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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.

The Bank's principal place is located at Corner Marzan St., 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.



OUR 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.

OUR 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.

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.

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BUSINESS MODEL

RBSMI believes that change is inevitable and adaptability to change is very important. This year 2020 has been so full of challenges to everyone in the world because of the pandemic brought by COVID-19. Yet, this Bank is convinced that adapting to change does not necessarily mean changing its reason for being and losing its relevance. In fact, as the need to digital financial inclusion arises, RBSMI is determined to continue the same key role in the delivery of appropriate financial products in the service of unserved and under-served markets.

Agricultural production and Agri-based industries remain to be the priority of the Bank in countryside lending. Just like the expanding of MSE's, these people have growing financial requirements because of the high-value crop and livestock production needs. While RBSMI has identified the merits of supporting these sectors, it also spotted some inherent risks associated to these unsecured loans and agricultural lending. RBSMI used these measures to push forward on its partnership with government agencies for risk-mitigation purposes in the form of guarantee coverage thus, RBSMI has been a long-time partner of the Agricultural Guarantee Fund Pool (AGFP).

RBSMI is aware that the MSME in the rural community is beginning to recover since it is the sector that is greatly impacted by the COVID-19 pandemic. The Bank identifies this sector as one of its major targets to help them recover and rise again. RBSMI's approach is to make available financing programs that are relevant and compatible to their cashflows because the Bank still believes that these entrepreneurs, even how small they started still be given the chance to prosper and bring back the loss time of improving their businesses.

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 this 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.

These sectors comprise the focus of RBSMI business model which is directly aligned with its social mission. This portfolio development perspective resulted from the Bank's medium- and long-term strategic goals it has pursued over the years.

- **Agricultural Productivity and MSME Development**

RBSMI lives on its mandate to prioritize and uplift the life of people in the rural community especially farmers, tenants, fisherfolks and small business owners. RBSMI believes that agricultural producers and entrepreneurs, no matter how small they started are the



drivers of economic growth in the rural communities that is why RBSMI targets these sectors for financial inclusion so they can have a better protection against market failures and crisis.

- **Inclusion to Financial Technology**

RBSMI always find the positive aspect of technology and sees every opportunity it brings to its banking operations. With regards to consumer behavior with digital products and engagement, the longer the crisis, the more likely to move to digital will become permanent. It should be expected that customer routines and expectations will shift further in meaningful proportions in terms of digital adaptation and the expectation for proactive communication and care.

The Bank is aiming to push on the use of financial technology to enable the financial institution to be more competitive through digital transformation, paving an easier path toward economic improvement, expanding market reach and enhancing existing service delivery channels in the rural areas. Again, partnership with service providers and bigger industry players is the strategy of RBSMI to navigate and move forward in its digital road map.

- **Expanding Physical Presence**

RBSMI is preparing to deliver financial services in favor of these targeted sectors. The Bank plans to expand its market network to advance its campaign to reach out to as many clients in as many locations. With this target focus embedded on its long-term objectives, it suits well with RBSMI's mandate and aligns with sound banking practices of servicing what a locality need.



CORPORATE POLICY

The Rural Bank of Sanchez Mira (Cagayan), Inc.'s passion to deliver its core mandate as a Rural Bank ought to play a very essential role on the delivery of financial services to the rural communities. The Bank has accumulated knowledge and experience through its almost 50 years in the Banking industry and has the conviction to deliver its mission and vision as embedded through these ideals that are captured in the hallmark of RBSMI's corporate identity:

1. Highly Competent and Experienced Management Team

With the experience and track records of RBSMI's officers and staff, the Bank is assured that it possesses extensive knowledge of the banking industry, strong relationships with other banks, clientele, and familiarity with its target clients and banking needs. The RBSMI's officers and staff established credibility thus contributes to the high trust of its clientele to the Bank.

2. Solid Lending Policies and Practices

Despite the occurrence of unforeseen events that led to the disruption of business processes, the Bank shows resilience to its core mandate of extending financial help to famers, fisher folks and small business owners of the countryside. Supplementing these formal processes is RBSMI's relationship and community approaches to lending, and the almost 50 years of the Bank in the community, which led to the advantage of the bank to position itself to analyze prospective borrowers' reputation, business performance and risks, and other credit evaluation factors.

