

BANGKO NG KABUHAYAN, (A RURAL BANK) INC.
Formerly RODRIGUEZ RURAL BANK, INC.

Annual Report

31 December 2020

I. CORPORATE POLICY

a.1 VISION:

- To be the most preferred Microfinance and SME- oriented Rural Bank across Luzon.

a.2 MISSION:

- To be the catalyst in the microfinance and SME sectors by assisting our customers in their creation of wealth through our efficient services and innovative financial products and dedicated team of competent and highly motivated professionals.
- To tap depositors who share the vision of developing Microfinance and SME entrepreneurs in the country.
- To maintain the highest ethical standards, sense of responsibility, and fairness to our stakeholders and the community we serve.

b. Introduction of the Bank's brand that differentiates it from other banks.

- Re-launching of the Bank's new name: Bangko ng Kabuhayan (A Rural Bank), Inc. that differentiates it from other banks.
- Flexibility in meeting our target clients' financing needs. Within the last 3 years, the Bank has introduced new products: Micro-Plus, Micro+S, and SME loans.

c. Business model of the Bank

- For the Bank's funding, the Bank gets deposits from high net-worth individuals and lend these funds to Micro and SME borrowers. The benchmark for this model is Indonesia's highly successful BTPN Bank.

II. Financial Summary / Financial Highlights

Minimum Required Data	Consolidated		Parent Bank (SOLO)	
	Current Year	Previous Year	2020	2019
Profitability				
Total Net Interest Income			28,641,470.61	30,705,040.27
Total Non-Interest Income			5,234,745.30	13,142,107.80
Total Non-Interest Expenses			38,549,397.49	41,986,760.57
Pre-provision profit				
Allowance for credit losses			11,501,372.87	7,718,573.59
Net Income			(4,576,516.26)	1,988,456.19
Selected Balance Sheet Data				
Liquid Assets				
Gross Loans			125,549,606.51	112,426,083.06
Total Assets			176,912,287.72	153,529,345.15
Deposits			82,371,330.09	67,551,079.64

Total Equity			74,346,885.45	75,307,558.29
Selected Ratios				
Return on Equity			-5.96%	2.68%
Return on Assets			-2.78%	1.41%
CET 1 capital ratio (for UBs/KBs)				
Tier 1 capital ratio (for UBs/KBs)				
Capital Adequacy Ratio			36.77	44.71
Per common share data (For UBs, KBs and publicly listed Banks)				
Net Income per share:				
Basic				
Diluted				
Book value				
Others				
Cash dividends declared				
Headcount			60	65
Officers			5	5
Staff			55	60

Last October 2019, the BSP examined the Bank and completed its examination on November 13, 2019. In March 2020, the result of the BSP examination was released, and the Bank's CAMELS rating was upgraded to 3. This was in view of the improvement in earnings attributed to enhancements in the Bank's risk management system, ample liquidity, and the BOD and the Management having undertaken measures to improve the Bank's overall financial condition and operating performance.

In November 2019, the BSP fully implemented the Minimum Capital Requirement of ₱75.0 million for rural banks. As of September 30, 2020, the Bank has an equity of ₱75.01 million after receiving a capital infusion of ₱3.33 million from our shareholders in May 2020. The Bank will continue to undertake the following to ensure compliance with the minimum capital requirement:

- a. Continuous profitable operations;
- b. Continuous disposition of real and other properties acquired (ROPA) assets; and,
- c. Prudent monitoring and controlling of expenses.

The Bank will increase its loan process according to what we have projected and continue to help finance loan releases through our time deposits. Our loan target has been adjusted from ₱26 million to ₱32 million while our Time Deposit goal has been decreased from ₱180 million to ₱100 million. We will target the micro/SME markets in the industries that have proven their resilience even amidst the COVID-19 pandemic restrictions. These industries are: 1) food distribution; 2) hardware/construction catering to home repairs and construction; and, 3) logistics. Our market development efforts in these select industries will continue until March 2021 in our aim to increase our profitability as we transition to the 'New Normal.'

We also immediately implemented some cost-cutting measures in 2020 such as freeze hiring, salary increase freeze, deferment of budgeted office renovations and opening of new branch offices, and deferment of select, budgeted employee activities for a total savings of ₱ 3.5 million.

The Senior Management team was able to function albeit in different work arrangements - telecommuting and staggered reporting to the office while communicating electronically. Overall, BnK performed at least at 67% capacity during the ECQ - whereby an average of 10 out of 15 working

days was spent by the staff. Head office remained open five days a week while the 2 branches were open on alternating schedules to service our clients.

The Bank classified all its existing current accounts from all types of bank loan products from “not affected” to “totally affected” and listed them per industry classification.

The industry classification used by the Bank is as follows:

- a. Food Industry
 - i. Food Distribution - Businesses under this classification are wholesale/retail of grocery items, meat and vegetables, beverages, and water distribution.
 - ii. Food Services - Businesses under this classification are restaurants, *carinderia*, fast food, kiosks, and the likes.
 - iii. Food Manufacturing - Bakery, processed meat, oil and the likes.
- b. Non-Food Industry
 - i. Trading - Wholesale/retail of general merchandise, hardware materials and other non-food trading.
 - ii. Services - Repairs and maintenance, money remittances, courier service, transport service, vehicle rental and the likes. Health and beauty service. Educational institutions.
 - iii. Manufacturing - Garments, mechanical parts, construction materials,
- c. Medical Industry
 - i. Trading - Medicine (drugstores), medical equipment and tools, dental products.
 - ii. Services - Hospitals, dental clinics, diagnostic clinics.
 - iii. Manufacturing - Medical equipment, medicines, PPEs etc.

