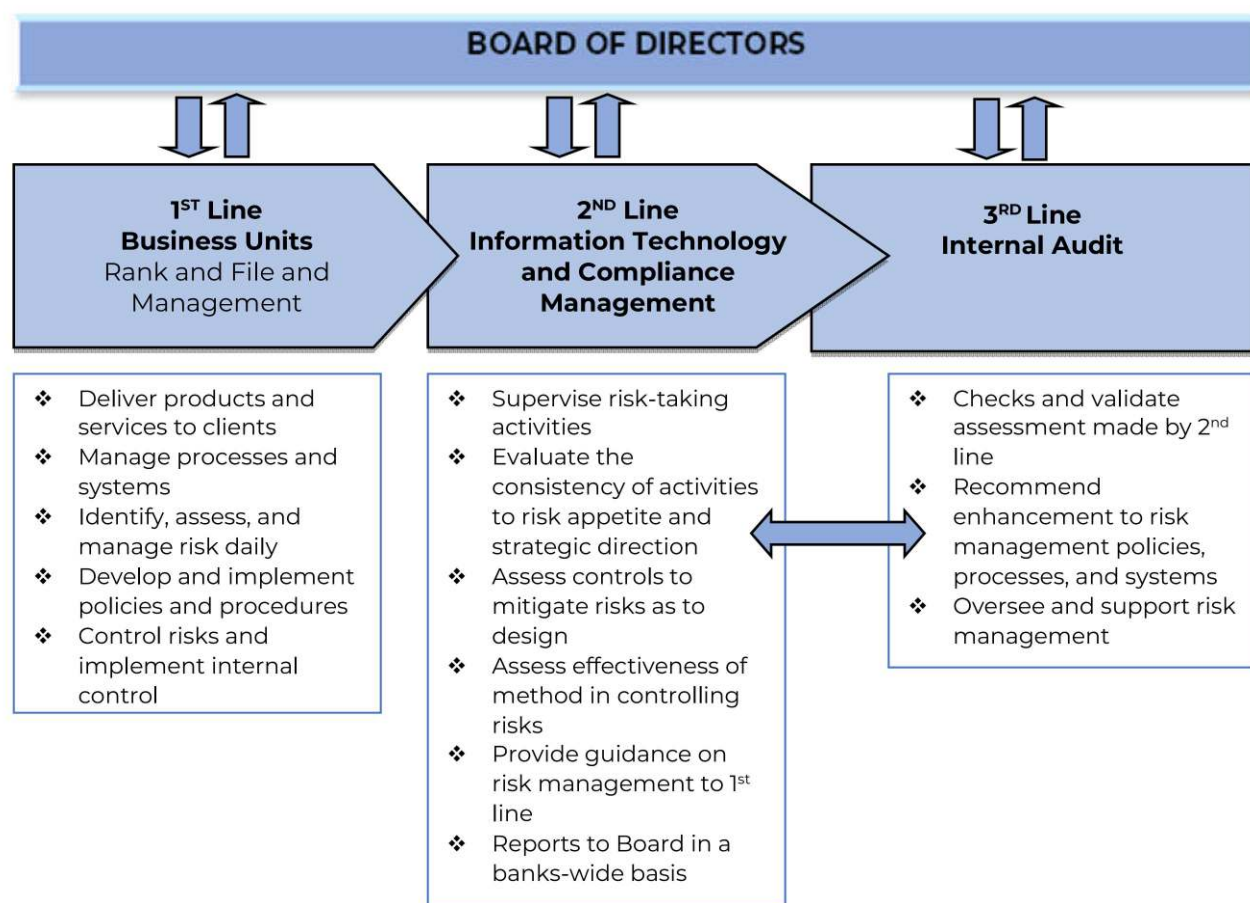
The bank's risk is managed by all units of the bank as it adopted the Three Lines of Defense Method. The process, systems, compliance risks and controls are identified by its Business Units (1<sup>st</sup> Line). The controls to mitigate the risks are assessed as to design and effectiveness of the method, Information Security and Compliance (2<sup>nd</sup> line). The assessments are validated by the Internal Audit (3<sup>rd</sup> line). Tying all this up is an active oversight function by the Board of Directors. The Bank maintains transparent dealings with both external auditors and regulators in relation to the business, vision, plans and objective of the bank.

### Areas of Oversight

- Credit Risk
- Liquidity Risk
- Market Risk
- Interest Rate Risk
- Operational Risk
  - Business Continuity
  - IT Risk
  - Information and Security
- Consumer Protection Risk
- Environmental and Social Risk
- Social Media Risk







The appropriate strategies to manage risks include the following:

- Avoiding the risks;
- Reducing the negative effects of the risks;
- Accepting some or all the consequences of a particular risk.

The factors in determining risk appetite are as follows:

- Credit quality of potential and existing borrowers as the basis for loan approval;
- Fluctuations in investment values, prices of commodities and interest rates;
- Adaptation to IT innovations to support business operations;
- Management of the bank's cash flows to meet obligations when due;
- Retirement and resignation of employees which may affect business continuity.

## Risk Management Process

The evaluation, analysis, and control performed by the bank constitute the risk management. The goal of the risk management process is to ensure rigorous adherence to the Bank's standards for precision in risk measurement and reporting to make possible, in-depth analysis of the deployment of capital and the returns that are delivered to the shareholders.

### Risk limit control and mitigation policies



The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subjected to annual or more frequent review, when considered necessary. Limits on the level of credit risk by industry sector are set out in the credit policy. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and of potential borrowers to meet interest and principal repayment obligations and by charging these lending limits where appropriate.

### Impairment and provisioning policies

The bank has adopted a Credit Impairment and Income Recognition Policy, whereby the impairment and provisioning policies are defined. The bank assesses at each balance sheet date whether there is objective evidence that loans and receivables are impaired. The criteria that the bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position, and
- Deterioration of the value of collateral

### **Highlights of the Risk Management activities for 2022 under Credit Risk are as follows:**

1. Continued monitoring of the trend of the loan portfolio, non-performing loans, and adequacy of loan loss reserves, credit risk ratings, and status of non-performing accounts;
2. Oversight of the credit initiation and pre- approval of selected accounts through the Credit Committee and Board;
3. Performed scenario analysis through stress testing and Loan Portfolio Review on the impact of COVID-19 as well as new government regulations and new economic conditions;
4. Continuous monitoring of borrowers affected by the COVID-19 pandemic;
5. Continued and stringent monitoring of regulatory limits such as Agri-Agra and MSME;
6. Updated the credit risk manual to improve the risk management framework of the bank;
7. Continued participation in the formulation, review of new/revised policies and procedures within the bank.

### **Market Risk**

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of both on and off-balance sheet instruments, products, and transactions in an institution's overall portfolio. Market risk arises from market-making, dealing, or position-taking in instruments, structure, or strategies the income from which are sensitive to movements in interest rates, foreign exchange rates, credit spreads and equities and commodities prices.

### Interest rate risk exposure





Interest rate risk results from mismatches between asset and liability positions which are subject to unfavorable movements in interest rates with potentially adverse impact on margins, net interest income and economic value of bank's assets, liabilities, and shareholder's value. Interest rate risk may be measured using methods which includes sensitivity analysis and simulation modelling. The Bank has its interest rate policy in which risk limits are laid down.

The bank's policy is to minimize the interest rate cash flow risk exposure. The bank is exposed to changes in market interest rates through its short-term placements which form part of the bank's financial assets (due from banks and investments in debt securities) which are subject to variable interest rates. All other financial assets and liabilities have fixed interest rates over a certain period which are re-priced when changes in market interest rate occurs.

- Loans and receivables-contractual rate is constant until maturity;
- Time deposits- contractual rate is constant until maturity, and
- Savings deposit- nominal rate is to be re-priced every quarter depending on current market rates.

### **Liquidity Risk Management**

Liquidity risk is defined within the Bank's Policy framework as the "risk that, at any time, the bank does not have sufficient realizable financial assets to meet its financial obligations as they fall due."

The liquidity policy of the bank is to ensure:

- It can meet its financial obligations as they fall due in the normal course of business, and
- It maintains an adequate stock of highly liquid assets to enable it to meet unexpected funding needs at short notice

It requires establishment and maintenance of three lines of defense:

- Cash flow management where the Bank creates a continuously maturing stream of assets and liabilities;
- Maintenance of liquid assets portfolio, and
- Maintenance of diversified liability base.

## **ANTI-MONEY LAUNDERING**

It is the policy of the Bank to conduct business in conformity with the highest standards to protect the reputation and integrity of the banking system, to protect the Bank from becoming a vehicle or conduit for or a victim of financial crime, and to protect the diverse interest of the Bank's stockholders. Likewise, the Bank is committed to the highest standards of moral and ethical behavior and is opposed to any unethical behavior such as fraud, bribery, and corruption.

All relevant legal and regulatory updates for AML and CFT released by the BSP and the Anti-Money Laundering Council (AMLC) are incorporated in the Bank's Money Laundering and Terrorist Financing and Prevention Program MTTP. The Bank constantly reviews and updates the MTTP to ensure compliance with the latest regulatory developments. This also includes refinements in the client's acceptance and identification policy, as well as ongoing monitoring of client's accounts, and transactions. In addition, the MTTP incorporates the Compliance Testing Framework as supported by testing program guides used in compliance





testing and the procedural guidelines for reportorial requirements, together with other major AML compliance functions and processes.

### Board and Senior Management Oversight

It shall be the ultimate responsibility of the Board of Directors to ensure full compliance with the provisions of the MTPP manual, the AMLA and its implementing rules and regulations, as amended. The Senior Management holds the responsibility over day-to-day oversight of the operations of the Bank and ensures effective implementation of board approved AML/CFT policies.