3. Strong Presence, reputation, and attention to its Customers

RBSMI believes that most clients have unique banking requirements with respect to bank transactions that require specific attention, the Bank Management deliberately focused on providing its banking services through its officers and staff. This contrasts significantly to the trend to automate banking transactions however RBSMI still believes that customer interaction and service will remain key ingredients for its growth.

The Bank's focus on serving the Banking needs of the SME's and Agri-Agra Sectors, is a key factor for its successful growth over the years. The Bank believes that the SME segment is largely underserved by most financial institutions with their focus on large companies and the consumer market.

4. Strong Based Capital foundation of RBSMI

In %	2015	2016	2017	2018	2019	2020
Equity in Million	14.398	15.292	17.796	21.384	23.916	23.410
Tier 1 CAR	14.120	15.250	17.701	21.157	23.779	23.306
CAR	16.709	18.523	20.480	21.850	26.140	22.730

RBSMI's CAR and Tier 1 CAR are consistently above the BSP thresholds of 10% and 7.5%, respectively. The Bank continues to monitor its capital levels relative to its business needs and requirements.



MESSAGE FROM THE PRESIDENT

“We continue to stand amidst any crisis that will come as long as we have the unity and leadership. We remain focus on our long-term strategic direction and plans, and we will continue to prudently strengthen our services. We might not foresee what will happen in the future, we do not expect the external environment to be stable, however, I believe that our Bank’s strong foundation and competence will respond to any situations and challenges.”

Dear Fellow Shareholders,

The past year 2020 have greatly impacted the ways we bank, through the unprecedented challenge for our modern societies and health systems. Nevertheless, RB Sanchez Mira’s financial performance proves its resiliency and stability.

The outbreak of Corona Virus in March 2020 started to paint an entirely different scenario ahead. Nothing like this crisis has occurred in this banking generation and RBSMI faces a bigger number of vulnerable clientele and volatile financial environment. Hence, banking has changed in profound ways, approaches to adapt to the new normal ways in banking to cope with the drastic circumstances.

Some rating agencies assessed that for some banks, the impact of the pandemic, will expose profitability as a weak spot in solvency profiles, and their limited means to absorb losses via the income statement means that sustained pressure on asset quality will raise the risk to capital, although with some variation in degree of severity across the globe.

This assessment is accurate and it is shown on the financial performance of the Bank that the economic downturn and disruption of business processes felt instantly by the RBSMI and admittedly concerned the Management on how far-reaching this could impact the Bank in the long run. Due to this present situation, the Bank was compelled to activate its Business Continuity Plan and craft necessary strategies and solutions a bank is expected to come up with. This gave the opportunity to test the solvency of the Bank and the Management and Board of Directors’ governance in handling unforeseen situations that challenge Bank’s business continuity.

The Bank still stands proud not just of what it is achieved from its humble beginnings but equally so of what it has gone through in living up to the very reason of its being. The experiences in 2020 are a case in point. The Bank succeeded in keeping its financial well-being in the midst of the pandemic and calamities that exposed the perils in the delivery of inclusive financial services. RBSM withstood the far-reaching impact of the delinquency among small farmers, entrepreneurs that are severely affected by the floods, calamities and the pandemic.

I can proudly say that the Bank has a strong foundation in its financial condition and standing. The Bank’s capital base is built by years of profitable operation and the commitment of its stockholders to build a strong foundation as observed on the self-imposed moratorium in the



declaration of cash dividends over the past years. It is no small feat that the Bank has achieved the 15 million paid-up capitalization and on the process of increasing its capitalization to 25 million.

RBSMI's governance is united. We have especially observed this during this time of pandemic. In any circumstances, nothing is greater than a united front. RBSMI's achievement over the years is not because of luck and sheer talents; instead, it is the collaborative effort and harmony among the staff, management, Board of Directors and stockholders. There may be differences in opinion at times but all times there is unity in direction. The mutual trust among the leaders of the Bank is a potent force that makes RBSMI withstands any storm.