From the above list, the Bank had identified the industries that are not or minimally affected by the current crisis and those that are 50% to 100% affected. The Bank considers food distribution and manufacturing as the least affected business sector followed by medical trading and manufacturing businesses (medicine and medical equipment) and money remittance service. While businesses that are affected 50% to 100% are those in non-food trading and services like transport and vehicle rental, health, and beauty service.

After coming up with the list of clients falling from all the above said classification, the Bank zeroed in on clients that were not or minimally affected and discussed with them the options of renewing and/or increasing their loan. The Bank also used this list to target clients to generate new accounts.

The Bank has also considered extending loan renewal/s increase to businesses affected by 50% to 100% but have the big potential of easily reviving their business operations upon the easing of the quarantine restrictions. These businesses are hardware stores, repairs and maintenance service, etc.

The Bank also started working on relaxing the payment terms of clients who are 100% affected and are deemed not readily capable of coping with the crisis (educational institution, transport, etc). Payment terms are being re-negotiated depending on the business plan of the borrowers.

III. Financial Condition and Results of Operation

- a. Review of the Bank's operations and results of operations for the financial year, including the details and explanations for any significant change during the year.
- The Bank's strategic planning for 2021 was held on November 24, 2020 and the Business Plans generated from such activity were presented to and approved by the Board of Directors. Inherent in the plans are the financial projections and calculation of expenses, as well as the formulation of measures to regulate operating expenses. The controls include, but are not limited to, the clearance from the President for certain non-essential expenses.

Adherence to these targets is monitored bi-monthly during the Bank's Assets and Liabilities Committee (ALCO) meetings and quarterly in the Board of Directors meetings.

- a) The Bank shall increase its loan process according to what we have projected and continue to help finance loan releases through our time deposits. Our loan target has been adjusted from ₱26 million to ₱32 million while our Time Deposit goal has been decreased from ₱180 million to ₱100 million. We have targeted the micro/SME markets in the industries that have proven their resilience even amidst the COVID-19 Pandemic restrictions. These industries are: 1) food distribution; 2) hardware/construction catering to home repairs and construction; and, 3) logistics. Our market development efforts in these select industries will continue until March 2021 in our aim to increase our profitability as we transition to the New Normal. We shall also immediately implement cost-cutting measures in 2020 such as freeze hiring, not giving any salary increase, deferment of budgeted office renovations and opening of new branch offices, and deferment of select, budgeted employee activities or a total savings of ₱3.5 million.
- b. Highlights of major activities during the year that impact operations, if any.
- Amidst Covid-19 Pandemic the banks availed the Bayanihan Act I & II
 - Restructured sales force
 - Reorganized and boosted credit and collection function
 - Concentrated on the sale of ROPOA
 - Invested idle cash in Government Securities
- c. Major strategic initiatives of the Bank and the banking group, as applicable
- Use of analytics to improve the Bank's loan portfolio
 - Ongoing development and growth of Micro and SME portfolios.
 - Strengthening the system of graduating borrowers from Micro to SME loans.
- d. Challenges, opportunities, and responses during the year, if any.
- Covid-19 pandemic that affected our borrowers
 - Competition from other lending companies remains the Bank's biggest challenge
 - Borrowers still highly susceptible to macro-economic variables such as but not limited to, inflation.

IV. Risk Management Framework Adopted

- a. Overall risk management culture and philosophy (discusses the general mission and goal of the Bank's risk management practices and the corresponding risk management policy/principles adopted by the Bank's Board of Directors for the attainment of the said mission and goal)
- b. Risk appetite and strategy (describes the risk appetite of the Bank and the factors considered in defining the said risk appetite; and discusses the significant risk areas/exposures of the bank)

➤ **a & b**

- The Bank's philosophy is to protect the funds of depositors and to profitably lend to Filipino entrepreneurs.
- 1) The Bank carefully monitors its overall liquidity by matching the maturity of its Assets and Liabilities;
2) The Bank carefully monitors its exposure to interest rate fluctuations through its earnings at risk report;
3) The Bank has increased its cash on hand in vault to ₱100K to ensure ample liquidity to meet clients' transactional requirements;
4) The Bank has a policy to follow-up time deposit placements at least one (1) week before maturity.
- To strengthen its Credit Scoring system, the Bank has engaged BDO Roxas Cruz Tagle (External Auditor) to thoroughly evaluate the methodology it uses in computing statistical credit model. The Bank recently upgraded its Core Banking System. Furthermore, the Bank required its system vendor to assist in formulating the Bank's overall risk management information system.
- The Management meets regularly (ALCO) to ensure the status of liquidity. During such meetings, the Bank looks at its liquidity position for 1-2 months ahead of time.
- There are four (4) general reports identified in the interest rate and liquidity risk management:
 - 1) New Interest Rates and Fees to be collected. Prospectively, the Management will present to the Board the proposed interest rates and fees for Board policy setting.
 - 2) Tracking of Balance Sheet maturities and contractual obligations. The policy states that asset-liability maturity balances cannot be a negative amount within 6 months and the cumulative balance from 6 months to 2 years must always be positive.
 - 3) Earnings-at-risk Periodic Report. This report incorporates rates given to clients and rates being charged to borrowers. Hence, impacts of interest rates changes are thus monitored. The policy states that the earnings at risk cannot be negative up to a 2% increase in interest rates. If there will be a negative impact, the BOD will be automatically notified and consulted for appropriate action. The earnings-at-risk limits are discussed and included in the minutes per ALCO meeting and regularly presented during BOD meetings.

