

RBSMI 2021 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.

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 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 28 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; 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.

RBSMI Brand

For 49 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. The Bank has proven its resilience to any adversities posed by the challenging environment and shown once again that it is “*Kaisa ng Bayan Sa Pagbangon*” signifying its efforts to be of help to its clientele during this trying times. The Bank believes that its core foundation remains rooted to provide 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.

RBSMI Business Model

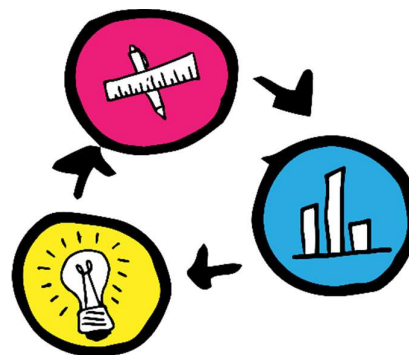
Agricultural production and Agri-based industries remain to be the priority of the Bank in the rural community lending and funding is mostly derive from customer deposits. RBSMI has been a long-time partner of the Agricultural Guarantee Fund Pool (AGFP) in catering the needs of the small farmers and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

Needless to say, 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;
- 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.

2021 Financial Summary/Highlights

Minimum Required Data		2021	Year 2020	Increase (Decrease)	
Profitability					
Total Net Interest Income	P	8,821,732	7,705,992	1,115,740	
Total Non-Interest Income		2,189,852	1,834,908	354,944	
Total Non-Interest Expenses		8,291,491	7,772,782	518,709	
Pre-Provision Profit		11,730,925	10,169,175	1,561,750	
Allowance for Credit Losses		550,381	196,760	353,621	
Net Income		1,665,077	1,132,962	532,115	
Selected Balance Sheet Data					
Liquid Assets	P	50,512,670	P	52,980,408	(2,467,738)
Gross Loans		61,304,089		52,228,473	9,075,616
Total Assets		110,478,471		103,813,912	6,664,559
Deposits		82,202,431		77,413,593	4,788,838
Total Equity		25,059,872		23,394,795	1,665,077
Selected Ratios					
Return on Equity		6.87%		4.84%	2.03%
Return on Assets		1.55%		1.19%	0.36%
Capital Adequacy Ratio		24.16%		22.49%	1.67%
Per Common Share Data					
Earnings Per Share		11.10		7.55	3.55
Book Value per Share (Ordinary Shares)		167.07		155.97	11.10
OTHERS					
Cash Dividends Declared		-		1,100,000	(1,100,000)
Headcount		15		15	-
Officers		6		6	-
Staff		9		9	-



2021 At a Glance

Profitability

1.665 PHPMN
Net Income



6.87%
Return on Equity



1.55%
Return on Assets



Capital Adequacy

24.16%
Capital Adequacy Ratio



110.478 PHP MN
Total Assets

61.304 PHP MN
Gross Loan Portfolio

57.395 PHP MN
Net Loan Portfolio

2021 Financial Highlights

Total Loan Releases
100.974 PHP MN

Increase in reactivation of dormant accounts after the customers were informed of account closure

13.83%

Deposit Liabilities
82.202 PHP MN

Net Income
2.169 PHP MN

Loan releases increased by
29.01% from last year 2020.

Number of Employees
15

Allowance for Credit losses

GLLP **PHP 0.052 MN**
Specific **PHP 1.817 MN**



Message from the President

“Our purpose-to improve the financial well-being of customers and communities-is the reason we come to work every day, the reason we exist.”

Dear Stakeholders:

The year 2021 marked a very challenging season caused by the uncertainties and the lockdowns brought by the COVID-19 pandemic making even the simplest transactions challenging. Just like the year 2020, RBSMI remained steadfast in our commitment to be there for our customers, providing them a level of service they expect and rely on us. The pandemic shows our unwavering commitment to fulfill our crucial roles to be of service even throughout the most challenging times.

2021 may have been a difficult year however, we made a significant progress across several areas and gained a greater appreciation for the vital contributions of our people during a very volatile period in our history. Their resilience validates their dedication to deliver excellent service in a time of crisis. With this, I am grateful and honored to share with you the milestone we have achieved this year.

LEADING THROUGH A CRISIS

RBSMI responded with empathy. With this human and health crisis that has pushed millions out of their jobs, we channeled help to support our employees, our customers and community. We have managed to be still in continued service even if with staff contracted with COVID-19. We also showed gratitude to those who are at the frontlines-most specially our health worker and frontline workers who does not have a choice to step-out while the rest of the country stayed home.

Accepting new realities and balancing with the belief that we would come out stronger are vital. We had to prepare for a wide range of possible scenarios to deal with since we cannot predict when this pandemic ends.

2021 Accomplishments

Financials

The significant increase in provisions for credit losses tempered net income however, the Bank's revenues, core income grew robustly this year. Non-performing loans grew during the 1st quarter of 2020 however the Bank managed to slow down until the end of year 2021.