Admittedly, there are areas for improvement in RBSMI's bench of talents in the management and staff. Staff and Management are briefed on how bad the impact can be not in the way to down their spirit but to inspire them to action.

From a prudential perspective, this economic slowdown can be taken in a positive context. The Bank has to be more methodical and calculating with its forecasts and must have the vigilance to revise it when needed. The Management team has prepared a fearless forecast that the Bank will not have negative growth in the total resources in 2021 and will end the year still with a net income positive.

Looking at this determination and dynamism, RBSMI is an institution that draws its accomplishments and failures in the past. The present leadership continues to learn from its experiences. Having come from this perspective, RBSMI has the preparedness and option to take in pursuing the most viable approach towards sustainability despite all threats this pandemic and failure crises may bring.

We cannot expect much of 2021 in the same way our national government and world leaders have downgraded their forecast for the global economy. Nonetheless, it is not a reason for despair for the Bank as it had proven time and again its ability to rebound remarkably from the most difficult situations. The Bank has gone pass through several setbacks and challenges in its journey and 2021 will be just another chapter, yet its role in financial inclusion will not be compromised and its obligations to all its stakeholders will remain the highest priority.

RBSMI ends in 2020 a chapter and opens another of its inspiring story of how an erstwhile small bank for low-income sectors steadily grow and still managed to balance the soundness of financial operations and the fulfilment of its mission.

At this point, I wish to thank the stockholders, our Directors, management and staff for their unending support to all our activities. All of these accomplishments would not have been done without your guidance and support.

We continue to stand amidst any crisis that will come as long as we have the unity and leadership. We remain focus on our long-term strategic direction and plans, and we will continue to prudently strengthen our services. We might not foresee what will happen in the future, we do not expect the



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external environment to be stable, however, I believe that our Bank's strong foundation and competence will respond to any situations and challenges.

Most of all we lift our praises and thanksgiving to the Lord Almighty His continuous guidance and protection. God Bless.

ALEJANDRO M. PULIDO JR.

President



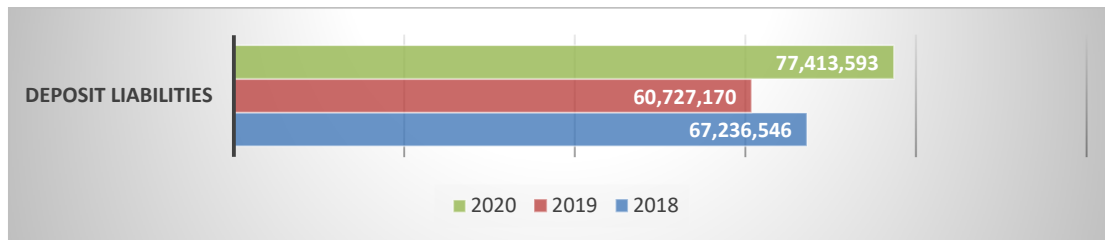
2020 FINANCIAL HIGHLIGHTS

The highlights of RBSMI's financial performance in 2020 are shown in its resilience and stability despite the challenges that the whole world is facing due to the COVID-19 pandemic that disrupts major processes, supply chain and strategic goals and objectives of the Bank. Despite of all these adversities, the Bank is happy to present the financial performance of the Bank:

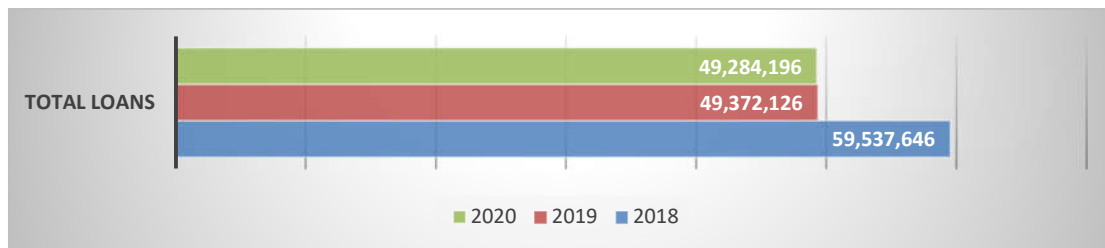
		Year		
		2020	2019	Increase (Decrease)
For the Year Ended (In Pesos)				
Total Income	P	10,169,175	P 11,638,168	-1,468,993
Total Expenses		9,036,213	9,475,978	-439,765
Net Income		1,132,962	2,162,190	-1,029,228
At Year End (In Pesos)				
Total Assets	P	103,813,912	P 86,368,778	17,445,135
Loans and Receivables-Net		49,209,199	49,372,126	-162,928
Liquid Assets		52,980,408	35,081,423	17,898,985
Equity Accounts		23,394,795	23,379,694	15,101
Fixed Assets		1,104,697	1,241,996	-137,300
Deposit Liabilities		77,413,593	60,727,170	16,686,423
Other Quantitative Indicators				
Earnings per Share-Ordinary		7.55	15.51	-7.95
Book Value per Share		155.97	167.66	-11.
Capital Adequacy Ratio		22.49%	25.50%	-3.01%
Past Due Ratio		11.70%	5.57%	5.50%
Return on Average Equity		4.84%	9.64%	-4.80%
Return on Average Assets		1.19%	2.38%	-1.19
Net Interest Margin		8.70%	10.45%	-1.75%
Debt to Equity Ratio		3.44:1	2.69:1	0.74:1
Ratio of Liquid Assets over Deposit Liabilities		68.44%	57.77%	10.67%
Ratio of Total Fixed Assets over Equity Accounts		4.72%	5.31%	-0.59%
Ratio of liquid Assets over Deposit Liabilities & Other Liabilities		65.88%	55.69%	10.19%



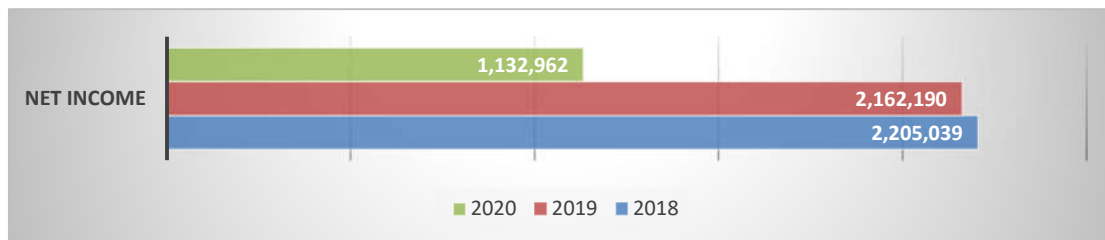
TOTAL LIABILITIES



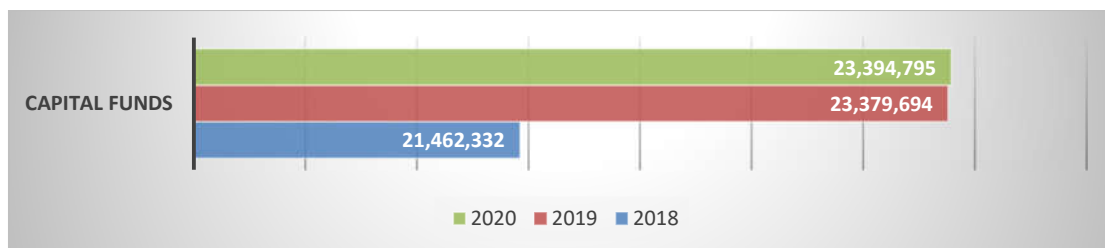
TOTAL LOANS



NET INCOME



CAPITAL FUND





REVIEW OF OPERATIONS

Annual Report 2020

Financial Condition and Result of Operations

The year 2020, marks the resiliency of RBSMI to withstand challenges and threats. Although the Bank have been greatly affected by the COVID -19 pandemic, RBSMI proved once again that external challenges are just spices to become stronger and a motivation to improve its business processes.

The rate of growth in performance in recent years might not have been surpassed this year, however this gave the realization to create a more resilient foundation and risk mitigation processes to continue doing business.