4) Tracking Report on Actual Cash Movements on a Bi-monthly basis. Management will bring to the attention of the Chairman of the Board pertinent reports should the liquidity level fall below ₱10 million.

c. Bank-wide risk governance structure and risk management process (Defines the roles and responsibilities and the reporting lines of the different business units that compose the risk management group/unit. For better appreciation, we illustrate in a chart/table form the risk management structure and organization of the relevant risk management function. We also discuss the scope and nature of risk reporting and/or measurement systems)

Business Units	Roles and Responsibilities	Scope & Nature of Risk Report / Measurement systems
Cash Management	<ul style="list-style-type: none"> • Holds the key of cash safe. • Receives cash from other bank/Branch and acknowledge, where necessary. Opens the cash safe before commencement of business along with other personnel holding the key. • Supervises receipt and payment of cash. • Supervises the carrying of the cash to the cash Department. • Delivers cash to the paying cashier against receipt on a memo. • Arranges sending cash to other Branch. 	Interest Rate Risk Liquidity Risk
Accounting	<ul style="list-style-type: none"> • recording and reporting of cash flow transactions of a company. • takes charge of accounts receivable, accounts payable, financial reporting, and maintaining financial controls. 	Financial Risk Technology Risk
Credit Support	<ul style="list-style-type: none"> • prepares all loan documents, records, and takes custody of all types of legal documents, arranges for disbursements of loan facility once security documents are 	Compliance Risk

	<p>complete, liaises with the Bank's lawyers, frequently reviewing portfolio / credit and security files, etc.</p> <ul style="list-style-type: none"> • safe-keeps the credit files/documents of the borrower. • Computes for the payment amortization schedules. 	
Loans	<ul style="list-style-type: none"> • markets the loan products of the Bank. • obtains information for loan applications and answers questions about the process. • Analyzes applicants' financial status, credit, and property evaluations to determine feasibility of granting loans. • Explains to customers the different types of loans and credit options that are available, as well as the terms of those services. • Obtains copies of loan applicants' credit histories, corporate financial statements, and other financial information. 	Credit Risk Market Risk

- d. AML governance and culture, and description of the overall Money Laundering (ML)/Terrorist Financing (TF) risk management framework to prevent the use of the bank for ML/TF activities
- Establishing the identity of new individual customers (Know your Client or KYC).
 - Identifying the true owners when opening new accounts for companies/corporations.
 - Producing and retaining identification and transaction records.
 - Reporting covered and suspicious transactions to the competent authorities (Anti-Money Laundering Council).
 - Enhancing relationships with the authorities.
 - Preventive procedures, training, pre-employment screening and internal controls.

V. Corporate Governance

- a. Overall corporate governance structure and practices (describes the overall governance framework adopted by the Bank)
- Reviewing and reporting to the Committee and Board on matters of corporate governance and developing and recommending to the Board corporate governance principles applicable to the Bank;
 - Monitoring compliance with regulations, directives, and other instructions of the regulatory bodies and the Board in regards to corporate governance issues;
 - Overseeing the Board and its committees in their annual assessments of their performance, including their supervisory oversight functions.
 - Reviewing and evaluating the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors.
 - Periodically reviewing and reassessing the Bank's Corporate Governance guidelines and policies and recommending proposed changes to the Board for approval.
 - Periodically reviewing and reporting to the Board on matters of corporate governance, including the review of and recommendations to, the Board regarding stockholder proposals.
 - Seeing to it that the Compliance Officer duties and responsibilities are carried out
- b. Selection process for the board and senior management (describes the Bank's process/procedure for identifying, assessing and selecting board and senior management candidates to ensure application of fit and proper standards)

For the Board

- He shall be at least twenty-five (25) years of age at the time of his election appointment;
- He shall be at least a college graduate or have at least five (5) years experience in business;
- He must have attended a special seminar on corporate governance for board of directors conducted or accredited by the BSP.
- He must be fit and proper for the position of a director of the bank. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, competence, education, diligence and experience/training.

For Officers

- He shall be at least twenty-one (21) years of age;
- He shall be at least a college graduate, or have at least five (5) years experience in banking or trust operations or related activities or in a field related to his position and responsibilities or have undergone training in banking or trust operations acceptable to the appropriate department of the SES.
- He must be fit and proper for the position he is being proposed/appointed to. In determining whether a person is fit and proper for a particular

position, the following matters must be considered: integrity, competence, education, diligence, and experience/training.