The Senior Management shall oversee the day-to-day management of the covered person, ensure effective implementation of AML/CFT policies approved by the BOD and alignment of activities with the strategic objectives, risk profile and Corporate Values set by the BOD. Senior management shall establish a management structure that promotes accountability and transparency and upholds checks and balances.

### Annual Review and updating of the Compliance Manual and the Money Laundering and Terrorist Prevention Program (MTPP)

Pursuant to AMLC Regulatory Issuance (ARI) A, B, and C No. 1, series of 2021, Amendments to Certain Provision of the 2018 Implementing Rules and Regulations (IRR) of Republic Act No. 9160, as Amended, wherein the Bank incorporated amendments on the Bank's MTPP.

The enhanced MTPP aims to foster greater due diligence benchmarked on global practices in combating money laundering and financing terrorism. The Bank has adopted a risk-based assessment methodology for AML and anti-terrorism financing that:

- Enables adequate documentation of results and findings;
- Is periodically reviewed and updated to ensure effectiveness.

The Board of Directors approved the Bank's Compliance Program that sets out the compliance function's planned activities which include among others, the review and implementation of regulations, policies, procedures, regulatory risk assessment, and educating Bank Personnel on regulations and compliance matters.

- Considers all relevant risk factors;

The manual includes management of the implementation of the covered person's Money Laundering and Terrorist financing Prevention Program (MTPP) is primarily tasked to the compliance office, to ensure the independence of the office, it shall have a direct reporting line to the Board of Directors or any board-level approved committee on all matters related to AML and TF compliance and the risk management.

As part of the reporting process, the Chief Compliance Officer regularly conducts compliance checking which covers, among others, evaluation of existing processes, policies, and procedures including on-going monitoring of performance by staff and officers involved in ML and TF prevention, reporting channels, effectiveness of the electronic laundering transaction, monitoring system and record retention system through sample testing and review of audit examination reports. It shall also report compliance findings to the Board or any Board-Level committee.



## **Reporting of Covered and/or Suspicious Transactions**

The Compliance officer being the AMLA officer identifies all Covered Transactions (CTs), and Suspicious Transactions (STs) in coordination with the various units inside the bank. The bank ensures that the identification, monitoring, and reporting mechanism is in place and work efficiently to ensure that reports to its regulatory agencies are submitted within the prescribed period.

## **AML Training and Compliance-Related Activities**

The Bank continuously pursued initiatives aimed at promoting awareness embedding a strong compliance culture among all level of management inside the Bank. The Bank, through the compliance office, always maintains a collaborative communication and constructive working relationship with various regulatory agencies by fostering open and transparent communication and holding consultation to clarify specific concerns.

The Bank intends to increase AML/CFT awareness and consciousness through ongoing employee training.

## **Anti-Money Laundering Training Program**

- Definition of key terms under the AMLA
- Know your Customer (KYC) and Customer Diligence
- Covered and Suspicious Transaction Reporting
- Record Keeping and Retention Requirements
- Penalties, Fines, and Administrative Sanctions for Violation of the AMLA, its revised Implementing Rules, and Regulations
- Anti-Money Laundering/Counter-Terrorism Financing Fundamentals
- AMLC Registration and Reporting Guidelines
- Targeted Financial Sanctions

# **CORPORATE GOVERNANCE**

Rural Bank of Sanchez Mira (Cagayan), Inc. affirms its commitment to the highest standard to promote good corporate governance practices as embodied in the regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC) that may properly guide the Bank in attaining corporate goals and objectives, of which increasing shareholder value, giving excellent service to customers, and complying with laws, rules, and regulations.

The Shareholders, Board of Directors and Senior Management believe that the corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness and ensure compliance with corporate governance policies and practices of the Bank.





## Governance Structure

### Board of Directors

Responsibility for good governance lies within the Board. Its key responsibility includes providing leadership in the Board of Directors and ensuring effective functioning of the Board in its committees, and individual directors. It oversees the business affairs of the Bank, reviews the strategic plans and performance targets, financial plans and budgets, key operational initiatives, capital expenditures, annual financial statements, and corporate governance.

The Board is composed of 5 members. The members of the Board are all professionals with various expertise in fields relevant to RBSM business and strategic plans such as banking, accounting and finance, strategy formulation and bank regulations. Non-executive Directors, which includes Independent Directors, comprise 80% of the Board, more than the requirement of the BSP of at least majority of the Board. This provides independent and objective judgement on significant corporate matters and ensures that key issues and strategies are objectively reviewed, constructively challenged, thoroughly discussed, and rigorously examined.

### Selection Process for Board of Directors

The bank adheres to Circular 970 on the selection of qualified Board of Directors and key personnel of the bank to administer the bank's affairs effectively and soundly. The bank has five (5) directors wherein two (2) are independent directors. To the extent practicable, the members of the board of directors shall be selected/ voted by the stockholders from a board pool of qualified candidates during the Annual Stockholder's Meeting.

The criteria for the nomination and election of Board Members comprise of knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in the light of the Bank's business and risk profile; a record of integrity and good reputation; and the ability to promote smooth interaction between board members.

The elected board of directors shall have the minimum qualifications of a director and he/she must prove that he/she possesses all the minimum qualifications and none of the cases mentioned under Section 138 of the MORB. The members of the Board of Directors shall possess the foregoing qualifications in addition to those required or prescribed under R.A. No. 8791 and other applicable laws and regulations. Also, he must have attended a seminar on Corporate Governance for Board of Directors (BOD).

### Selection Process for Senior Management

It is the primary responsibility of the BOD to select and appoint competent senior management of the bank. The BOD should apply fit and proper standards on key personnel. Integrity, technical expertise, and experience in the institution's business, either current or planned, should be the key considerations in the selection process. And because mutual

#### Board Snapshot

##### 5 Directors

- 4 non-executive (including 2 independent directors)
- 1 Executive

##### Director Diversity

- 2 Females
- 3 Males





trust and a close working relationship are important, the Board's choice should share its general operating philosophy and vision for the institution. The Board of Directors shall establish an appropriate compensation package for all personnel which shall be consistent with the interest of all stakeholders.

### **Board's Overall Responsibility**

The Board of Directors (BOD) is primarily responsible for defining the Bank's vision and mission. The board of directors has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. The board of directors shall approve the selection of the President and key members of senior management and control functions and oversee their performance. During the year, the Board approved, reviewed, and oversaw the Bank's budget, business targets and strategies, and release of 2021 Audited Financial Statements.

The duties and responsibilities of the Board stipulated by law, Articles of Incorporation and By-Laws and resolutions of the shareholders, include the following:

- Defining the Bank's corporate culture and values. It shall establish a code of conduct and ethical standards in the bank and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body.
- Responsible for approving the Bank's objectives and strategies and in overseeing management's implementation thereof.
- Responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel.
- Responsible for approving and overseeing implementation of the Bank's Corporate Governance framework.
- Responsible for approving the Bank's governance framework and overseeing management implementation thereof.

### **Roles and Contributions**

#### **Chairman of the Board of Directors**

In accordance with BSP Circular 969, the Chairperson of the Board of Directors shall provide leadership in the BOD.

He shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors.

He shall:

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



### Executive Directors

The Executive Directors are, the ones steering the Bank and the Organization and are handling and managing the operations themselves, even to the extent of conducting and incurring handling of the day-to-day operations.

### Non-Executive Directors

Non-executive Directors are members of the Bank's Board of Directors but who are not part of the executive team. A non-executive director does not engage in the day-today management of the Bank but is involved in policymaking and planning exercises. The bank has two (2) Non-Executive Directors.

### Independent Directors

Independent directors are persons who are director-members of the board but who do not have material relationships or interest with the bank. The Independent Director's role is to provide independent oversight and constructive challenges to the executive directors. The Bank has two (2) Independent Directors.

### BOARD COMPOSITION

Pursuant to Sections 15 and 17 of R.A. No. 8791, there shall be at least five (5) members of the board of Directors. RBSMI Board of Directors is composed of five (5) members; two (2) of them are independent directors. They are elected by the shareholders during the Annual Stockholder's Meeting and hold office for the ensuing year until the successors are elected and qualified. The Bank's Directors possess all the qualifications and none of the disqualifications under existing laws and BSP regulations.

Name	Type of Directorship	Number of years served as director	Number of direct and indirect shares held	Percentage of shares held to total outstanding shares of the bank
Carlo A. Cachapero	Ind. Director	7	2	0.001
Michael P. Asanias	Member/Non-Executive	14	27,134	18.09
Alejandro M. Pulido Jr.	Member-Executive	28	5,754	3.84
Arlene A. Pulido	Member-Non-Executive	2	1	0.001
Virginia B. Pacris	Ind. Director	7	2	0.001

The President who has the executive responsibility of day-to-day operations, is elected as an executive director while the other members are non-executive directors who do not perform any work related to the operations of the Bank.

Among the Board Members are two (2) Independent Directors: Carlo A. Cachapero and Virginia B. Pacris. They are independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgement in fulfilling their responsibilities as independent directors.

### Board Qualification

The Bank adheres to Circular 969 ensuring that all directors are qualified for election based on their integrity, competence, education, good values and moral

standing, education, and relevant banking experience. The composition of our Board reflects diversity in gender, nationality, age, knowledge, and skills. Both social (e.g.,





gender, race/ethnicity, and age diversity) and professional diversity are considered in identifying, assessing, and selecting the members of the Board and their appointment in various Board committees.

The Bank has two (2) female directors in the Board, one (1) of whom is independent.

The Board Members also have diverse educational background, expertise, corporate qualifications, and professional

experience including accounting, auditing, banking, finance, economics, general management expertise, marketing, and legal expertise and all are Filipino Citizens.