Net income remains positive in spite of provisions. RBSMI's capital position remains strong and RBSMI continues to build a stronger capital position.



Building Deposits

We continued to focus on building deposits from our clients by delivering differentiated customer service. This helped grow RBSMI's low-cost deposit despite the challenges of the pandemic. This also shows the trust and confidence of clients towards RBSMI.

People and Talent

We further strengthened our commitment to people through the ways we responded to the challenges brought by the pandemic. Employees are at the core of service and are crucial for sustainable performance.

During the 1st quarter of 2021, we proactively put into effect split operations and work from home arrangements due to the 2nd wave of the pandemic.

The Bank implemented a "No face mask, No entry" and "No-Vaccine Card, No Entry" policy. The release of mid-year bonus was also expedited to financially support our employees at such critical time.

The Bank also provided free antigen to always ensure that all employees are safe in their workplace and even at home.

Credit Support

In response to the difficulties experienced by clients, the Bank continued to provide credit support acknowledging that some customers needed relief on loan repayments due to limited cash flow. The Bank provided easy payment terms to clients adversely affected by the pandemic RBSMI continues to support and help alleviate the condition of MSME's through continues extending of credit support in this time of crisis. Our priority is to ensure that eligible customers were able to access loans when they needed them the most.

LOOKING AHEAD

RBSMI Plans and Strategies

Due to the challenges brought about by the pandemic, business operating models and customer preferences and behaviors will undergo changes. What will be critical is the Bank's ability to learn and translate that into action-build capabilities, adaptability and resiliency in our strategies and operations.

We are accelerating our technology transformation. We are launching new services that could improve ways of banking for the rural community. Additionally, we are streamlining our processes to increase efficiencies and provide new offerings to empower our service.

RBSMI turns 50 this year 2022, what can we expect? As we look forward to fulfilling our vision, keeping our clients at the heart of our services, we will continue to diligently focus on customer experience and what matters to them.

RBSMI remained a stable, profitable and reliable financial institution serving the financial needs of the community populace, and protecting them from the claws of loan sharks and other credit predators as well as helping to improve their quality of life. In an age where many economic experts are predicting the eventual demise of the rural bank as a viable and important component of countryside development, this institution is a concrete proof of the continued relevance of the rural bank in serving its market niche in delivering personalized, yet highly professionalized financial services to the simple country folk, still true to its original commitment.

And in the years to come, RBSMI will remain steadfast in its commitment to be at service to the rural community of Sanchez Mira, Cagayan and its neighboring municipalities.



On behalf of the Management, we wish to express our heartfelt gratitude to our dear stockholders who have been with us in this trying times. Our thanks also go to our fellow Board colleagues for their valuable vision, leadership and invaluable contribution to RBSMI. To our employees, we commend your teamwork and continuous dedication in building a stronger Rural Bank of Sanchez Mira (Cagayan), Inc. Our deep appreciation also goes to our loyal clients for your continued trust and confidence in us, and we likewise remain committed to be at your service.


ALEJANDRO M. PULIDO, JR.
 President

Review of Operations

Annual Report 2021

The pandemic did not change our priority, as always, our customers come first. This customer focus drove us to shift our business strategies, allowing us to serve clients even under challenging conditions. After putting all our defenses in place, we unleashed every possibility to adapt to this “new normal”. At the 2nd quarter of 2021, the Bank purchased new CASA and Loan system to improve our processes. In fact, the Bank has already started to migrate information from the old system to the new system. These were done in order to improve the digitization of internal processes of the Bank.

On the 3rd quarter of 2021, RBSMI signed a franchise contract with GOVIP Center to widen and improve its line of services to its clientele. VIP Provided the Web Business Solutions that can be used by the Bank. The platform may be accessed through the internet or web service connection. The software will allow the Bank to offer to its clientele (1) e-loading of credits to customers who are prepaid subscribers; (2) accept and process bills payment and other online payments of customer like electric bill (CAGELCO 2), SSS & Pag-ibig contribution, other government bills payments, G-Cash, Paymaya, Smart Padala and the like. And hoping by the end of this year, the Bank will be able to enhanced its services thru bank-to-bank fund transfer empowered by Instapay and Pesonet.

While we hoped 2021 will be a bounce back year for the Philippine economy, the bank aims to facilitate in the rapid recovery of MSME's. Amid the bleak backdrop of a pandemic, the performance of the Bank for the year 2021 is truly hard-earned. It also serves as a testament to our collective strength. In the moment when our clients, employees, and the community needed us most, we came together as one RBSMI family.

On the recent examination conducted by the BSP which ended on 09 October 2021, RBSMI was graded a composite rating of 3 or “stable”, indicating that risks emanating from significant activities are adequately managed. Though there are still many things to be improved, overall institutional level support is acceptable as earnings, capital and liquidity positions continue to provide cushion from risk exposures and withstand adverse impact of the COVID-19 pandemic.