The Committee shall oversee the members of the Board's annual self evaluation and will assess the performance of the senior management officers. It will also assess the performance of Board Committees in relation to the strategic objectives of the bank.

d. Board's overall responsibility (describes the general responsibility of the Board in the approval and oversight of the management's implementation of the Bank's strategic objectives, risk strategy, corporate governance, and corporate values, among others)

- Shall act in a manner characterized by transparency, accountability, and fairness.
- Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
- Ensure that the Corporation complies with all relevant laws, regulations, and codes of best business practices.
- Establish strategic objectives and a set of corporate values that will be communicated throughout the organization and its member banks.
- Ensure transparency and receipt of sufficient information on a timely basis for effective governance.

d. Description of the major role and contribution of the Chairman of the Board

- The major role and contribution of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Bank. The Chairman is accountable to the Board and acts as a direct contact between the Board and the Management of the Bank through the Chief Executive Officer (CEO). The Chairman acts as the communicator for Board decisions where appropriate.

e. Board composition (includes the names of the members of the Board):

Names of the members of the Board	Type of Directorship	Principal Stockholder represented if nominee	Number of years served as Director	Number of Direct and Indirect shares held	Percentage of shares held to total outstanding shares of the Bank
Camacho, Jose Isidro N.	Executive	Compania De Maria Clara Holdings, Inc.	5	1	0.0001%
Amatong, Juanita D.	Independent Director	Independent	5	1	0.0001%
Benitez, Luis Y.	Independent Director	Independent	5	1	0.0001%
De Ocampo, Leonard R.	Executive	Amang Rodriguez Holdings, Inc.	3	1	0.0001%
Lorenzo, Martin P.	Non-	Amang	1	1	0.0001%

	Executive	Rodriguez Holdings, Inc.			
Lagua, Benel D.	Independent Director	Amang Rodriguez Holdings, Inc.	1	1	0.0001%
Pineda, Jesus M.	Non-Executive	MMP Investments	13	1	0.0001%

- f. Board qualification (provides details of the relevant qualifications and experiences of each member of the Board of directors, including current directorship and officership in other companies, their age, and nationality).

Board Member	Company	Current Directorship & Officership	Age	Nationality
Jose Isidro N. Camacho	<ul style="list-style-type: none"> -Diniwid Beach Hotel Corporation (Philippines) -Credit Suisse (Singapore) Limited -Transnational Diversified Group Holdings, Inc. (Philippines) -A Mining Corporation of Filsystem (Philippines) - Compania de Anuncia Holdings, Inc. (Phils) -Compania de Carlos Holdings, Inc. (Phils) - Compania de Lorenzo Holdings, Inc. (Phils) - Compania de Teodoro Holdings, Inc. (Phils) - Compania de Feliz Holdings, Inc. (Phils) - Compania de Maria Clara, Inc. (Phils) -Compania de Roberta Holdings, Inc (Phils) - Compania de Arsenio Holdings, Inc. (Phils) - BT Investment Holdings, Inc. - Sun Life of Canada (Phils), Inc. - Sun Life Grepa Financial, Inc. (Phils) - Amang Rodriguez Holdings, Inc. (Phils) - Asian Infrastructure Investment Bank (AIIB), China 	<ul style="list-style-type: none"> Chairman Vice Chairman Director Director Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Director Non-Executive Chairman Director Member, Board of Directors Member of International Advisory Panel 	65	Filipino
Juanita D. Amatong	<ul style="list-style-type: none"> -Siliman University Medical Center -Tulay sa Pag-Unlad, Inc. 	<ul style="list-style-type: none"> Chairman of the Board Director 	85	Filipino
Luis Y. Benitez, Jr.	<ul style="list-style-type: none"> -Insular Life Assurance Corp -ISM Communications 	<ul style="list-style-type: none"> Independent Trustee Independent Director 	73	Filipino

	Corp.			
Leonard R. De Ocampo	-Dasmarinas Village Homeowners Association -Far Eastern University -Wildflour	Board of Director MBA Professor Director	53	Filipino
Benel D. Laguna	-Philippine Institute of Pure and Applied Chemistry (PIPAC) -Institute of Corporate Directors -Management association of the Philippines - Financial Executive of the Philippines - Dela Salle University Professional Schools, Inc. - Ateneo de Manila	Director Fellow Lifetime member Lifetime member Professional Lecturer IV Lecturer	64	Filipino
Martin Ignacio P. Lorenzo	-First Lucky Holdings, Corp - CAT Resource and Asset Holdings, Inc. - Altius Real Property Holdings, Inc. - Courxera Holdings, Corp. - Buena Vista Corporate Asset Holdings, Inc. - Cocosorbetero Holdings, Inc. - Block 9 Lot 1 Holdings, Inc. - First Green Renewable Holdings, Inc. - First Lucky Education Holdings Corp. - Macondray Finance Corp. - Macondray Insurance Brokers Corp. - Marlor Investment Corp. - SORestaurant Holdings Corp.	Chairman & CEO Chairman & CEO Chairman Chairman Chairman & CEO Chairman & President Chairman & President Chairman & President Chairman & President Chairman & President Chairman & President Chairman & President Chairman & President	55	Filipino
Jesus M. Pineda, Jr.	-Philippine Lighting Industry Association -Ugong Trade and Holdings -Filipina Climate Solution, Inc.	President Chairman / President Chairman	82	Filipino

g. List of board-level committees including membership and function.