In relation to age diversity, an optimal mix of young and well-seasoned Board members is in place. Eighty percent (80%) of the Board are below 60 years old, who bring fresh ideas and perspectives into the table.

### BOARD OF DIRECTORS



**CARLO A. CACHAPERO**

Chairperson  
Independent Director  
Filipino, 60 years old

Mr. Carlo A. Cachapero has been a member of the Board of Directors of RBSMI since 2016 and currently serves as Chairperson of the Board. He is also a member of the Audit Committee of the Bank. He was first appointed as Independent Director on 5 October 2016 and eventually sits as Chairman on 27 November 2019. He does not hold any directorship in other listed companies.

Mr. Cachapero is a graduate of San Beda College with a degree in Bachelor of Science in A.B. Economics (1984); and Master of Public Administration (2012) and Bachelor of Laws (4<sup>th</sup> year) at Far Eastern University (1986). He served as a member of the Sanggunian Bayan of the Local Government Unit of Sta. Praxedes from July 1, 2013 to June 30, 2022. His past experiences as Chairman of Sta. Praxedes Multi-Purpose Cooperative (2010-2012), Teller II at PNB San Lorenzo (1992-1995), Credit Investigator at Jade Bank (1995-1996); Loans/Documentation at Far East Bank and Trust Co. (1987-1991) bring to the board a diverse expertise in banking and finance.



**ARLENE E. PULIDO**

Director  
Non-Executive Director  
Filipino, 47 years old

Ms. Arlene E. Pulido was elected to the Board of Directors on 20 June 2020. Her directorship was confirmed by the BSP on 16 February 2021. She does not hold any directorship in other listed companies. She was a graduate of Guzman Institute of Electronics.





Mr. Alejandro M. Pulido, Jr. is the President of the Rural Bank of Sanchez Mira (Cagayan), Inc. He was elected to the Board of Directors on 31 March 1989. He is also a member of the Credit Committee of the Bank. In addition, he is the Chairman of the Board at Shining Light Academy.

He was a graduate of San Beda College holding a degree of Bachelor of Science in Commerce major in Marketing (1981). He does not hold any directorship in other listed companies.



**ALEJANDRO M. PULIDO JR.**

Director  
Executive Director  
Filipino, 62 years old



Dr. Michael P. Asanias was elected to the Board of Directors on January 2009 and served as Chairman of the Board on 19 March 2016 until October 2019. He is concurrently the Chief of Hospital of Asanias Polyclinic and the President of Saint Michael Institute of Lifelong Education. Dr. Asanias has no Directorship in other Listed companies. He holds a degree Bachelor of Science in Zoology (1981) University of Sto. Tomas and Medicine at Lyceum Northwestern.

**MICHAEL P. ASANIAS**

Director  
Non-Executive Director  
Filipino, 59 years old

Pstr. Virginia B. Pacris, CPA was elected as Independent Director of Rural Bank of Sanchez Mira (Cagayan), Inc. on 19 March 2016. She is currently the Manager of Triple Seven V-Star Accounting Firm. She was a former instructor of Auditing, Accounting and Taxation at CSU-Sanchez Mira (2007-2016); Municipal Accountant of LGU Sta. Praxedes (1998-2001); Accountant of Masisit-Dacal Livelihood (1996-1997); DECS Accountant (1997-1998) and was an accounting instructor at Northwestern University (1990-1994).

She is concurrently the Chairman of the Audit Committee of RBMI. She graduated at Mariano Marcos State University with a degree in Accounting (1986).

New Directors, upon on-boarding was given orientation program on the Bank's businesses. Continuing education is provided through trainings by the Bank and outside service providers accredited by the BSP and the SEC. All members of the Board attended a Continuing Corporate Governance for Rural Bank Directors and Officers training program and Training on AMLL Rules and Regulations and Risk rating System.



**VIRGINIA B. PACRIS**

Director  
Independent Director  
Filipino, 57 years old



### Directors' Attendance at Board and Committee Meetings

Name of Directors	Board Number of Meetings		Audit Committee Number of Meetings		Credit Committee Meeting	
	Attended	%	Attended	%	Attended	%
1. Carlo A. Cachapero	13	100%	12	100%	N/A	-
2. Michael P. Asanias	13	100%	12	100%	Not a member	
3. Alejandro M. Pulido, Jr.	13	100%	Not a Member		12	100%
4. Virginial B. Pacris	13	100%	12	100%	Not a member	
5. Arlene E. Pulido	13	100%	Not a member		Not a member	
Total Number of Meetings Held During the Year	13	100%	12	100%	12	

\*All members of the board were present in all twelve (12) regular meetings and one (1) special meeting for the year 2022.

### Annual Performance Evaluation

With the support of the Compliance Office, the bank performs the annual assessment of the Board of Directors, as a collegial body and individually as Directors, the different Board -level Committees. Performance assessment guidelines are continuously enhanced to strengthen the review mechanism and ensure accuracy of performance evaluation. The current profile of the BOD is reviewed to ensure conformity with the set qualification standards and appropriate skills are aligned with the strategic objectives of the Bank. The assessment covers full compliance with the provisions and requirements of the Bank's manual on Corporate Governance.

The nominees for Board positions are endorsed to the shareholders for election during the annual meeting of stockholders.



## **BOARD LEVEL COMMITTEES**

### **AUDIT COMMITTEE**

Composition		No. of Meetings Attended	% Rating
Virginia B. Pacris	Chairperson	12	100%
Michael P. Asanias	Member	12	100%
Carlo A. Cachapero	Member	12	100%
Total No. of Meetings	12 meetings for 2022		

### **FUNCTION**

Review of internal control and risk management systems, processes for financial control, internal and external audits, and compliance with laws and regulations.

### **ACCOMPLISHMENTS**

- Reviewed the performance of the Head of the Audit and the External Auditor.
- Reviewed the effectiveness of internal controls including financial, operational and compliance controls and risk management.
- Monitored outstanding internal and external audit issues.
- Reviewed Audit Plan in compliance with regulatory requirements.
- Approved the retention of External Auditor.
- Approved and endorsed to the Board the results of Audit Engagements.
- Approved and endorsed to the Board the results of Audit report and Self-Assessment in compliance with regulatory directives.
- Reviewed the adequacy of the Committee Charter.

### **CREDIT COMMITTEE**

Committee Members		No. of Meetings Attended	% Rating
Alejandro M. Pulido, Jr.	Member	12	100.00%
Rafael V. Pulido	Member	12	100.00%
Total No. of Meetings	12 meetings for 2022		

The primary objective of the credit committee is to oversee, direct and review the management of credit risk within the loan portfolio.

The Credit Committee consists of three members consisting of a chairman, another member with an alternative, and the manager of the bank (as a permanent member). On 29 November 2021, part of the findings of the BSP Examiners that the concurrent membership of Dir. Michael P. Asanias in the Audit Committee (AC) and Credit Committee (CC) impairs the independence of the AC and defies its purpose to provide oversight on management's activities in managing risk that includes credit risk which is primarily to oversee, direct and review. With this, Dir. Asanias relinquished his position as the Chairman of CC as per B.R. No. 2021-150 dated 5 November 2021 and retained his





position as a member of the Audit Committee. As of 31 December 2022, there are only two (2) members of the CC Dir. And President Alejandro M. Pulido, Jr. and the Manager, Rafael V. Pulido.

The Committee shall meet on a monthly basis or as needed, to pass upon all recommendations of the manager for the grant or denial of loans. Moreover, since there is only two (2) members of the CC, all loans passed by the CC should be affirmed by the BOD.

### **List of Officers and Senior Management**

#### **President**

The President, Mr. Alejandro M. Pulido, Jr., Filipino, 62, married, has executive responsibility for the day-to-day operation of the Bank and is elected as an executive Director. He has the responsibility for planning, directing, and controlling the activities of the Bank. He was a graduate of San Beda College holding a degree of Bachelor of Science in Commerce major in Marketing (1981). Alejandro M. Pulido, Jr., is the President of the Bank since 2017 and is currently the Chairman of the Board of Shining Light Academy since 2012.

#### **Corporate Secretary**

The Corporate Secretary assists the Board of Directors and the Board Committees in the conduct of their meetings. She plays a significant role in supporting the Board in discharging its responsibilities. Functions include the safekeeping of and the preservation of the integrity of the minutes and ensuring that the Board Members have accurate information that will enable them to form sound decisions on matters that require approval. Board Members are always given separate and independent access to Corporate Secretary's bank records.

The Acting Corporate Secretary of the Bank is Ms. Charmaine A. Tapia, a Filipino, 29 years old, married, and a resident of the Philippines. She studied Bachelor of Science in Business Administration major in Management Accounting and was conferred in 2014. She assumes the position of Acting Corporate Secretary in 2017. She was as well employed as Accounting Clerk during the year 2017 and was later promoted to General Bookkeeper in 2019. In her year of service, she has already an experience in legal matters and company secretarial practices.

#### **Chief Compliance Officer**

The Chief Compliance Officer (CCO) establishes a charter or other formal document approved by the Board of Directors that defines the compliance function's standing, authority, and independence. The CCO has the right to obtain access to information necessary to carry out its responsibilities, conduct investigations of possible breaches of the compliance policy, and directly report to and have direct access to the Board of Directors or appropriate Board-level Committees. The Bank's CCO is Ms. Vigilina C. Cocson, Filipino, 61 years old, assumed the position on March 12, 1998. She worked as Internal Auditor, Compliance Officer, Corporate Secretary, and Bookkeeper during the year 1992 to 2012. She is currently holding the position of AMLA Officer and Chief Compliance Officer. She is a graduate of Bachelor of Science in Business Administration major in Accounting at the Philippine School of Business Administration-Manila.