The growth RBSMI achieves year after year had already become historical trend as it remained uninterrupted since the beginning. The right balance in its portfolio mix and effective funds management are the key elements. Having a diversified credit exposures and sound liquidity measures helped the Bank weathered adverse factors in the external environment without sacrificing sustained corporate profit and growth.

The deposit liabilities of the bank grew reaching P77.413 million with a modest increase of P16.686 million for the year. The important feature though is not reflected only on the size of its deposit portfolio but the stable character and trust of its core depositors. RBSMI boast of its pool of loyal customers with special deposit placements, institutional depositors and the multitudes of farmers, wage earners and entrepreneurs.

The additional deposits helped improve the level of RBSMI's liquid assets at P52.980 million or P17.898 million higher than that of the previous year. The Bank is certain that at this level, its cash portion is more than enough. RBSMI has the option to maintain a lower level of liquid assets to save the Bank from incurring a high interest expenses, however the profile of the depositors and the historical behavior of its deposit put no pressure on RBSMI to maintain a high cash position.

RBSMI generated over P 10.169 million from combined interest and non-interest income in 2020, a little bit lower by P1.468 million of 2019 in spite of the collection rate from farmers, small business owners and certain private individuals that are severely affected by the pandemic and the several typhoons and flash flooding that hit Cagayan Valley. In accordance with the prudential banking practices, the Bank booked provision for credit losses amounting to P196,760.

Another demonstration of prudence is the decision of the Board of Directors not to declare cash dividends over the past years. This move is admirable as it allowed the Bank to raise the level of its equity. For this year, however, since the bank has already complied with its Capital Build Up program, the BOD has rewarded the commitment of its Stockholders and declared P 1,055,700 cash dividends. The Bank has already a paid-up capital of P15 million and now the bank is on the process of increasing its capitalization to P 25 million. RBSMI has always been cautious to keep its risk-taking activities within manageable level relative to its size of its capital and complexity of operations.

Since its inception, the people behind the setting-up of RBSMI are aware of the very reason of its being-to make a difference in the lives of people through development finance. Despite a



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slowdown in income generation, RBSMI has allocated funds to help in the efforts of private organizations to bring relief goods to the neediest. Moreover, RBSMI prioritized the safe and well-being of its staff.

From the start of the year 2020, the Bank has been every active in loans generation embedded on its targeted portfolio for the year. However, business strategies and targeted loan releases has been disrupted by the unforeseen occurrence of the pandemic. For the month of April, the Bank has recorded its lowest loan releases for the year of P 555 thousand. The levels of loan outstanding dropped; past due loans increased significantly to 25%. This scenario is explained by significant exposures of the Bank to risk and unforeseen events. While the overall Bank's outstanding loans was sustained, a substantial portion of credit exposures are moving from the unsecured past due loan portfolio. More marketing efforts however have to be done since higher competition from other financial institutions are being felt. To improve the results of the previous year RBSMI has gone more intense and aggressive to marketing for larger loan portfolio, and also saving by promoting the ATM/Banc net links.

Despite difficulties met during the year 2020, the total assets of the Bank increased by 17.445 million. That is from P 86.369 million from 2019 to P 103.814 million this year. This increase in asset is due to the increase in earnings and deposits. RBSMI with all efforts need to market aggressively to loan out its resources and maintain a more profitable loan portfolio mix.

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.

Breakdown of the Components of Tier 1 and Tier 2 Capital

		2020
Tier 1 Capital	P	23.058
Tier 2 Capital		0.485
Total Qualifying Capital		23.544
Risk weighted Assets		104.682
Tier 1 Capital Ratio		22.03%
Tier 2 Capital Ratio		0.46%
Total CAR		22.49%

Calculation of Qualifying Capital

A. Calculation of Qualifying Capital		2020
A.1 Tier 1 Capital	P	
Core Tier 1 Capital		
Paid-up Capital- Ordinary		15.000
Retained Earnings		8.395
Deductions from Core Tier 1 Capital		
Deferred Tax Assets, Net of Deferred tax Liability		0.232
Total Outstanding unsecured credit accommodations to DOSRI		0.104
Total Tier 1 Capital		23.058



A.2 Tier 2 Capital

Upper Tier 2 Capital	
General Loan Loss Provision	0.485
Total Upper Tier 2 Capital	0.485
Total Qualifying Capital	P 23.544

Adjusted capital of P 23.395 million and CAR of 22.49 percent are above the minimum regulatory requirements (*P 20.00 for rural banks located in 3rd class municipalities with head office only and 10.00 percent respectively*) and adequate to support operations and risk profile. The positive and increasing results of operations since 2016 improved the Bank's Capital position.