➤ **AUDIT and RISK MANAGEMENT COMMITTEE**

- Mr. Luis Y. Benitez, Jr. – Chairman
- Ms. Juanita D. Amatong – Member
- Mr. Benel D. Laguna – Member
- Mr. Leonard R. De Ocampo – Ex-officio

Function: To assist the Board of Directors in fulfilling its oversight responsibilities with respect to internal controls, including financial reporting control and information technology, security, accounting policies and auditing for the financial reporting process and compliance with related legal and regulatory requirements. Assist the Board in its oversight of:

- i. Integrity of the financial reporting;
- ii. Compliance with legal and regulatory requirements;
- iii. The effectiveness of internal controls and procedures;
- iv. The qualifications and independence of the independent auditors; and
- v. The performance of the Company's independent auditors, and of the internal audit program.

➤ **RISK MANAGEMENT**

Function: Responsible for the development and oversight of the Bank's Risk Management Program. To assist the Board in discharging its oversight of:

- i. The Bank's risk governance structure;
- ii. The Bank's risk management and risk assessment guidelines and policies regarding market, credit, operational, liquidity, funding, reputational and other risks as necessary to fulfil the Committee's duties and responsibilities;
- iii. The Bank's risk tolerance; and
- iv. The Bank's capital, liquidity and funding.

➤ **CORPORATE GOVERNANCE COMMITTEE**

Ms. Juanita D. Amatong – Chairman

Mr. Luis Y. Benitez, Jr. – Member

Mr. Benel D. Laguna - Member

Mr. Leonard R. De Ocampo - Ex-officio

Function: To assist the Board of Directors in fulfilling its corporate governance responsibilities. The Committee is responsible for exercising oversight with respect to the governance of the Board of Directors of the Bank, including:

- i. Reviewing and reporting to the Board on matters of corporate governance and developing and recommending to the Board corporate governance principles applicable to the Bank;
- ii. To monitor compliance of regulations, directives, and other instructions of the regulatory bodies and the Board in regards to Corporate Governance issues; and
- iii. Oversee the Board and its committees in their annual assessments of their performance, including their supervisory oversight functions.
- iv. Review and evaluate the qualifications of all persons nominated to the board as well as those nominated to other positions requiring appointment by the board of directors.

➤ **EXECUTIVE COMMITTEE**

Mr. Jesus M. Pineda, Jr. – Chairman
 Mr. Benel D. Laguna – Member
 Mr. Leonard R. De Ocampo – Member

Function: Shall provide advice to and aid the officers of the Bank in all matters concerning its interests and the management of its business and shall exercise all the administrative powers of the Board of Directors with reference to the usual and ordinary business of the Bank when said Board of Directors is not in session.

➤ **RELATED PARTY TRANSACTION COMMITTEE**

Mr. Benel D. Laguna – Chairman
 Mr. Luis Y. Benitez, Jr. – Member
 Ms. Juanita D. Amatong - Member
 Mr. Leonard R. De Ocampo – Ex-Oficio

An overview of the general responsibilities of the Committee is simplified below:

1. Evaluate existing relations between and among businesses and counterparties.
2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms.
3. Ensure appropriate disclosures are made and/or information is provided to regulatory bodies of the Bank.
4. Report to the board of directors the status and aggregate exposures to each related party.
5. Ensure that RPTs are subject to independent review or audit process.
6. Oversee the implementation of the system of RPTs, including the review of RPT policies and procedures.

- h. Directors’ attendance at board and committee meetings (includes the total number of board and committee meetings for the election year and the number of board and committee meetings attended by each director). A sample template is provided below.

Number of Directors	Board Number of Meetings		Audit Committee Number of Meetings		Corporate Governance Committee Number of Meetings		Risk Management Committee Number of Meetings	
	Attended	%	Attended	%	Attended	%	Attended	%
1. Camacho, Jose Isidro N.	5	100%						
2. Amatong, Juanita D.	5	100%	2	100%	2	100%	2	100%
3. Benitez, Luis Y.	5	100%	2	100%	2	100%	2	100%
4. De Ocampo, Leonard R.	5	100%	2	100%			2	100%
6. Pineda, Jesus M.	4	80%						

Total Number of Meetings held during the year	5	100%	2	100%	2	100%	2	100%
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- i. Changes in the board of directors (for complex banks only) (indicate the changes in the composition of the board of directors that happened during the period including the reason for said change, i.e., resignation, death, removal)

➤ **Not Applicable**

- j. List of executive officers/senior management (discloses the name, position, relevant qualifications/experience, age and nationality of the officer. Senior management refers to the president/CEO or officer of equivalent rank and other persons having authority and responsibility for planning, directing and controlling the activities of the bank).