### **Internal Auditor**

The Head of the Internal Audit is responsible for developing and managing a broad, comprehensive program of internal auditing covering the Bank to provide the Board of Directors with an independent assessment that key organizational and procedural controls and risk management systems are adequate, effective, and complied with. The Officer-in-Charge (OIC) of the Internal Audit is Ms. Shiery Ann O. Galla, Filipino, 27 years old, who has held the position since August 2019. Her appointment as Internal Auditor was confirmed by the BSP on 07 April 2022. She is a graduate of Bachelor of Science in Business Administration major in Management Accounting and was employed as Acting Corporate Secretary, Accounting Clerk, General Bookkeeper, and Acting Internal Auditor during the year 2016-2022.

### **PERFORMANCE ASSESSMENT PROGRAM**

As part of the management function to oversee the performance of the bank and to ensure whether it complied with the rules, standards and regulations set by the different regulatory agencies embodying the overall system of the bank, the BOD on its regular meeting approved BR No. 2017-130 on the Performance Evaluation. It provides needed input for determining both individual and organizational training and development needs.

RBSMI conducts a performance assessment program to evaluate performance of Board of directors, senior management, officers, and staff. Regular employees' performance is evaluated annually. The newly recruited probationary officers are to undergo training on basic training course (both practical and theoretical) for at least six months from the time of joining.

Appraisal form used for the lower-level employees contains appraisal criteria like knowledge of job, amount of work, quality of work, dependability, ability to learn, capacity and ambition for future growth. Each of these items is well defined. Evaluation is done on each of the items on a five-point scale-Outstanding (5), Excellent (4), Very Satisfactory, (3) Satisfactory, (2) Unsatisfactory, Poor (1). According to this rating procedure, reporting officer appraises annual performance of the employee.

The appraisal form used for the board of directors, senior management and officers are quite lengthy and comprehensive. Appraisal criteria includes such things as –personal knowledge, reliability, commitment, sense of belonging and responsibility, quality and quantity of work, analytical ability, power of judgement and decision, leadership, enthusiasm, awareness to rule and banking regulations and its implementation and administrative and disciplinary action.

### **ORIENTATION AND EDUCATION PROGRAM**

The Bank believes that in order to maintain a current and effective Board of Directors, proper orientation and ongoing education are critical to ensure that members of the Board are well equipped in their role as stewards of the bank. The Board of Directors values on-going professional development and actively participates in training programs annually to keep abreast of key issues and development in the industry. Corporate Governance best practices, changes in regulatory and business environment, and the duties and responsibilities of the Board and Board-level Committees, including risk oversight, audit, RPT's, and corporate governance are discussed during orientations.





Continuing refresher and education are also given to the board of directors and employees such as the annual AML Seminar and other training program as deemed fitting and necessary.

### **Orientation Programs for New Directors**

The formal program consists of meeting with the President and Corporate Secretary to discuss the roles and responsibilities of the BOD and the corporate governance of the bank. The corporate secretary will welcome the new directors and a letter will follow containing an information kit that includes the following:

- ❖ Corporate powers and limitations
- ❖ Board committees and Board Structure and composition
- ❖ Code of Conduct and other relevant policies adopted by the board

### **New Employee Orientation**

Learning starts the moment an employee is welcomed into the company. This orientation not only provides briefing on the company's vision and mission, values, cultures but also primer on the bank's products and services. This program aids new hires to move on transition with ease and established knowledge about their institution.

### **Compliance Training**

In order to ensure that all the Bank's daily operations are in accordance to BSP's regulations, all personnel and Board of Directors attended Anti-Money Laundering Seminar.

### **External Trainings**

The Bank provides opportunities for its employees to widen their experiences and perspectives by sending them to training programs and seminars outside the company.

### **Product and Services Orientation**

Aside from the initial orientation prior to on-boarding, all employees are provided with updates on new products and services.

## **Monitoring Assessment of Continuing Education and Training Program**

<b>Date</b>	<b>Training Attended</b>	<b>Sponsoring Agency</b>	<b>Board of Directors</b>	<b>Officer and Staff</b>
October 27-28, 2022	#PHCrditExpo: Creating Tomorrow: Credit in the Digital Word	CIC		<b>Charmaine A. Tapia</b> General Bookkeeper  <b>Jose Mari O. Macalma</b> Information Technologist
October 11, 2022	Anti-Money Laundering And Counter Terrorism Financing Fundamentals	AMLC		<b>Michael A. Labrador</b> Credit Investigator/Collector  <b>Marilyn D, Marquez</b>





	Webinar for covered Persons			Savings Clerk <b>Melody B. Florida</b> Accounting Clerk  <b>Charmaine A. Tapia</b> General Bookkeeper  <b>Jose Mari O. Macalma</b> Information Technologist
August 17, 2022	AMLC Registration and Reporting Guidelines Webinar	AMLC		<b>Charmaine A. Tapia</b> General Bookkeeper  <b>Shiery Ann O. Galla</b> Internal Auditor
August 5, 2022	The CIC Credit Report and Potential for MSME Growth	CIC		<b>Charmaine A. Tapia</b> General Bookkeeper
August 3, 2022	Targeted Financial Sanctions	AMLC		<b>Charmaine A. Tapia</b> General Bookkeeper  <b>Jose Mari A. Macalma</b> Information Technologist
June 21, 2022	Handling Tax Assessments Dispute and Claims for Refund	Powermax Consulting Group Incorporated		<b>Charmaine A. Tapia</b> General Bookkeeper  <b>Shiery Ann O. Galla</b> Internal Auditor
June 15, 2022	AMLC registration and Reporting Guidelines Webinar	AMLC		<b>Jose Mari A. Macalma</b> Information Technologist
April 28, 2022	Environmental and Social Risk Management Framework	Dreams Bank Governance Institute and Training Center		<b>Moises R. Sadama</b> Loan Bookkeeper  <b>Shiery Ann O. Galla</b> Internal Auditor
March 11, 2022	Compliance Risk Assessment and Testing Framework	Dreams Bank Governance Institute and Training Center		<b>Vigilina C. Cocson</b> Chief Compliance Officer



## Retirement and Succession Policy

### Succession and Refreshment Plan for Board of Directors

The Bank, through its corporate governance manual, established the succession plan and board refreshment policy that would ensure continuity of leadership of the Bank in case of retirement or separation:

- Succession Plan
  1. The Succession Plan shall consider the following:
    - a. The regular Board Members are those with stake or shareholdings in the Bank;
    - b. The Succession Plan of the President, who is a mandatory member, is covered by the Succession Plan for Senior Management.
    - c. The independent director may only serve as such for a maximum cumulative term of nine (9) years. After which, an independent director shall be perpetually barred from serving as independent director in the same bank, but may continue to serve as regular director.

### Board of Directors

Name of Incumbent	Position	Standing Assignee	Alternate Assignee
Carlo A. Cachapero	Chairman – Ind. Director	Michael P. Asanias	Alejandro M. Pulido, Jr.
Michael P. Asanias	Member		
Arlene E. Pulido	Member		
Alejandro M. Pulido Jr.	Member		
Virginia B. Pacris	Member – Ind. Director		

### Key Officers

Name of Incumbent	Position	Standing Assignee	Alternate Assignee
Alejandro M. Pulido Jr.	President	<u>Rafael V. Pulido</u>	Any member of the BOD
Rafael V. Pulido	Manager	Alejandro M. Pulido, Jr.	Any member of the BOD
Vigilina C. Cocson	Chief Compliance Officer	Shiery Ann O. Galla	Annabelle M. Bangalan
Thelma M. De la Cruz	Cashier/Teller	Rafael V. Pulido	<u>Charmaine A. Tapia</u>
Shiery Ann O. Galla	Internal Auditor	<u>Charmaine A. Tapia</u>	<u>By Appointment</u>
Vigilina C. Cocson	AMLA Officer	Jose Mari O. Macalma	<u>By Appointment</u>
Charmaine A. Tapia	Acting Corporate Secretary	Melody B. Florida	<u>By Appointment</u>



## Succession and Retirement Policy for Officers

### ▪ Succession Planning Program

The Bank recognizes retirement benefit obligation using the provision of RA 764. The bank believes that building a bank of enduring greatness entails building a strong base of leaders who can steer the bank towards digital transformation. The BOD approved the Succession Policy of the bank. This policy aims to ensure that the bank's leadership direction has adequate information and strategy to effectively manage the bank in the event of vacancy, retirement, resignation, or quitting positions in its executive management positions. The Board of Directors authorizes the President to implement the term of this emergency succession plan in the event of planned or unplanned temporary or final vacancy of positions

The Bank's Succession Plan primarily covers the following major activities:

1. Identification of successors from existing officers based on endorsement;
2. Set of criteria for identifying potential successor;
3. Investment in seminar and training to enhance leadership skills of identified successors;
4. Periodic review of the potential successor's performance;
5. Execution of the Succession Plan

The temporary assignment of the key officers and management staff in the temporary planned or unplanned absence follows:

### Management Staff

Name of Incumbent	Position	Standing Assignee	Alternate Assignee
Annabelle M. Bangalan	Loan Officer	Moises R. Sadama	<u>Melody B. Florida</u>
Charmaine A. Tapia	Bookkeeper	Melody B. Florida	<u>Marilyn D. Marquez</u>
Moises R. Sadama	Loans Bookkeeper	Melody B. Florida	Recruitment
Melody B. Florida	Accounting Clerk	<u>Marilyn D. Marquez</u>	Recruitment
Jose Mari O. Macalma	Savings Clerk/Info. Tech. Personnel	<u>Marilyn D. Marquez</u>	Recruitment
Michael A. Labrador	Collector/ Credit Investigator	<u>Albert John C. Lopez</u>	Recruitment
Albert John C. Lopez	Appraiser	Michael A. Labrador	Recruitment
Marilyn D. Marquez	Assistant Savings Clerk/Consumer Assistance Officer	Recruitment	Recruitment
Rafael V. Pulido	Security Officer	Recruitment	Recruitment
Rexalino Y. Domingo	Utility/Prop. Custodian	Recruitment	Recruitment





- **Retirement Policy**

1. RBSMI has a retirement plan for its employees that provide funds for the payment of separation benefits to employees who are eligible for eligible under the Bank's Retirement Plan, including cases of disability or death while on service.
2. Early Retirement: with the consent of the Bank, an employee who has not yet reached the normal retirement requirement may opt to avail of the early or optional retirement benefits under the Plan upon reaching (i) 55 years of age and rendering at least 10 years of continuous service; and
3. Late Retirement: Any employee may offer his or her service to the Bank beyond the normal retirement date, but not beyond 65 years of age. Such retirement, however, shall be subject to the approval of the Bank on a case-to-case basis. Employees who intend to resign from service but do not meet the prescribed eligibility requirements are not entitled to any separation pay.