Operational Highlights

Lending

The Bank's Gross Loan Portfolio settled at P 52.228 million this 2020 from last year's Gross Loan portfolio of P52.171 million. Non-performing loans ratio stood at 11.70 percent, higher by 6.14 percent from last year PDR of 5.56 percent still due to the adverse effects of the moratoriums on payments imposed in accordance to the Bayanihan 1 and 2; wherein MSME recorded the highest past due loans of P3.319 million; moreover, recorded past due ratio is already higher than the industry average of 11.4 percent. However, 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 P 16.475 million from P 13.496million in 2019, increased by 18.08 percent. Of this amount P 14.016 million is directed to SSE's and P 2.459 million to MSE's. Total non-performing loans to this sector stood at 6.69% of the total loan portfolio. There is a significant increase in MSME past due since this is the most affected sector due to the pandemic. However, the Bank remains faithful to help entrepreneurs to recover from this downfall.

The bank's outstanding loan for Salary stood at P 11.329 million with 2.63 percent contribution to the past due ratio. Loan portfolio remains high though with a slight increase of 0.74% from last year's loan portfolio of P 11.245 million. Interest from Salary loans contributed the highest Interest Income for the year 2020 which amounts to P 2.651 million. Most of the borrowers are teachers of DepEd, LGU employees, Brgy. Officials and employees of private institutions.

Out of the P52.228 million loans outstanding, about P10.762 million is lent to small farmers, tenants and fisher folks and all agri-preneurs. In the category of loans granted to Agrarian Reform beneficiaries where the required minimum exposure is 10 percent, the bank posted 14.02 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 short by 1.25 percent on the 15 percent Other Agri commitment which gives a negative impact for banks. However, the Bangko Sentral ng Pilipinas issued M-2020-086 (*Alternative Mode of Compliance*



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with the 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). With this scenario, RBSMI should intensify its marketing on the Agri-Agra Sector and must develop new products and strategies to increase its portfolio.

Gross Loan Portfolio		
	2020	% to total Loan Portfolio
I. Agri-Agra Loans		
a. Agrarian Reform Loans	5,457,440	10.45
b. Other Agricultural Loans	5,304,419	10.15
II. Small and Medium Scale Enterprises		
a. Small Scale Enterprise	14,016,968	26.84
b. Medium Scale Enterprise	2,458,227	4.71
III. Real Estate Loans		
a. Loans to Individuals for Housing Purposes	9,534,875	18.26
IV. Loans to Individuals Primarily for Personal Use		
a. LIPPUP-Other Consumption	2,834,972	5.43
b. LIPPUP-Salary Loans	11,329,295	21.69
V. Loans to Individuals for Other Purposes	1,292,277	2.47
Total	52,228,473	100%

Status of Loans

	Year 2020		Year 2019	
Current Loans	46,116,561	88.30%	49,266,846	94.43%
Past Due Loans	5,780,770	11.07%	2,553,452	4.89%
Items in litigation	331,142	0.63%	350,386	0.67%
Total Loan portfolio	52,228,473	100.00%	52,170,684	100.00%
Loans and Receivables Discount	1,249,581		1,225,624	
Total, net Discount	50,978,892		50,945,060	
Allowance for Credit Losses -GLLP	(485,521)		(584,148)	
-Specific	(1,284,172)		(988,786)	
Loans and Receivables-Net	49,209,199		49,372,126	

Of the Total Loan Portfolio of ₱ 52.228 million, current loans of ₱ 46.117 million accounted for 88.30%; past due loans of ₱5.781 million, made up 11.07% and items in litigation of ₱ 331 thousand made up of 0.63%.