NAME	POSITION	QUALIFICATIONS / EXPERIENCE	AGE	NATIONALITY
Leonard R. De Ocampo	President	-6 years in Banking institutions as Trader/Economic forecaster, Financial Analyst -24 years as Director of financial company.	53	Filipino
Rene Roque C. Neri	VP/Head – Loans and Business Development	-5 years in Insurance company as Senior Field Auditor -12 years in Banking institutions as Area Lending Head -5 years in leasing company as VP-Finance.	55	Filipino
Manuel I. Inserto	VP-Liability Generation and Treasurer	-24 years in Landbank as AVP. -19 years in various Banking Institutions.	69	Filipino
Theresa S. Datinguino	VP – Human Resources Management and Administration & Corporate Communications	-Over 25 years in the human resources management profession and organization development, in the financial services industry. - 6 years HR consultant for insurance and IT services companies.	53	Filipino
Jennifer E. Valcarcel	Chief Compliance Officer	-9 years in a multinational company as personal and accounting assistant -12 years in Rural Bank as Cashier, Accounting Officer and Compliance Officer.	49	Filipino

Irene Simbajon	Internal Auditor	-3 years in banking experience as Audit Examiner -1 year Accounting Staff in Foundation company. -1 year as Audit Staff in mobile and computer accessories company.	36	Filipino
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k. Performance Assessment Program (describes the process adopted by the Bank in assessing the performance of the board and senior management based on established performance standards that are consistent with the bank's strategic objectives).

- The Board of Directors and the different Board committees have self-administered performance evaluation forms done yearly. The Bank's senior management's performance is assessed using a Performance Evaluation Form that measures both key result areas and competencies.

l. Orientation and Education Program (discloses the in-house and external training program of the bank for its directors and senior management to ensure that they continuously possess the qualifications for the position).

- Corporate Governance
- RBAP training Programs / seminars
- Taxation
- AMLA

m. Retirement and Succession Policy (describes the retirement and succession planning policy of the bank including the retirement age for the board and senior management; and the term limit for the members of the board).

RETIREMENT POLICY

- The Bank's Retirement Plan, through a Retirement Trust Fund, shall provide payment of a definite amount to its employee's retirement from service, subject to the regulations stated in this policy.

The Bank has the prerogative to retire an employee who has reached the age of sixty (60) and has rendered at least five (5) years of continuous service in the Bank.

SINCE 1952

SUCCESSION PLANNING POLICY

- The Company shall establish a succession planning system which will provide the foundation for the continuing business operations of the company by making provisions for the development, replacement, and strategic application of key people over time.

The Company's succession planning program is a part of a broader talent management endeavour that aims to attract the best talent, engage those

individuals, and develop them through well-planned development efforts. Succession planning enables the organization to build its bench strength to guarantee its long-term health, growth, and stability.

- n. Remuneration policy
- i. Remuneration Policy and Structure for executive and non-executive directors (discloses the bank's remuneration policy and the structure of its remuneration package for the Board).
 - All Board members (Present) are given a per diem for every Board of Directors meeting.
 - ii. Remuneration Policy for senior management (disclose the process used for determining the remuneration of the president/CEO or officer of equivalent rank, and the four (4) most highly compensated management officers of the bank).
 - For the CEO, the package is decided upon by the Board of Directors. For the Officers of the Bank, the President and CEO approves the package after the formal Board approval of the appointment. Next to the President, the four (4) most highly compensated management officers of the Bank in 2019 are the VP for Loans Department, VP for Liability Generation Department, VP for HRM Department, and the Compliance Officer.
- o. Policies and procedures on related party transactions
- It has been agreed upon that the Bank will not give out any DOSRI loans.
- p. Self-Assessment Function
- Self-assessment is done by its Board members.
 - The Committee shall oversee the members of the Board's annual self-evaluation and will assess the performance of the senior management officers. It will also assess the performance of Board Committees in relation to the strategic objectives of the Bank.
- q. Dividend policy (discusses the bank's policies and procedures for declaring dividends and the amount of total dividends declared during the year, if any)
- Given the state of financials, the Bank aims to declare dividends in the next 5-year horizon.
- r. Corporate Social Responsibility Initiatives (discusses any initiative undertaken or proposed to be undertaken by the bank during the year)
- It is the Bank's belief that serving the Micro and SME segments of society is in itself a fulfilment of corporate social responsibility.
- s. Consumer Protection Practices
- To ensure the Bank's proper monitoring of accounts and to avoid payment delinquencies, the Accounting Unit, in coordination with Internal Audit, shall

generate quarterly loan and savings account balances to be issued to each client.

➤ **Consumer Protection Oversight Function**

1. Roles and Responsibilities of the Board and Senior Management

The Board of Directors is responsible for approving and overseeing the implementation of policies inclined with the Bank's Financial Consumer Protection Framework and establishing an effective oversight of Bank's consumer protection programs as described herein:

1. Approval of Financial Consumer Protection Framework policies
2. Review of mechanism to ensure compliance with the policies periodically.

The Senior Management is responsible for developing strategies for the Bank's consumer protection framework.