- **Remuneration Policy**

RBSMI aims to sustain a strong, performance-conducive environment that would attract, motivate, and retain the best talents. For this purpose, the Bank maintains a Remuneration Policy that commensurately compensates its officers for high levels of performance. Such policy complements the Bank's efforts to hire and develop the best talents through its competitive recruitment program and continuing learning programs.

The RBSMI Remuneration Policy provides a sustainable compensation structure and fringe benefits program for directors and officers. The policy allows the Bank to be competitive with the industry. It identifies basic compensation, incentives, and rewards.

#### **Board and Non-Executive Directors Remuneration and Fringe Benefits**

The remuneration and fringe benefits of Board members consist of per diem for every Board and Board committee meeting. The directors have no other compensation plan or arrangement with the Bank.

The total per diem given to the Board, as well as the total compensation of the President and the four most highly compensated officers, is disclosed and approved during annual stockholders meeting. The senior Management receive salaries, bonuses, and other usual bank benefits. There has been no proposal on remuneration for directors presented to the shareholders for approval in the 2022 Annual Stockholders Meeting.

The Board of Directors approves a remuneration Policy that is appropriate and consistent with the Bank's operating and risk culture, long-term business and risk appetite, performance, and control environment.



## Officers Compensation and Benefits

Also, RBSMI maintains a remuneration policy that rewards good performance and is internally equitable and externally competitive. This policy enables the Bank to attract and retain its pool of quality and competent employees.

The compensation package for officers consists of monetary and non-monetary benefits, fringe benefits such as the following:

- Overtime pay with food allowance
- 13<sup>th</sup> Month Pay
- Longevity Pay
- Cost of Living Allowance
- Performance Bonus
- Group Insurance/ Life Insurance
- Leave with pay (Vacation, Sick, Maternity, Paternity)
- Salary Loan, Fringe/ Benefit Program
- Provident Fund Loan
- Cash Gift
- RATA Manager/Cashier
- Insurance
- Travelling allowance- employees
- Yearly Uniform Allowance
- Incentives for marketing/ product targets.
- Communication Allowance
- Hazard Pay

## Related Party Transactions

The Rural Bank of Sanchez Mira (Cagayan), Inc. recognizes the need to strengthen its policy on related-party transactions and other similar situations so as to prevent conflict of interest and mitigate abusive transactions with related parties.

Thus, the Board has established an overarching policy tasked with reviewing all Related Party Transactions of the Bank. Related parties shall cover the Bank's Directors, Officers, Stockholders and Related Interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interest may pose potential conflict with the interest on the financial institution. The Board ensures that transactions with related parties and Directors, Officers, Stockholders, and their Related Interest

(DOSRI) are handled in sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interest of depositors, creditors, and other stakeholders.

Close family members related to the bank's Directors, Officers, and Stockholders (DOS) within the second degree of consanguinity or affinity, legitimate or common-law. These shall include the spouse, parent, child, brother, sister, grandparents, grandchild parent-in-law, son-/daughter-in-law, brother-/sister-in-law of the FI's DOS.

Material RPTs or significant transaction shall refer to dealings that could pose material/significant risk to the Bank. Significant transaction would refer to the transactions of value amounting to P2.5 million or 3.5 percent on a on-time transaction for individual exposures and





5M or 10% for aggregate exposures to all related parties; such as in the provision and delivery of services on per project basis to a single related party.

Evaluation of RPT's shall also cover identification and prevention management of potential or actual conflicts of interest which may arise.

- The members of the Board, stockholders, and management shall disclose to the Board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction. The disclosure shall include a description of his material interest, the nature of the RPT and the amount involved
- Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the Bank.
- However, where there is no Director or officer involved or will be involved in the RPT, it shall be the primary responsibility of the person -in-charge with handling client accounts in the respective operations unit of the Bank to ensure that RPT's are properly identified.

As of the year ended December 31, 2022, there is no material RPT's of the Bank.

### **Self-Assessment Function**

#### **Compliance**

The Compliance function is established by a charter or other formal documents approved by the Board of Directors that defines the compliance function's standing, authority, and independence.

The Chief Compliance Officer of the Bank has the right to obtain access to information necessary to carry out its duties and responsibilities, conduct investigations and possible breaches of the compliance policy.

The compliance function is headed by the Chief Compliance Officer (CCO), who functionally reports to the BOD and the President. The CCO is independent from the line of business.

The CCO advises the Board of Directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area; appraises bank's personnel on compliance issues, and acts as a contact point within the Bank for compliance queries; establishes written guidance to staff on the appropriate implementation of rules and standards; identifies, documents and assesses the compliance risk; assesses the appropriateness of the bank's compliance procedures and guidelines; monitors and tests compliance by performing sufficient and representative compliance testing; maintains a constructive working relationship with BSP and other regulators.

The Compliance Program fosters adherence to banking laws, rules and regulations and is ultimately aimed to promote the safety and soundness of RBSMI's operation.

The accomplishment of the Compliance Function in 2022 include the approval of the revised Compliance Program.

#### **Internal and External Audit**

The Internal Audit Head of the bank is an independent, objective assurance and consulting function established to examine, evaluate, and improve the effectiveness of internal control, risk management and governance systems and process of the bank, which helps





management and the board of directors in protecting the bank and its reputation.

The Internal Audit function of RBSMI both assesses and complements operational management, risk management, compliance, and other control functions, independent of the activities audited and from the day-to-day internal control process. The Internal Audit is free to report audit results, opinions, appraisals, and other information through a clear reporting line to the board of directors or audit committee. It has the authority to directly access and communicate with any officer or employee, to examine any activity of the banks, as well as its records, whenever relevant to the exercise of its assignment.

The Internal Auditor directly reports to the Audit Committee (AC) on a monthly basis. The Audit Committee is responsible for the appointment and re-appointment of the Head of Internal Audit. The responsibility of the AC shall include the annual performance review of the Internal Auditor, accepting the resignation and/or dismissal subject to

due process. It also reviews, evaluates, and approves the Annual Audit Plan as well as the audit reports to the extent that the AC Chairman may issue directives to the Senior Management to develop and implement necessary corrective actions in a timely manner.

The Internal Audit function also informs the senior management of the results of its audits and assessment. Senior management may consult the internal auditor on matters related to risks and internal controls without tainting the latter's independence.

The Board of Directors of the bank adheres to Circular 871 in ensuring the effectiveness and adequacy of the internal control system. It ensures that senior management establishes an adequate, effective, and efficient control framework commensurate with the size, risk profile and complexity of operations of the bank. The BOD also ensures that the internal audit function has an appropriate stature and authority within the bank and is provided with adequate resources to enable it to effectively carry out its assignments with objectivity.

Further, the BOD, during regular meetings, conduct discussions with management on the effectiveness of the internal control system, review evaluations made by the AC on the assessment of the effectiveness of internal control made by the management, internal auditors and external auditors and ensures that the management has promptly followed up on recommendations and concerns expressed by auditors.

Likewise, the Audit Committee (AC) has the sole authority to select, evaluate, appoint, dismiss, and re-appoint the external auditor (subject to shareholder ratification) and shall approve in advance all audit engagement fees and terms and all audit-related and tax compliance engagements with the external auditor.

The external auditor of the Bank for the Financial Year 2022 (Jackie Lou Roxas Ocbenia, Accounting Office) undertakes an independent audit of the Bank and provides an objective assurance regarding the manner under which the financial statements are prepared and presented to the shareholders. The external auditor also ensures the establishment and maintenance of an environment of good corporate governance as reflected in the financial records and reports of the Bank.



### **Dividend Policy**

The bank adheres to Section 57 R.A No. 8791, wherein banks shall not declare dividends greater than its accumulated net profits then on hand, deducting there from its losses and bad debts. Neither shall the bank declare dividends if, at the time of declaration, it has not complied with the provisions of Section 124 of the MORB.

The Bank has adopted the general policy on the declaration of dividends:

*“Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission, subject to compliance with such financial regulatory requirements as may be applicable to the Bank.”*

The bank declared dividends amounting to P2.5 million for the year 2022.

### **Corporate Social Responsibility Initiatives**

Our commitment to incorporate social responsibility (CSR) and sustainability initiatives in our operations is primarily driven by our aspirations to make a positive contribution to society as partner in social development and nation building.

### **Socio-Economic and Environmental Compliance**

Beyond regulatory compliance, RBSMI is committed to contribute to the environment of the social, economic, and environmental areas of its business and operations as parts of its continuing journey towards sustainability.

To demonstrate this commitment, and in compliance with BSP Circular 1085, the Bank adheres to economic, social, and environmental laws, rules, regulations, and policies of the locality where the Bank is situated. The Bank shall always ensure that the necessary business, labor, and environmental permits, and approvals are complied.