The Bank's Liquidity position is high in view of the adequate level of liquid assets that are mostly placed in savings and time deposits in other banks. The Bank's Liquidity level is sufficient to settle maturing obligations and fund lending activities. The Bank's Minimum Liquidity Ratio is 56.982 percent is more than double than the prescribe minima of MLR for rural banks of 20 percent.

Results of operation have been profitable for the last three years (2019-2021) with an average net income of P 1.619 million per annum. Although it slowed down in 2020 due to the pandemic, it started to recover in 2021 as shown in the net income as of 31 December 2021 of



P 1.651 million which exceeded the year 2020 net income of P 1.1 million. Interest income continues to be the main source of core earnings of the Bank.

RBSMI Capital is stable. Capital Adequacy Ratio (CAR) of 2021 of 24.16 percent exceeded last year's CAR of 22.49 percent. Both CAR is more than twice the prescribed minima of 10 percent for rural Banks. RBSMI will continue to improve its operation and strive to pave its way to a better Rural Bank.

Operational Highlights

Lending

The Bank's Gross Loan Portfolio settled at P61.304 million this 2021 which is 17.51 percent from last year's Gross Loan portfolio of P52.228 million. Non-performing loans ratio stood at 8.15 percent, lower by 3.55 percent from last year PDR of 11.70 percent. This signifies the effort of the management to lower the past due loans of the Bank. MSME recorded the highest past due loans of P 2.047 million which is 38.32 percent lower from P3.319 million from 2020; moreover, recorded past due ratio is 7.52 percent which is lower than the industry average of 15.67 percent. The Bank Management and the BOD are all efforts to lower the past due loans thru granting of relief measures and remediation processes to its clients severely affected by the pandemic.

MSME Loans stood at P20.206 million from P 16.475 million in 2020, increased by 22.64 percent. Of this amount P 19.606 million is directed to SSE's and P 600 thousand to MSE's. Total non-performing loans to this sector stood at 3.34 percent of the total loan portfolio. MSME might be the most affected sector due to the pandemic however, the Bank was able to lower the past due ratio of MSME by 3.35 percent from 2020. The Bank remains faithful to help entrepreneurs to recover from this downfall.

The bank's outstanding loan for Salary stood at P12.144 million with 2.79 percent contribution to the past due ratio. Loan portfolio directed to salary loan remains high though with an increase of 8.05 percent from last year's loan portfolio of P 11.239 million. Interest from Salary loans contributed the highest Interest Income for the year 2021 which amounts to P 2.995 million, increased by 12.97 percent from P 2.651 million of 2020. Most of the borrowers are teachers of DepEd, LGU employees, Brgy. Officials and employees from private institutions.

Out of the P61.304 million loans outstanding, about P18.787 million is lent to small farmers, tenants and fisher folks and all Agripreneurs. In the category of loans granted to Agrarian Reform beneficiaries where the required minimum exposure is 10 percent, the bank posted 10.93 percent. The marginalized farmers often come from the ranks of Agrarian Reform beneficiaries in communities unreached by banking services. On the other sector, the Bank is more than twice the mandatory 15 percent on the Other Agri commitment which gives a positive impact for banks, which the Bank attained 32.19 percent. However, the Bangko Sentral ng Pilipinas issued M-2020-086 (*Alternative Mode of Compliance with the*

Gross Loan Portfolio 2021

PHP 4.852 MN (7.92%)

Agrarian Reform Loans

PHP 13.934 MN (22.73%)

Other Agri Loans

PHP 19.606 MN (31.98%)

Small Scale Enterprises

PHP 0.600 MN (0.98%)

Medium Scale Loans

PHP 6.374 MN (10.40%)

Housing Purposes

PHP 2.780 MN (4.53%)

Other Consumption

PHP 12.144 MN (19.81%)

Salary Loan

PHP 1.013 MN (1.65%)

Other Purposes

**% to total Loan Portfolio

Loans (Net)- **PHP 59.715 MN**



Mandatory Credit allocation or agriculture and Agrarian Reform) as a temporary inclusion of housing loans as an alternative mode of compliance for Agriculture and Agrarian reform under R.A. No. 11494 or the Bayanihan to Recover as One Act (BARO Act) effective until 31 December 2021. Of the Total Loan Portfolio of ₱ 61.304 million, current loans of ₱ 56.305 million accounted for 91.85%; past due loans of ₱4.671 million, made up 7.62% and items in litigation of ₱ 326 thousand made up of 0.53%.

It is noteworthy that past due loan was able to decreased by 3.55% compared to last year. This signifies that the economy was recovering and RBSMI clientele are bouncing back from the effects of the Covid-19 pandemic.