2. Consumer Protection Risk Management System (CPRMS)

The Consumer Protection Risk Management System of Bangko ng Kabuhayan (BnK) aims to address and prevent risks that may threaten the Bank and cause financial harm or loss to consumers.

a. Board and Senior Management Oversight

The Board and the Senior Management are responsible for periodically assessing the effectiveness of the CPRMS.

b. Compliance Program

The Compliance Office is responsible for the over-all compliance system that should prevent or reduce regulatory violations and protect the Bank's consumers.

c. Policies and Procedures

The BnK's policies and procedures are in accordance with the following:

- a) consistent with Consumer Protection Policies approved by the Board;
- b) ensures that consumer protection practices support the business operations;
- c) addresses compliance with consumer protection laws, rules and regulations; and
- d) periodically reviewed as they serve as reference for Bank's employees.

d. Internal Audit Function

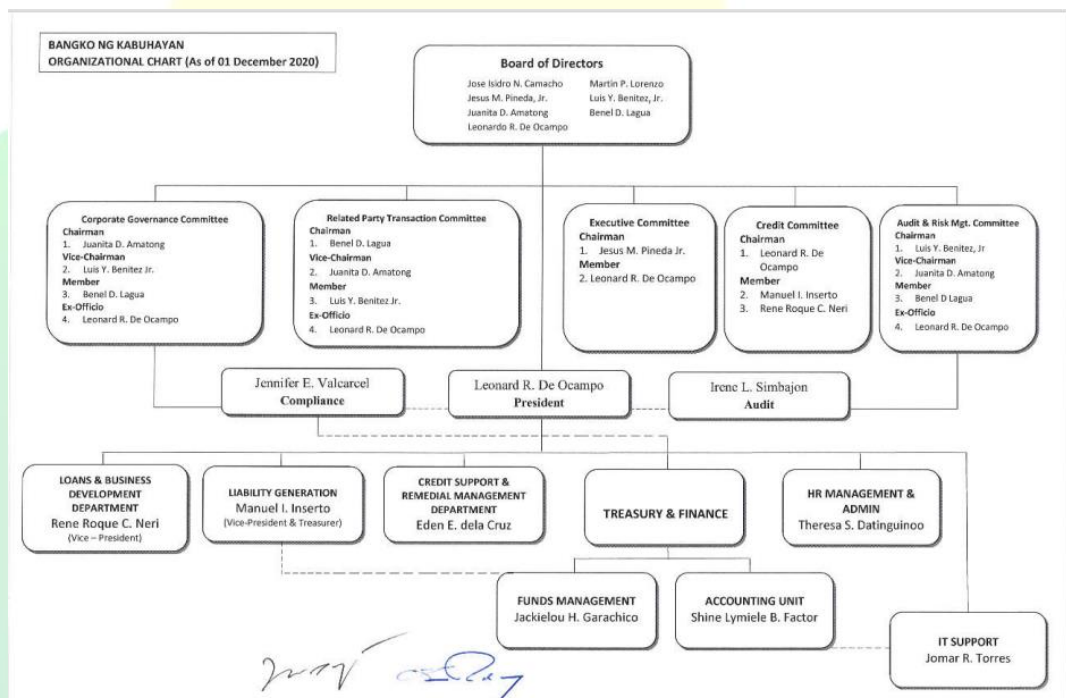
The BnK's Internal Audit Team is responsible for the assessment on the effectiveness of implementation of the internal policies and procedures of Consumer Protection Framework.

e. Training

- The BnK shall provide training to its workforce in line with the Consumer Protection Framework rules and regulations.
- Capital Adequacy Ratio – The Bank has exceeded the minimum risk-based capital adequacy ratio, expressed as a percentage of qualifying capital to risk-weighted assets, of not less than 10% as required by the BSP; its CAR being 44.71% as of December 31, 2019.

VI. Corporate Information

- a. Present the organizational structure as of September 2020, including the name and position of key officers:



- b. List of major stockholders of the bank, including nationality, percentage of stockholdings and voting status

Stockholders	Nationality	Percentage of Stockholdings	Voting Status
Amang Rodriguez Holdings, Inc.	Filipino	36.80%	Voting
First Lucky Holdings Corp	Filipino	26.40%	Voting
Compania de Maria Clara	Filipino	26.40%	Voting
MMP Investments, Inc.	Filipino	8.18%	Voting
Landbank of the Philippines	Filipino	2.21%	Voting

- b. List and description of products and services offered:

- REGULAR SAVINGS ACCOUNT

- Minimum and maintaining balance of Php500.00
- Interest bearing balance of Php500.00
- 0.50% interest per annum

➤ TIME DEPOSIT ACCOUNT

- Minimum and maintaining balance of Php500,000.00
- 30 days – 3.00%
- 60 days – 3.125%
- 90 days – 3.25%
- 1 year – 3.375%

➤ AMANG MICRO LOAN

- is an individual loan product for micro entrepreneurs who wish to improve their businesses.