### **Caring for Our Employees**

The Bank’s employees are the most important resources and stakeholder. As such, the Bank continues to commit to their overall improvement and well-being by adhering to strict labor laws and regulations, providing safe and secure environment, implementing fair employment practices, promoting work-life balance, and cultivating engagement, gender equality, and inclusion.

### **Consumer Protection Services**

The Board of Directors of the Bank is ultimately responsible in ensuring that consumer protection practices are embedded in the Bank’s business operations. The Bank adheres to the highest service standards and embrace culture of fair and responsible dealings in the conduct of their business through adoption of the Bank’s Financial Consumer Protection framework. The Bank’s financial consumer protection framework is embodied in its board-approved financial consumer protection manual.



RBSMI aims to provide the best customer experience to our clients. The Bank provides various channels for their inquiries, requests, and complaints: email, texts or calls, Facebook, and private messaging.

Our Customer Protection Policy ensures that any reported complaint is recorded, monitors, and addressed in a timely manner. In accordance with the BSP requirement in reporting complaints, a consolidated complaints report is submitted monthly to the RBSMI's Management and quarterly to the BSP. As per 2022 records, no customer complaints we received by the Bank from its clients.

Consumers have the right to be informed of the benefits as well as the risks involved regarding the products and services they availed from the Bank. Throughout the banking relationship, the following standards of conduct are observed: (a) disclosure and transparency, (b) protection of client information, (c) fair treatment, (d) effective recourse, (e) financial awareness and education.

Consumer assistance mechanisms are made available in various forms: face-to-face support from RBSMI'S personnel; and electronic or digital channels. Each inquiry, request or complaint is acknowledged and processes within the standard turnaround time.

Complaint management processes handled by the Customer Assistance Officer which provides priority in resolving customer concerns.





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### **Role and responsibility of the Board and Senior Management**

- They are both responsible for developing the Bank's consumer protection strategy establishing an effective oversight over the bank's consumer protection programs.
- The Board shall be primarily responsible for approving and overseeing the implementation of the Bank's consumer protection policies as well as the mechanism to ensure compliance with said policies.
- Senior Management is responsible for the implementation of the consumer protection policies approved by the Board.
- The BOD shall be responsible for monitoring and overseeing the performance of senior management in managing the day-to-day consumer protection activities of the Bank.
- The Board may also delegate other duties and responsibilities to Senior management and/or committees created for the purpose of overseeing compliance with the BSP-prescribed consumer protection framework and the Bank's own consumer protection framework.



**BOARD OF DIRECTORS**



**The Bank ensures that the Basic Consumer Rights are being adhered by the bank:**

- Right to equitable and fair treatment. The financial consumer has the right to be treated fairly, honestly, and professionally at all stages of its relationship with the Bank. The Bank shall not discriminate against clients on the basis of race, age, financial capacity, ethnicity, origin, gender, disability, health condition, sexual orientation, religious affiliation, practice, or political affiliation.
- Right to disclosure and transparency of financial products and services. The Bank ensures that financial consumers have a reasonable comprehensive understanding of the financial products and services which they may be acquiring or availing.
- Right to protection of consumer assets against fraud and misuse. The Bank to the extent allowed by existing laws, rules, and regulations provides necessary assistance, including the provision of relevant information relating to fraudulent or unauthorized transactions. Further, the Bank provides clear information on the actions taken or to be taken on a complaint, inquiry or request from a financial consumer involving fraudulent or unauthorized transactions.
- Right to data privacy and protection. The Bank adheres to the general data privacy principles of transparency, legitimate purpose and proportionality under R.A No. 10173 or the Data Privacy Act of 2012 and its IRRs.
- Right to timely handling and redress of complaints. The financial consumer has the right to be provided with accessible, independent, fair, accountable, timely, and efficient means for resolving concerns, inquiries and requests about their financial transactions.

The BOD and Senior Management are responsible for the implementation of the Consumer Protection policies approved by the BOD and the Board shall be responsible in monitoring and overseeing the performance of Senior Management in managing the day-to-day Consumer Protection activities of the bank.

**Financial Protection Standards**

RBSMI takes an active role in safeguarding the rights of its creditors. Since deposit taking is one of the Bank's principal banking activities, special treatment is placed on the protection of depositors who serve as our main creditors. The Bank recognizes that creditors have the right to safeguard their transactions with the Bank and be heard through appropriate channels when they escalate feedback and concerns.

The bank provides its depositors with ready to access information that accurately represents the fundamental benefits and risks, as well as the terms and conditions of a financial product, or services. Moreover, the bank is one with the Philippine Deposit Insurance Corporation (PDIC) in promoting public confidence and stability in the economy. As such, the Bank advertises

PDIC's deposit insurance protection in appropriate and accurate manner by including the official PDIC Insurance Statement (Deposits are insured by PDIC up to P500, 000.00 per depositor) in general advertisements of the bank and advertisements relating to deposit products and services appearing in print ads, and official website, and other forms of marketing communications.



### **Disclosure and Transparency**

The bank takes affirmative action to ensure that their consumers have a reasonable holistic understanding of the products and services which they may be acquiring or availing. In this context, full disclosure and utmost transparency are the critical elements that empower the consumer to make informed financial decisions. The Bank makes sure to provide readily the consumers with ready access to information that accurately represents the nature and structure of the products or service, its term and conditions as well as its fundamental benefits and risks.

### **Advertising and Promotional Materials**

The Bank ensures that advertising and marketing materials do not make false, misleading or deceptive statements that may materially and/ or adversely affect the decision of the customer to avail of a service or acquire a product. The bank also ensures that promotional materials are easily readable and understandable by the general public. It should disclose clear, accurate, updated, and relevant information about its product and services.

### **Conflict of Interest**

The Bank discloses properly to the consumer prior to the execution of the transaction that the Bank or their staffs has an interest in a direct/cross transaction with a consumer. The Bank also readily discloses the limited availability of products to consumers when the Bank only recommends products which are issued by their related companies particularly when commissions or rebates are the primary basis for recommending the product to consumers.

### **Protection of Client Information**

Financial consumers have the right to expect that their financial transactions as well as relevant personal information disclosed during a transaction are kept confidential. The Bank ensures that they have well-articulated information security guidelines as well as defined protocols, a secure database, and periodically revalidated procedures in handling the personal information of their financial consumers.

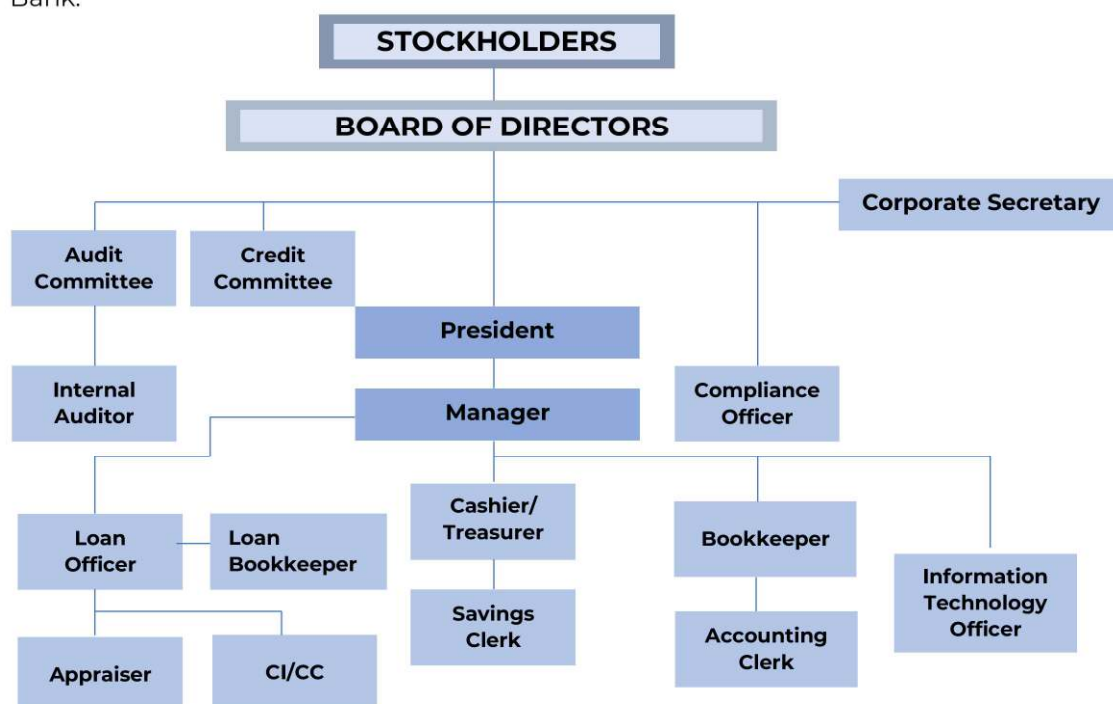




## CORPORATE INFORMATION

### Organizational Structure

RBSMI's organizational structure defines how activities such as task allocation, coordination and supervision are directed toward the achievement of organizational aims. The structure is developed to establish how the Bank operates and assist the Bank in obtaining its goals to allow for future growth. The organizational structure/chart of the Bank:



### List of major Stockholders, percentage of stockholdings and voting status

Stockholders are the owners of the company. Because shareholders are the Bank's owners, they reap the benefits of the company's success in the form of dividends. Stockholders are not personally liable for the bank's debts and other obligations. They rely to the Board of Directors and Senior Management to run things-meaning the shareholders do not have much say in the day-to-day operation of the business.