It is noteworthy that past due loans increased by 11.07% compared to last year. This signifies that the RBSMI clientele are vulnerable to the effects of the Covid-19 pandemic. Moreover, Allowance for Credit Losses increases due to the booking of P 196,760 for the year. The Bank is



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still deficient by P375,536 at year end 2020, however the Bank has already applied to the BSP for the staggered booking of allowance for credit losses up to a maximum of 5 years.

Financial Condition:

Total Assets Distribution for CY 2020 and CY 2019.

ASSETS	2020	2019	Variance
Cash	2,435,343	2,623,784	-188,441
Due from BSP and Other Banks	46,242,470	28,236,793	18,005,677
Held to Maturity Investment	2,000,000	2,000,000	-
Loans and receivables, Net	49,209,199	49,372,126	-162,927
Bank Premises, Furniture, Fixtures and Equipment, net	1,104,697	1,241,996	-137,229
Investment Properties	-	207,000	-
Deferred Tax Assets	231,915	172,887	-59,028
Other Assets	287,694	293,346	-5,652
<u>TOTAL ASSETS</u>	<u>103,813,912</u>	<u>86,368,778</u>	<u>17,445,134</u>

**The Financial Condition and result of operation are based on the Audited Financial Statement of the bank as at December 31, 2020 and 2019.*

RBSMI recorded an increase in the Total Asset specifically on the Due from other Banks due to level of deposits that has not been utilized. That is why RBSMI needs to properly utilize its level of deposits versus its loan portfolio to establish balance on its asset accounts.

The outstanding investment property (ROPA owned by Mr. Lazaro P. Mariano) amounting to P 207 thousand has been sold by the Bank this year. No ROPA and SCR outstanding for the year.

LIABILITIES & SHAREHOLDERS' EQUITY

LIABILITIES	2020	2019	Variance
Deposit Liabilities	77,413,593	60,727,170	16,686,423
Bills Payable	-	-	-
Accrued Interest taxes and Other expenses Payable	260,255	175,355	84,900
Other liabilities	1,263,870	880,763	383,107
Income Tax Payable	305,299	580,796	-275,497
Deposit for Capital Subscription	1,176,100	625,000	551,100
<u>TOTAL LIABILITIES</u>	<u>80,419,117</u>	<u>62,989,084</u>	<u>17,430,033</u>

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



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Deposit for capital subscription increased due to the payment of net income deficiency for the past years which cannot be booked yet to the capital account since the increase on authorized capital is still on process.

Showing the capital accounts for CY 2020 and 2019

SHAREHOLDERS' EQUITY

Capital Stock	2020	2019	Variance
Common Stock	15,000,000	13,944,300	1,055,700
Retained Earnings	8,394,795	9,435,394	-1,040,599
TOTAL SHAREHOLDERS' EQUITY	<u>23,394,795</u>	<u>23,379,694</u>	<u>15,101</u>

The Bank's Authorized Capital stock has already been achieved by the Bank through the declaration of stock dividend for the year amounting to 1,055,700 equivalents to 10,557 stocks with a par value of 100. Moreover, the Bank has declared a cash dividend amounting to P 1,100,000 to the stockholders on record on June 19, 2020.

Authorize Ordinary share capital as of December 31, 2019 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.



RURAL BANK OF SANCHEZ MIRA (CAGAYAN), INC.

Showing the Total Income and expense accounts and the percentage of distribution for CY 2020 and 2019

Performance Review		Year		Increase (Decrease)
		2020	2019	
Income Accounts				
Interest Income	P	8,334,267	9,515,307	-1,181,040
Non-Interest Income		1,834,908	2,122,861	-287,953
Gross Income		10,169,175	11,638,168	-1,468,993
Expense Accounts				
Interest Expenses		628,275	774,598	-146,323
Provision for Credit Losses		196,760	320,468	-123,708
Compensation and Fringe Benefits		5,488,799	4,997,279	491,520
Other Operating Expenses		1,420,619	1,565,268	-144,649
Depreciation and Amortization		245,244	243,868	1,376
Taxes and Licenses		618,120	688,329	-70,209
Total Expenses		8,597,817	8,589,810	8,007
Net Income Before Income Tax		1,571,359	3,048,358	1,476,999
Income Tax Expenses		438,396	886,168	-447,772
Net Income after Tax		1,132,962	2,162,190	1,029,228
Earnings per share		7.55	15.51	-7.96

We ended the year with P 1.133 million net income, far lower than the net income achieved last year 2019, mainly still due to the impact of the pandemic to our clients especially to the small entrepreneurs, employees of the private sector and to our farmers which was affected by the typhoons and flash flooding. On the positive note, 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.