RBSMI's request for the staggered booking of ACL amounting to P694,603 was approved on 27 July 2021. Moreover, the Bank was able to booked Allowance for Credit Losses amounting to P 550,381 for 2021. The Bank was able to book the deficiency on allowance for credit losses vis-à-vis Gap Analysis of the Bank.

Status of Loans

Current Loans **91.85%**

Past Due Loans **7.62%**

Items in Litigation **0.53%**

Allowance for Credit losses

GLLP **PHP 0.052 MN**

Specific **PHP 1.817 MN**

Financial Condition:

ASSETS	2021	2020	Variance
Cash	1,855,341	2,435,343	(580,002)
Due from BSP and Other Banks	46,657,329	48,545,065	(1,887,736)
Held to Maturity Investment	2,000,000	2,000,000	-
Loans and receivables, Net	57,395,720	49,209,199	8,186,521
Bank Premises, Furniture, Fixtures and Equipment, net	1,059,225	1,104,697	(45,472)
Investment Properties	-	-	-
Deferred Tax Assets	330,858	231,915	98,943
Other Assets	1,179,997	287,694	892,303
TOTAL ASSETS	110,478,471	103,813,912	6,664,558

*The Financial Condition and result of operation are based on the Audited Financial Statement of the Bank as at December 31, 2021 and 2020.

RBSMI's Total Assets stood at P110.478 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 16.64 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 also increased due to the purchased of CASA and Loan System and the franchise of GOVIP Payment Center that would add value to the performance of the Bank for the years to come.

LIABILITIES & SHAREHOLDERS' EQUITY

LIABILITIES	2021	2020	Variance
Deposit Liabilities	82,202,431	77,413,593	4,788,838
Accrued Interest taxes and other expenses Payable	289,124	260,255	28,869
Other liabilities	2,607,623	2,439,970	(167,653)
Income tax Payable	319,421	305,299	(14,122)
TOTAL LIABILITIES	85,418,599	80,419,117	4,999,482

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



Deposit Liabilities were recorded at P82.202 million and represented 96.23 percent of total liabilities. Regular Savings deposit increased by 0.57 percent and Special Savings Deposit by 17.25 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 up for submission to the BSP.

Showing the capital accounts for CY 2021 and 2020

SHAREHOLDERS' EQUITY

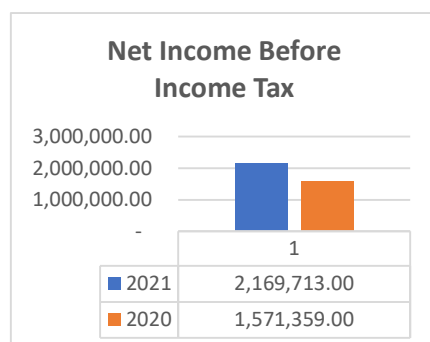
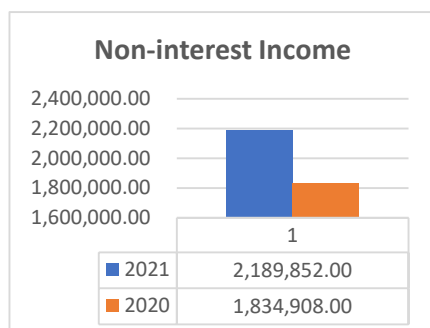
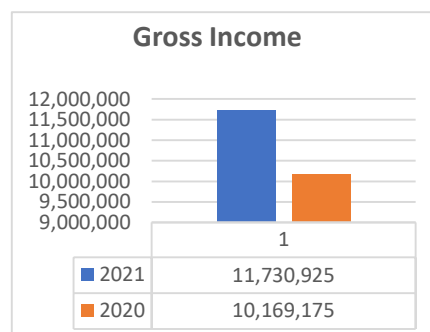
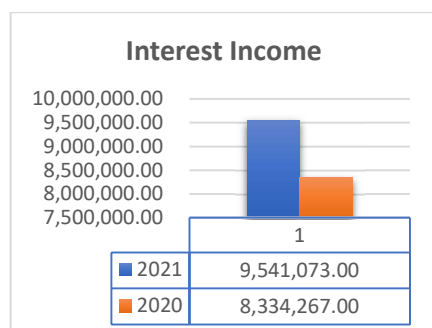
Capital Stock	2021	2020	Variance
Common Stock	15,000,000	15,000,000	-
Retained Earnings	10,059,872	8,394,795	1,665,77
TOTAL SHAREHOLDERS' EQUITY	<u>25,059,872</u>	<u>23,394,795</u>	<u>1,665,077</u>

The Bank's Authorized Capital stock has already been achieved by the Bank since 2020. No declared cash dividend is recorded during the year. Retained earnings has a significant increase of 16.68 percent from last year.

Authorize Ordinary share capital as of December 31, 2021 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 P25 million.