There are 29 shareholders as of December 31, 2022. The top twenty (20) holders of common shares, the number of shares held, and the percentage to total shares outstanding held by each are as follows:

Stockholders	Nationality	No. Of Shares	Percentage of Ownership	Voting Status
1. Danilo V. Pulido	Filipino	36,123	24.08	*
2. Michael P. Asanias	Filipino	27,134	18.09	*
3. Heirs of Ignacio Jao Tayag	Filipino	26,718	17.81	*
4. Eulalio Pangilinan	Filipino	8,131	5.42	*
5. Lilybell A. Fuertes	Filipino	7,981	5.32	*
6. Alejandro M. Pulido, Jr.	Filipino	5,754	3.84	*
7. Rafael V. Pulido	Filipino	5,315	3.54	*



8. Rafaela V. Pulido	Filipino	4,836	3.22	*
9. Ricky Mario V. Pulido	Filipino	4,627	3.08	*
10. Ramon M. Pagayatan	Filipino	4,423	2.95	*
11. Salustiano M. Pulido	Filipino	3,873	2.58	*
12. Ma. Angela A. Pulido	Filipino	3,873	2.58	*
13. Abdiel A. Cac	Filipino	3,672	2.45	*
14. Emilio A. Pulido	Filipino	3,182	2.12	*
15. Emma A. Picazo	Filipino	2,757	1.84	*
16. Vigilina C. Cocson	Filipino	569	0.38	*
17. Thelma M. De La Cruz	Filipino	264	0.18	*
18. Annabelle M. Bangalan	Filipino	221	0.15	*
19. Arnold A. Saddam	Filipino	129	0.09	*
20. Emelie A. Pulido	Filipino	109	0.07	*
21. Gemy Sherra R. Apostol	Filipino	103	0.07	*
Jocelyn H. Angala		103	0.07	*

*\*Pursuant to the Bank's By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank. The right to vote or direct the voting of the Bank's shares held by the foregoing stockholders is lodged in their respective Board of Directors.*

### **Rights of Shareholders**

RBSMI's shareholders have the following rights and privileges: (a) right to inspect corporate books and records; (b) right to information; (c) right to dividends; (d) opportunity to place agenda items prior to and raise questions during the stockholder's meeting; and right to vote on all matters that require their consent or approval.

All shareholders have the right to nominate and elect candidates for the Board of Directors (BOD). They also have the right to remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code, including, but not limited to: amendment in the Bank's articles of incorporation and by-laws, and authorization of additional shares. The rights and responsibilities of the shareholders are discussed in detail in the Corporate Governance Manual of the Bank.

### **Annual Meeting of the Stockholder**

RBSMI's shareholders are the highest authority in the Bank's governance structure. The stockholders' meeting serves as an avenue to make decisions based on the interests of the bank in a fair and transparent manner.

The stockholders' meeting consists of the annual stockholders' meeting held once a year and special meetings may be held as needed.

Pursuant to the Bank's By-Laws, the annual meeting of the shareholders shall be held at the principal office of the Bank or any other place within Sanchez Mira, Cagayan as may be determined by the majority of the Board, on every 31<sup>st</sup> of March each year unless such day is a legal holiday, in which case, the meeting shall be held on the following business day.

Special meetings may be called by the Chairperson of the Board, by the President, and by the majority of the Board or on demand, in writing, of the shareholders who own majority of the voting stocks. The Annual Stockholders Meeting was held on 02 April 2022.





## List and Description of Products and Services offered

### Loans Products

#### **Agrarian Reform and Other Agricultural Credit Loans**

##### ***Agrarian Reform Loans***

This refers to the amortized cost of production and other types of loans granted to beneficiaries of agrarian reform, namely: tillers, tenant farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers, cooperatives and compact farms, as provided for in PD 717 for the following purposes:

- Acquisition of work animals, farm equipment and machinery, seeds, poultry fertilizers, livestock, feeds, aqua-culture and other similar items;
- Acquisition of land authorized under the Agrarian Reform Code of the Philippines and its amendments;
  - Construction and / or acquisition of facilities for production, processing storage and marketing, and
  - Efficient and effective merchandising of agricultural commodities stored and or processed by the facilities afore-cited in domestic and foreign commerce.

##### ***Other Agricultural Credit Loans***

This refers to the amortized cost of loans granted to borrowers who are not beneficiaries of agrarian reform to finance activities relating to agriculture and processing, marketing and distribution of products resulting from these activities.

- Acquisition of work animals, farm equipment and machinery, seeds, poultry fertilizers, livestock, feeds, aqua-culture and other similar items;
- Acquisition of agricultural land;
- Construction and/or acquisition of facilities for production, processing storage and marketing,

Efficient and effective merchandising of agricultural commodities stored and or processed by the facilities afore-cited in domestic and foreign commerce.

##### ***Small and Medium Enterprises Loans***

This refers to the amortized cost of loans granted to any business activity or enterprises engaged in industry, agri-business and /or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have a falling value under the following categories:

Small	:	up to P 3,000,001.00 - P 15,000,000.00
Medium	:	up to P 15,000,001.00 - P 100,000,000.00

The above entities shall be duly registered with the appropriate agencies as presently provided by law, provided that in the case of microenterprises as defined herein, registration with the Office of the Municipal or City Treasurer shall be deemed sufficient compliance with this requirement;

SMEs should be classified into the following sub-categories:

- SME - Commercial - represents loans to finance the purchase of commodities or merchandise for resale (ex. Small Market Vendors' loan, loans granted to retailers of construction supplies, pharmacies and drug stores, etc.)





- SME - Industrial - represents loans to finance the purchase and processing of raw materials, manufacture of goods and the ultimate marketing thereof (ex. loans to cottage industries, rice mill owners, garment manufacturers, etc.)

#### **Loans to Individuals for Housing Purposes**

This refers to the amortized cost of loans granted to individuals for housing purposes, which may be for the acquisition, construction or improvement of a residential unit.

#### **Loans to Individual for Other Purposes**

This refers to the amortized cost of other loans granted to individuals that cannot be classified any of the foregoing classifications.

#### **Loans to Individuals Primarily for Personal Use Purposes**

This refers to the amortized cost of loans granted to individuals primarily for personal use purposes.

Every financial institution has the chance to shine. There is a lot of importance and impact of digital presence on banking brands. Branding is something banks and financial institutions struggle with. So, the challenge is to create awareness in a larger scope of market by creating a website that is ready accessible and to catch the attention of a younger audience that uses social media.

#### **Bank Website**

Thus, the bank approved the creation of the Bank's website (<http://www.rbsanchezmira.com/>) in order to build online presence-having a website means customers are always able to find the company. At its simplest, the website also serves as an easy way of communicating information between the bank and its clients.

In this modern world, there is an expectation for any reputable company to have some kind of online presence to build trust and confidence to the stakeholders.

Compliance with Appendix 62 of the MORB-Disclosures in the Annual Reports and Published Statement of Condition

#### **Capital Structure and Capital Adequacy**

The risk-based Capital Adequacy Ratio of a Bank, expressed as percentage of qualifying Capital to risk-weighted assets for both stand-alone basis (head office and branches) and consolidated (Parents and Subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, 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 determined by the Monetary Board (MB) of the BSP.

The CAR of the Bank as at December 31, 2022 and 2021, as reported to the BSP, is shown in the table below:

	<b>2022</b>	<b>2021</b>
Tier 1 Capital	23,828,896	24,729,014



Tier 2 Capital	658,500	559,259
<b>Total Qualifying Capital</b>	<b>24,487,397</b>	<b>25,288,273</b>
Risk weighted Assets	126,736,749	104,681,725
Tier 1 Capital Ratio	18.80%	19.55%
Tier 2 Capital Ratio	0.51%	0.44%
<b>Capital Adequacy Ratio (CAR)</b>	<b>19.32%</b>	<b>19.99%</b>

The regulatory qualifying capital consists of Tier 1 (core), which comprises paid-up common stock, retained earnings, current year profit less required deductions to DOSRI. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes general loan loss provision. The amount of surplus funds available for dividend declaration also based on regulatory net worth after considering certain adjustments. As at December 31, 2022 and 2021, RBSMI has fully complied with the CAR requirement of the BSP.

#### Tier 1 and Tier 2 Breakdown of Components

<b>A. Calculation of Qualifying Capital</b>	<b>2022</b>	<b>2021</b>
<b>A.1 Tier 1 Capital</b>		
<b>Core Tier 1 Capital</b>		
Paid-up Capital-Ordinary	15,000,000	15,000,000
Retained Earnings	9,159,753	10,059,872
<b>Deductions from Core Tier 1 Capital</b>		
Deferred Tax Assets, Net of Deferred Tax Liability	330,857	330,857
Total Outstanding unsecured credit accommodations to DOSRI		-
<b>Total Tier 1 Capital</b>	<b>23,828,896</b>	<b>24,729,014</b>
<b>A.2 Tier 2 Capital</b>		
<b>Upper Tier 2 Capital</b>		
General Loan Loss Provision	658,500	559,260
<b>Total Upper Tier 2 Capital</b>	<b>658,500</b>	<b>559,260</b>
<b>Total Qualifying Capital</b>	<b>24,487,397</b>	<b>25,288,274</b>

The BSP implements minimum capital ratios of 6.0 percent Common Equity Tier 1 (CET1) ratio, 5 percent Tier 1 ratio, and 10.0 percent Total Capital Adequacy Ratio (CAR). A capital conservation buffer (CCB) of 2.5 percent, comprised of CET1 capital was also prescribed. As of December 31, 2022, the Bank meets the total CAR, Tier 1 ratio and Common Equity Tier 1.



The Bank maintains an actively managed capital base to cover risks 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.

### **Sustainability Strategic Objectives and Risk Appetite**

The Sustainable Finance Policy governs RBSMI's approach to sustainable finance, and confirms the Bank's commitment to responsible banking practices. The policy governs the Bank's efforts to meet the expectation of the Bangko Sentral ng Pilipinas (BSP) in pursuing sustainable and resilient growth by enabling environmentally and socially responsible business decisions consistent with the aspirations set out for the Filipinos.