Compensation and Fringe Benefit significantly increased mainly due to the increase on the salaries and fringe benefit of its staff because the Bank believes that it must reward its employees with their hard-work and perseverance because they are the partners for the Bank's success and growth.

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 decreased by more than half from last year of 15.51 percent which has been the result of low income this year compared last year and the increase of the paid-up capital. More so, with this performance



RBSMI Management and staff continues to deliver its mission and vision to be the partner of the community in nation building.

STRATEGIC DIRECTIONS FOR 2021 AND BEYOND

1. DIGITAL TRANSFORMATION AND DATA SECURITY INFRASTRUCTURE

RBSMI sees the need to improve its business processes and enhance core banking software. The Covid-19 pandemic has shown the need to go digital, particularly in rural communities. Banks continue to play an important role, which is why the need to digitize the rural banking industry is seen more clearly than ever.

The Bank aims to start developing its internal software, wherein new functionalities like timely generation of reports likewise the operation processing time will be shortened to improve services to be delivered to RBSMI's clients.

RBSMI is also keen in making payment system as another endeavor of the Bank in the immediate future as it expects the advances in digitalization will revolutionize the settlement of payment for goods and services. Big things are about to change in the commerce of men as the whole world becomes smaller and transactions become more convenient and safer especially this time of pandemic. RBSMI's interest in this phenomenon will not cause any deviation from its long-standing advocacy. Instead, it will join digital transformation to bring its benefits accessible and useful among farmers, entrepreneurs and every individual that RBSMI caters.

Again, partnership with service providers and bigger industry players is the strategy of RBSMI to navigate and move forward in its digital road map.

2. BRANCLITE NETWORK EXPANSION

The growth perspective of RBSMI and its ability to generate business has been demonstrated with the passion and determination of RBSMI's Board Management to set-up a temporary satellite office to a nearby municipality (Luna, Apayao) though not yet fully operational since the occurrence of pandemic. With this endeavor, RBSMI's branch lite site selection covers remote municipalities. The strategy targets the small farming communities in the countryside and the budding SME's. These sectors comprise the long-standing niche market of RBSMI.



3. STRATEGIC PARTNERSHIPS

RBSMI will continue maintaining good connections and standing with its partner institution like Land Bank of the Philippines and Agrarian Guarantee Fund Pool which give the Bank credit guarantee line facilities. The Bank will be keen and explore new mode and programs of other government agencies like the Department of Agriculture, Department of Trade and Industry and the like which programs aim to help our small farmers and small entrepreneurs.

Accordingly, RBSMI on its own cannot advance its advocacies without the help and this collaboration. To be able to meet the financial requirements of its clients for production and enterprise projects, the Bank must source funding and protection to mitigate its risk-taking activities.

4. RECOVERY PROGRAM AND ENTERPRISE DEVELOPMENT

The role of MSE's contributes significantly in Philippine employment. However, MSME's are affected more heavily than other businesses. The imposed community quarantine resulted in lack of income, becoming unable to support their business and employees.

Rural Banks, cooperative banks, Thrift Banks have responded to the call of the Bangko Sentral ng Pilipinas (BSP) for increased lending to micro, small and medium enterprises (MSME's) to help the latter cope with the impact of the pandemic.

This decision was made to ensure that MSME's will continue to have access to liquidity despite the hardships brought about by the pandemic. Amidst the risk that the Bank will face, the Bank has been actively lending and will continue extending financing relief to MSME sector. The bank exhibits the commitment to empower and assist critically impacted MSME's by extending, renewing and restructuring loans to the sectors.