2021 Performance Review



We ended the year 2021 with P 1.665 million net income, higher than the net income achieved last year by 46.97 percent, mainly due to the persistent collections and deployment of loans during the year. The Bank's clientele might be severely impacted by the pandemic especially to the small entrepreneurs, employees of the private sector and to our farmers, the Bank still blessed to have an income positive. The Bank has felt an economic slow-down however, RBSMI still believes that all of these will be surpassed and help on the recovery of its stakeholders through financial inclusions. Total interest income slightly increased by 14.48 percent which comprised of 81.33 percent of total operating income. Interest income on loans and receivables went up by 15.10 percent or P 9.377 million from P 8.147 million of 2020. The increase was mainly due to growth in average volume of loans and receivables. Other interest income on the other hand, slightly decreased by 12.28 percent due to the decrease in Due from other Banks which is deployed to loans and receivables.

Interest Expense on Deposit Liabilities went up by 14.50 percent or P 719 thousand from P 628 thousand from 2020 primarily as a result of the surge in deposit liabilities by P 4.789 million.

As part of the bank's conservative stance on loan loss provisioning, the Bank booked total credit losses of P 550 thousand, up by 179.71 percent to cover the expected increase in non-performing loans from 2020 to 2021 due to COVID-19 pandemic. It represented 5.76 percent of the total expenses.

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 significantly increased by 3.46 percent from last year of 7.55 percent which has been the result of the increase in the net income this year compared last year. More so, with this performance RBSMI Management and staff continues to adhere on its mandate "Kaisa ng Bayan sa Pagbangon".



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.

		2021
Tier 1 Capital	P	24,729,014
Tier 2 Capital		559,259
Total Qualifying Capital		25,288,273
Risk weighted Assets		104,681,725
Tier 1 Capital Ratio		23.62%
Tier 2 Capital Ratio		0.53%
Total CAR		24.16%

Calculation of Qualifying Capital

A. Calculation of Qualifying Capital		2021
A.1 Tier 1 Capital	P	
Core Tier 1 Capital		
Paid-up Capital- Ordinary		15,000,000
Retained Earnings		10,059,872
Deductions from Core Tier 1 Capital		
Deferred Tax Assets, Net of Deferred tax		330,858
Liability		
Total Outstanding unsecured credit accommodations to DOSRI		-
Total Tier 1 Capital		24,729,014
A.2 Tier 2 Capital		
Upper Tier 2 Capital		
General Loan Loss Provision		559,259
Total Upper Tier 2 Capital		559,259
Total Qualifying Capital	P	25,288,273

The Bank maintains an actively managed capital based to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measure, the rules and ratios adopted by the BSP in supervising the Bank.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments. As at December 31, 2021 and 2020, the Bank was in compliance with CAR requirement.



STRATEGIC DIRECTIONS FOR 2022

As the Bank continues to operate in a business landscape that has been radically transformed by the COVID-19 pandemic, the focus for 2022 is streamlined with a more specific strategy and envisions the growth transformation from a small financial institution serving a small

municipality in the province of Cagayan, to a more progressive rural bank offering an enhanced banking service.

As the economy and business gradually recovers, RBSM will focus on initiatives that will take advantage of the opportunities in a landscape that was radically transformed by the COVID-19 pandemic. As digital banking has become the way of doing business, RBSMI strives to expand its product and services to cope up with how the customers want to do banking. In the environment of intensified digitization, RBSMI will continue to operate on its traditional banking business model while initiating and developing with the need to shift to digital Banking that aims to continuously serve the evolving needs of customers and looking for innovative ways to upgrade banking services to offer to clients.

To thrive in the new normal, the Bank will also undertake tactical action plans to tap new business opportunities as follows:

1. Improve marketing strategies to meet targets: Development of new marketing schemes to improve performance.
2. Efficient supervision of the day-to-day operations of the bank by the management team like efficient supervision and collection of loan receivables;
3. Maintain a safe and healthy environment in response to the continues surge of COVID-19 pandemic;
4. Ensure that the Bank assets are adequately safeguarded and the bank is operated within the bounds of law, regulations and prudent banking practices;
5. Offer more responsive lending services to its clientele, especially to the distress borrowers severely affected by COVID-19 pandemic by creating solutions and or innovating loan products in line with their cashflows.
6. Enhance the information technology solution for the bank's lending, deposit and reports generation which will include the following features:
 - a. Financial reporting package linked to the GL/SL system for convenience;
 - b. Loans and deposits modules linked to the GL/SL system to ensure records and balances are updated on a daily basis
7. Maintain or otherwise review the interest rates on time deposits at their current level which will stand at the same rate with peer banks, cooperatives and other financial institutions;
8. Expedite the amendments of the Bank's Articles of Incorporation to accommodate the P1.511 million deposits for subscription as well as additional infusions in the future;



9. Obtain fast and efficient internet services for the Bank, to improve communication as well as management's ability to monitor transactions;
10. Maximize Personnel Productivity, Professional Development, and Employee Satisfaction: Improve Efficiency and effectiveness of the Bank through staff training education;
 - a) Allocate sufficient financial resources to assure all department's goals and objectives are met.
 - b) Maintain an experienced and professionally competent staff by assessing training needs and developing programs to meet those needs;
 - c) Maintain a working environment that is rewarding and fulfills the career goals of employees.