#### **Strategy**

The bank's Sustainability Framework defines the strategies that serve as guideposts in the Bank's journey towards sustainability. (a) Product Sustainability Strategy, (b) Sustainability Contribution Strategy, (c) Human Capital Sustainability Strategy, (d) Disaster Response Sustainability Strategy (e) Governance-Based Sustainability Strategy.

- **Product Sustainability Strategy**  
The Bank creates financial products and services that anticipate the evolving needs of the Bank's customers.
- **Sustainability Contribution Strategy**  
The Bank supports the achievement of national economic goals through financial inclusion and impact financing in infrastructure, ecofriendly solutions, and disaster resilience initiatives.
- **Human Capital Sustainability Strategy**  
The Bank develops leaders in the sustainability movement. The Bank aims to grow a "can lead" workforce that adapts a sustainability mind-set and thrives with innovative thinking and a customer-focused attitude.
- **Disaster Response Sustainability Strategy**  
We leverage the Bank's Resources towards the relief, rehabilitation and recovery of disaster-stricken communities.
- **Governance-Based Sustainability Strategy**  
The Bank continuously enhance the Bank's Corporate governance framework to sustain superior business performance anchored on the principles of accountability, transparency, integrity, and fairness.

#### **Overview of E&S Risk Management System**

ESRM System refers to policies, procedures, and tools to identify, assess, monitor, and mitigate exposures to E&S risks. The climate-related risks comprise of physical and transition risks:

- **Physical risk** refers to the potential loss or damage to tangible assets arising from climate change and/or other weather-related conditions such as floods, typhoons, droughts, extreme weather variability, and rising sea levels.





- **Transition risk** refers to the potential economic adjustment cost resulting from policy, legal, technology, and market changes to meet climate change mitigation and adaptation requirements.

Through the implementation of E&S Management System, the Bank can enhance its management of E&S risks associated with each transaction, which can be included in the credit appraisal, conducting due diligence on the borrower at the inception of the client relationship and an ongoing part of assessment of the E&S risk profile and credit worthiness.

### **International Industry Standards and ESRM best practices alignment**

The bank's primary ESRM commitment is aligned with the Equator Principles standard. The equator principles are a framework established by the industry to determine, assess, and manage social and environmental risks and impacts associated with large scale projects globally. Statements principles are:

#### **Principle 1. Review and Categorization**

When a project is proposed for financing, the Bank will, as part of its internal environmental and social review and due diligence, categorized based on the magnitude of potential environmental and social risk impacts. Including those related to human rights, climate change, and biodiversity. Such categorization is based on the International Finance Corporation's environmental and social categorization process.

#### **Principle 2: Environmental and Social Assessment**

The Bank will require the client to conduct an appropriate assessment process to address the EP's satisfaction, the relevant environmental and social risks and scale of impacts of the proposed project. The Assessment Documentation should propose measures to minimize, mitigate, and where residual impacts remain, to compensate, offset/remedy for risks and impacts to workers affected communities, and the environment, in a manner relevant and appropriate to the nature and scale of the project.

#### **Principle 3: Applicable Environmental and Social Standards**

The Assessment process should, in the first instance, address compliance with relevant laws, regulations and permits that pertain to environmental and social issues.

#### **Principle 4: Action Plan on Environmental and Social Management System**

An Environmental and Social Management Plan will be prepared by the client to address issues raised in the assessment process and incorporate actions required to comply with the applicable standards are not met to the Bank's satisfaction, the clients and the EPFI will agree to an Equator Principles Action Plan.

#### **Principle 5: Stakeholder Engagement**

For all Category A and Category B Projects, the Bank will require the client to demonstrate effective stockholder engagement, as an ongoing process in a structure and culturally appropriate manner, with affected communities, workers and where relevant, other stakeholders.

#### **Principle 6: Grievance Mechanism**



The Bank will require the client as part of the ESRM, to establish effective grievance mechanism which are designed for use by affected communities and workers, as appropriate, to receive and facilitate resolution of concerns and grievances about the project's environmental and social performance

#### **Principle 7: Independent Review (Project Finance and Project-Related Corp. Loans)**

For all category A and B projects, an Independent Environmental and Social Consultant will carry out an Independent Review of the assessment process, and the stakeholder engagement process documentation in order to assist the Bank's due diligence and determination of Equator Principles compliance. The Independent consultant will also propose of orpine on a suitable Equator Principles and Action Plan capable of bringing the project into compliance with the equator principles, or indicate where there is a justified deviation from the applicable standards. The independent consultant must be able to demonstrate expertise in evaluating the types of environmental and social risks and impacts relevant to the project.

#### **Principle 8: Covenants**

An important strength of the Equator Principle is the incorporation of covenants linked to compliance.

For all projects, where a client is not in compliance with its environmental and social covenants, the Bank will work with the client on remedial actions to bring the project back into compliance. If the client fails to re-establish compliance with an agreed grace period, the Bank reserves the right to exercise remedies, including calling an event of default, as considered appropriate.

#### **Principle 9: Independent Monitoring and Reporting**

(Project Finance ad Project-related Corporate Loans) In order to assess project compliance with the Equator Principles after financial close and over the life of the loan, the Bank will require independent monitoring and reporting provided by an independent monitoring and reporting provided by an independent Environmental and Social Consultant; alternatively, the Bank will require that the client retain qualified and experienced external experts to verify its monitoring information, which will be shared with the bank in accordance with the frequency required in Principle 8.

#### **Principle 10: Reporting and Transparency**

(For all category A and, as appropriate, Category B Projects) The client will ensure that at a minimum, a summary of the Environmental and Social Impact Assessment is accessible and available online and that it includes a summary of Human Rights and Climate Change Risks and impacts when relevant; the client will report publicly, on annual basis, GHG emission levels during the operational phase for projects emitting over 100,000 tonnes of CO2 equivalent annually; The Bank will encourage the client to share commercially non-sensitive Project-specific biodiversity data with the Global Biodiversity Information Facility and relevant national and global repositories, using formats and conditions to enable such data to be assessed and global re-used in future decisions and research applications.



## Risk Identification and Assessment

Historically, the bank had very limited transactions falling within the scope of the above Equator Principles. The scope of Risk Identification and assessment is based solely on the IFC's categorization process as category A, B, and C.

**Category A:** A project with potential significant adverse environmental and social risk and/or impacts that are diverse, irreversible or unprecedented, such as:

- a. Oil and gas operations
- b. Thermal Power
- c. Coal and metal mining
- d. Arms and armaments
- e. Cement and lime manufacturing
- f. Base metal smelting and refining
- g. Foundries
- h. Pulp and paper mills

**Category B:** Projects with potential limited environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures, and

**Category C:** Projects with minimal or no adverse environmental and social risk and/or impacts.

Retail Bank Products	Product Category
1.1 Consumer Lending	
a. Loans to Individuals Primarily for Personal Use	
• Salary based consumption loans	C
• Motor Vehicle Loans	C
b. Loans to Individuals for other purposes	
• Fringe Benefit	C
• Other Purposes Loans	C
1.2 Micro, Small and Medium Enterprises (SME)	
• Small Scale Enterprises Loans	C
• Commercial Loan	C
1.3 Agricultural Credits	
• Facility/Farm Machineries	B
• Farm Inputs	C
• Production/Crop Loan	C

## Economic Dimension

The Bank contributes to the Bank's sustained economic growth through the delivery of the various banking products and services that help create a dynamic business environment. Promote local and, accelerate economic activity. The bank's efforts include the following:





- Support infrastructure development through loans to contractors for national and local projects including road networks, schools, farm-to-market roads;
- Promote the development of small and medium enterprises through SME loans;
- Empower Filipino consumers with affordable and flexible consumer loan packages;
- Fosters banking habits through creation of innovative banking practices and financial products to meet needs of small entrepreneurs, farmers, fisherfolks and private individuals;

### **Environmental Dimension**

- Reinforcing RBSMI's Environmental and Social Management System Policy in lending operations;
- Integrating environments risk management in responsible finance; and
- Accelerating green finance for a more sustainable rural economy

### **Social Dimension**

RBSMI carries out its corporate citizenship initiatives through the developing and implementing initiatives to support social development. The Bank's advocacies fall under two (2) pillars: (1) disaster response, which includes relief, and (2) financial inclusion.

- Disaster response covers relief operations in communities affected by natural or man-made disasters. The Bank, in cooperation with the LGU and other private organizations, provides and distributes relief to communities affected by disasters.
- Financial inclusions include promoting financial literacy among targeted sectors.

### **Governance Dimension**

At RBSMI, corporate governance is about effective oversight, doing the right thing, and providing sustainable value creation to promote the best interest of our various stakeholders. The Bank continually enhances its corporate governance framework to sustain superior business performance anchored on the principles of fairness, integrity, transparency, accountability, and performance.

### **Principles for environmental sustainability**

1. Climate Change mitigation and adaptation  
Economic activities enabling, directly or indirectly, a substantial reduction to GHG emissions and/or increase of energy efficiency. Measures adapting to acute and chronic physical risks caused or intensified by climate change.
2. Protection, restoration and promotion of natural resources and healthy ecosystems:  
Protection of marine and terrestrial (living) resources including water, critical and high-carbon stock ecosystems, and other primary resources. Restoration of biodiversity and ecosystems. Pollution protection and control and general reduction of resource use.
3. Transition to a circular economy:  
Prevention of waste and promotion of recycling and reuse of material.



**Principles for social sustainability**

1. Respect for human rights:  
Respect for, protection and enablement of basic human rights, e.g. labor protection.
2. Enabling living conditions  
Access to affordable housing and infrastructure for transportation, ICT and energy provision.
3. Access to essential services  
Inclusive access to health, education, and financial services.



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