Microfinance Loan Regular – Php30,000.00 – Php50,000.00

Microfinance Loan Plus – Php150,001.00 – Php300,000.00

➤ MICROPLUS SMEB (SMALL ENTREPRENEUR BUSINESS) LOAN

- Capital expenditures (acquisition of equipment/renovation/construction).
- Working capital (specific purchase of inventory/stocks)
- Php300,000.00 – Php500,000.00

➤ SMALL MEDIUM ENTERPRISE

- Short Term Loan Line
 - ✓ To finance additional working capital requirement of the business
 - ✓ Php500,001.00 – Php2,000,000.00
 - ✓ Via maximum of 180-day Promissory Note
- Term Loan Line
 - ✓ To finance business expansion, acquisition of equipment/fixed assets and or permanent working capital
 - ✓ Php500,001.00 – Php2,000,000.00

d. **Bank website**

- BANGKO NG KABUHAYAN WEBSITE (www.bangkongkabuhayan.com) was launched in May 2019 in time for the formal launch of our new corporate name: Bangko Ng Kabuhayan (A Rural Bank), Inc. It serves as the window of the public about relevant information concerning the Bank, with the following sections:

- HOME PAGE – snapshot of the basic information about the Bank such as company history, products and services, and contact information. It also provides links to the Bank Website’s Terms of Use and Privacy Policy
- ABOUT US – tells the visitors about the Bank’s milestones and what the business is all about
- PRODUCTS AND SERVICES – details the Bank’s loan products and deposits

- HAPPENINGS – important events and developments about the Bank, its employees, programs, and relevant events and feature articles concerning the industry and those that may benefit our clients
 - CLIENT TESTIMONIALS – monthly feature on loyal clients
 - CONTACT US – contact information about the Bank’s offices as well as job opportunities. It also provides the venue for visitors to send us a message
 - WIDGETS – Link to our Facebook page
 - PRIVACY POLICY
- e. List of banking units (such as branches, extension offices, other banking offices, and representative offices) domestic and abroad including address and contact details (optional for banks that disclose these information in their websites)

BRANCH	ADDRESS	CONTACT NO.
Head Office	G/F, Rayle Bldg., #52 Dr. Sixto Antonio Avenue, Kapasigan, Pasig City	028643-4381 / 83
Antipolo Branch	83 Circumferential Road, Antipolo City	028571-1284
San Mateo Branch	Unit 2 RNC Gen. Luna St., Ampid I, San Mateo, Rizal	0917-505-5298

VII. 2020 Audited Financial Statements (AFS) with Auditor’s Opinion

- **BDO Roxas Cruz Tagle, External Auditor** have audited the financial statements of Bangko ng Kabuhayan, (A Rural Bank) Inc. formerly Rodriguez Rural Bank, Inc., which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income (Loss), statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

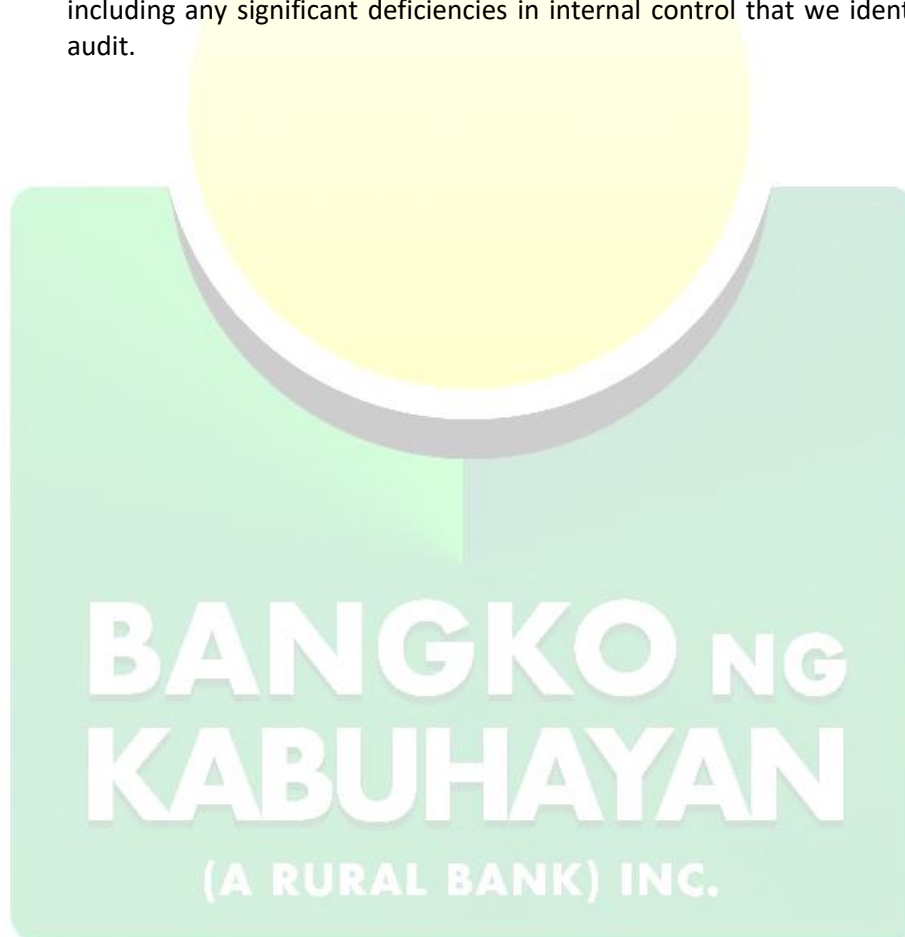
As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we

conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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