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 have to accept some level of residual risks.

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 (1st Line). The controls to mitigate the risks are assessed as to design and effectiveness of the method, Information Security and Compliance (2nd line). The assessments are validated by the Internal Audit (3rd 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

The appropriate strategies to manage risks include the following:

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

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.



Highlights of the Risk Management activities for 2021 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 and calamities such as the typhoon Ulysses that hit the country, as well as new government regulations and new economic conditions;
4. Stringent 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.

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 MTPP. The Bank constantly reviews and updates the MTPP 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 MTPP 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

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 customer s 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

Board Snapshot

5 Directors

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

Director Diversity

- 2 Females
- 3 Males



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 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 actually 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-to-day 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	5	2	0.00%
Michael P. Asanias	Member/Non-Executive	12	35,115	23.41%
Alejandro M. Pulido Jr.	Member-Executive	26	5,754	3.84%
Arlene A. Pulido	Member-Non Executive	1	2	0.00%
Virginia B. Pacris	Ind. Director	6	2	0.00%

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, 59 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 concurrently serves as a member of the Sanggunian Bayan of the Local Government Unit of Sta. Praxedes (since July 1, 2013). 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 (4th year) at Far Eastern University (1986). 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, 46 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.

**ALEJANDRO M. PULIDO JR.**

Director
Executive Director
Filipino, 62 years old

Mr. Alejandro M. Pulido, Jr. is the President of 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 currently the Chairman of BOD of Shining Light Academy.

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



**MICHAEL P. ASANIAS**

Director
 Non-Executive Director
 Filipino, 58 years old

Dr. Michael P. Asanias was elected to the Board of Directors on January 2009 and serves 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.

**VIRGINIA B. PACRIS**

Director
 Independent Director
 Filipino, 56 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. In November 11-12, 2020, the new Director, Ms. Arlene E. Pulido attended a Continuing Corporate Governance for Rural Banks Directors and Officers training program, and Virtual Training on AMLL Rules and Regulations and Risk rating System on October 28, 2020.



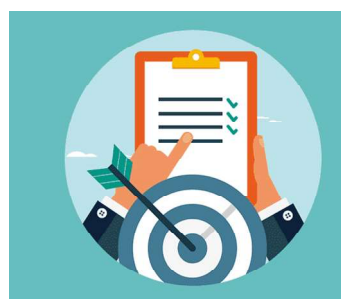
Directors' Attendance at Board and Committee Meetings

Name of Directors	Board Number of Meetings		Audit Committee Number of Meetings		Credit Committee Meeting	
	Attended	%	Attended	%	Attended	%
1. Carlo A. Cachapero	16	100%	12	100%	N/A	-
2. Michael P. Asanias	16	100%	11	92%	12	92%
3. Alejandro M. Pulido, Jr.	16	100%	N/A		13	100%
4. Virginial B. Pacris	16	100%	12	100%	N/A	
5. Arlene E. Pulido	16	100%				
Total Number of Meetings Held During the Year	16	100%	12		13	

Annual Performance Evaluation

With the support of the Compliance Office 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	11	92%
Carlo A. Cachapero	Member	12	100%
Total No. of Meetings 2021	12 meetings for 2020		

**Dir. Michael P. Asanias relinquished his position on the Audit Committee on 5 November 2021 however he was reinstated as member of the Audit Committee on 29 November 2021.*

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
Michael P. Asanias**	Chairperson	12	92.00%
Alejandro M. Pulido, Jr.	Member	13	100.00%
Rafael V. Pulido	Member	13	100.00%
Total No. of Meetings	13 meetings for 2021		

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 2021, 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 has executive responsibility of 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. Alejandro M. Pulido, Jr., Filipino is the President of the Bank since 2017.

Corporate Secretary

The Corporate Secretary assist 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 safekeeping of and the preservation of the integrity of the minutes and ensuing that the Board Members have accurate information that will enable them to form sound decisions on matters that require approval. Board Members are given separate and independent access to Corporate Secretary at all times.

The Acting Corporate Secretary of the Bank is Ms. Charmaine A. Tapia, a Filipino and a resident of the Philippines. She assumed the position in 2017. In its year of service, she has already an experience on legal matters and company secretarial practices.

Chief Compliance Officer

The Chief Compliance Officer (CCO) implements and manages the Bank's Compliance Program and to assist the Board of Directors in performing its corporate governance oversight functions. The Bank's CCO is Ms. Vigilina C. Cocson, Filipino, who assumed the position in March 12, 1998.

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 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, who has held the position in August 2019. Her appointment as Internal Auditor was confirmed by the BSP on 07 April 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 ongoing 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 of 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

Date	Training Attended	Sponsoring Agency	Board of Directors	Officer and Staff
02/09/2021	The Compliance Management Framework	RBAP		Vigilina C. Cocson Chief Compliance Officer
06/15/2021	Risk Based Approach on Assessment of ML/CFT	Dreams Management and Financial Consultancy Services		Vigilina C. Cocson Chief Compliance Officer
02/09/2021	Easy Steps in Preparing Business Continuity Plan	Dreams Management and Financial Consultancy Services		Alejandro M. Pulido,Jr. President
12/06/2021	Sustainable Finance Framework	Dreams Management and Financial Consultancy Services		Alejandro M. Pulido,Jr. President
02/06/2021	Corporate Strategy	University of Illinois	Arlene E. Pulido Director	
11/26/2021	Introduction to IT Auditing	RBAP		Shiery Ann O. Galla Acting IA



8/27/2021	Virtual Auditing and Testing in Pandemic	Dreams Management and Financial Consultancy Services		Shiery Ann O. Galla Acting IA
10/29/2021	Workshop in Stress Testing for Banks	Dreams Management and Financial Consultancy Services		Charmaine A. Tapia

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.

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	Rafael V. Pulido	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	Charmaine A. Tapia
Shiery Ann O. Galla	Internal Auditor	Charmaine A. Tapia	By Appointment
Vigilina C. Cocson	AMLA Officer	Jose Mari O. Macalma	By Appointment
Charmaine A. Tapia	Acting Corporate Secretary	Melody B. Florida	By Appointment

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	Melody B. Florida
Charmaine A. Tapia	Bookkeeper	Melody B. Florida	Marilyn D. Marquez
Moises R. Sadama	Loans Bookkeeper	Melody B. Florida	Recruitment
Melody B. Florida	Accounting Clerk	Marilyn D. Marquez	Recruitment



Jose Mari O. Macalma	Savings Clerk/Info. Tech. Personnel	Marilyn D. Marquez	Recruitment
Michael A. Labrador	Collector/ Credit Investigator	Albert John C. Lopez	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 Domingo Y.	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 2021 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
- 13th 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

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, 2021, 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 oversees the overall design and effective implementation of the Compliance Program, which serves as the authoritative codification of Compliance function powers, mandate and authority, and formal status within the organization. The Program likewise 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 2021 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 assess and complement 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 clear reporting line to the board of directors or audit committee. It has the authority to directly access and communicates 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.

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 2021 (Edgardo M. Molina & Co. CPA's) 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

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 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 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.



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.”

No Dividend Declaration for the year 2021.

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 ensure at all times 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.

Thus, when the COVID-19 pandemic struck, the Bank took immediate measures to ensure that the health, safety and well-being of our employees are protected, and taken care of- from providing flexible alternative working arrangements, releasing bonuses in advance,



providing transportation and financial assistance to members of skeleton workforce during the enhanced community quarantine period, and looking after their physical and mental health.

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 2020 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.



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

- Right to information. The consumer has the right to be protected against fraudulence, dishonesty or misleading advertising, labelling, promotion and the right to be given the facts and information needed to make an informed choice and to guide customers in dealing with the Bank.
- Right to choose. The consumer has the right to choose products with an assurance of satisfactory quality at competitive prices.
- Right to redress. The consumer has the right to seek redress for misrepresentation, breach of contractual obligations, shoddy goods or unsatisfactory services.
- Right to education. The consumer has the right to adequately educated regarding features, terms, systems and procedures, and inherent risk of bank products, services and responsibilities.

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 particular product to consumers.

Protection of Client Information

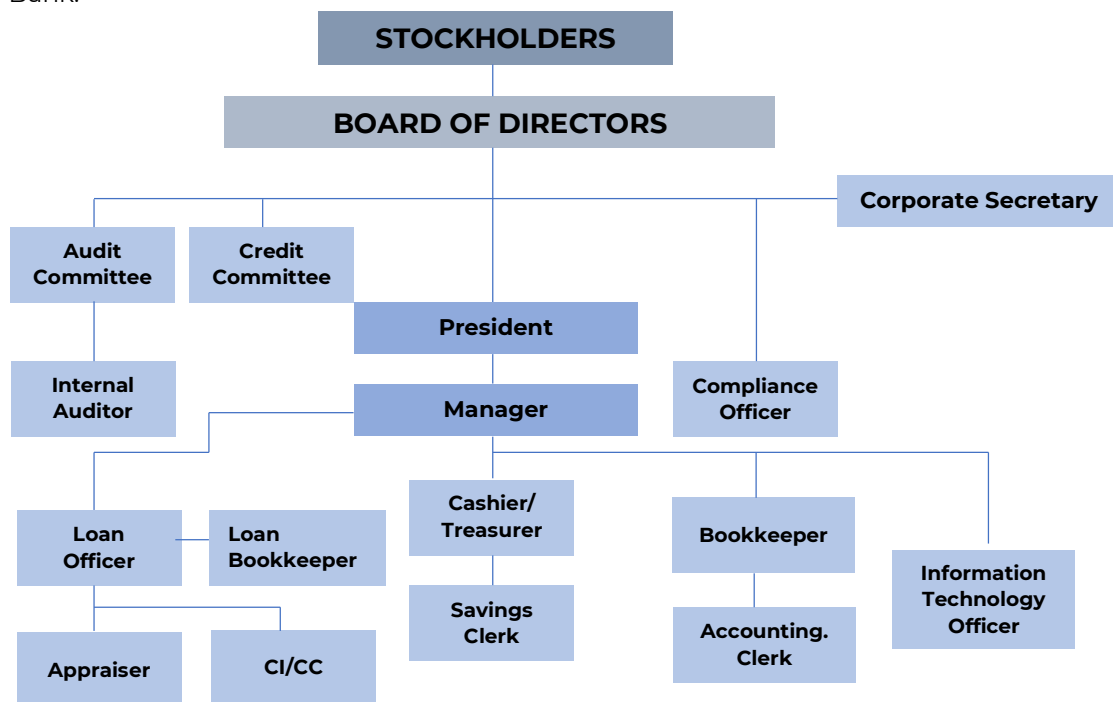
Financial consumers have the right to expect that their financial transactions as well as relevant personal information disclosed in the course of a transaction are kept confidential. The Bank ensures that they have well-articulated information security guidelines as well as defined protocols, a secure 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 28 shareholders as of December 31, 2021. 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	35,115	23.41	*
3. Heirs of Ignacio Jao Tayag	Filipino	26,718	17.81	*
4. Eulalio Pangilinan	Filipino	8,131	5.42	*
5. Alejandro M. Pulido, Jr.	Filipino	5,754	3.84	*
6. Rafael V. Pulido	Filipino	5,315	3.54	*
7. Rafaela V. Pulido	Filipino	4,836	3.22	*
8. Ricky Mario V. Pulido	Filipino	4,627	3.08	*
9. Ramon M. Pagayatan	Filipino	4,423	2.95	*
10. Alejandro A. Pulido Sr.	Filipino	3,873	2.58	*
11. Ma. Angela A. Pulido	Filipino	3,873	2.58	*
12. Abdiel A. Cac	Filipino	3,672	2.45	*
13. Emilio A. Pulido	Filipino	3,182	2.12	*
14. Emma A. Picazo	Filipino	2,757	1.84	*
15. Vigilina C. Cocson	Filipino	569	0.38	*
16. Thelma M. De La Cruz	Filipino	264	0.18	*
17. Annabelle M. Bangalan	Filipino	221	0.15	*
18. Arnold A. Saddam	Filipino	129	0.09	*
19. Emelie A. Pulido	Filipino	109	0.07	*
20. Gemy Sherra R. Apostol	Filipino	103	0.07	*
Leonardo A. Hernandez		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 31st 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 27 March 2021.

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, 2021 and 2020, as reported to the BSP, is shown in the table below:

	2021	2020
Tier 1 Capital	24,729,014	203,058,183
Tier 2 Capital	559,259	485,521
Total Qualifying Capital	25,288,273	23,543,704
Risk weighted Assets	104,681,725	104,681,725
Tier 1 Capital Ratio	23.62%	22.03%
Tier 2 Capital Ratio	0.53%	0.46%
Capital Adequacy Ratio (CAR)	24.16%	22.49%

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 on the basis of regulatory net worth after considering certain adjustments. As at December 31, 2021 and 2020, RBSMI has fully complied with the CAR requirement of the BSP.

Tier 1 and Tier 2 Breakdown of Components

A. Calculation of Qualifying Capital	2021	2020
A.1 Tier 1 Capital		
Core Tier 1 Capital		
Paid-up Capital-Ordinary	15,000,000	15,000,000
Retained Earnings	10,059,872	8,394,795
Deductions from Core Tier 1 Capital		
Deferred Tax Assets, Net of Deferred Tax Liability	330,858	231,915
Total Outstanding unsecured credit accommodations to DOSRI	-	104,697
Total Tier 1 Capital	24,729,014	23,058,183



A.2 Tier 2 Capital		
Upper Tier 2 Capital		
General Loan Loss Provision	559,259	485,521
Total Upper Tier 2 Capital	559,259	485,521
Total Qualifying Capital	25,288,273	23,543,704

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.



AUDITED FINANCIAL STATEMENTS (AFS) WITH AUDITORS' OPINION

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Statements of Changes in Equity

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