

# **ANNUAL REPORT**

## **2017**

I. **Compliance with Subsection X190.5 - Disclosure Requirements in the Annual Report**

1. ***Corporate Policy***

a. **Brief discussion of bank's vision and mission statements.**

Vision

“To be among the top five most successful rural banks in Cagayan Valley recognized for its financial strength by 2020.”

Mission

“To be among the most successful rural banks in Cagayan Valley by delivering superior financial solutions and sustaining financial growth and stability, increasing shareholder's value and empowering employees and contributing to the preservation and development of ecological environment of the community where we operate.”

GRBP strives to be included in the list of the most successful rural banks in Cagayan Valley recognized for its financial strength. The company's tagline of “Madalinglapitan, Maaasahan” conveys our commitment to deliver superior financial solutions and excellent customer service. GRBP ensures that every interaction gains a satisfied and loyal customer.

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

Golden Rural of the Philippines Inc. (GRBP), has established its internal branding to create a competitive advantage from other rural banks.

In line with the company's mission to deliver superior financial solutions and customer service, GRBP has been engaging its employees to adopt the core values of Maagap, Maaliwalas, Maasikaso and Laging Tama. These mantras are measured in four different categories namely; Mystery Client, Mystery Caller, Examination and Voice of the Customer.

Mystery Client is an asset (person) who comes in the bank to act as a customer and experience the bank's service. The major objective of this category is to assess the personal interaction of our employees inside the bank premises.

Mystery Caller is an asset (person) who calls the bank to act as a customer to experience the bank's service. The major objective of this category is to assess the verbal interaction of our employees through communication device such as cell phone/telephone.

Voice of the Customer, Marketing Department sets questions for our actual clients who had transactions during the quarter scored. Questions asked are in line with the four mantra which are also asked in our Customer Feedback Form.

Examination, Marketing Department sets questions for branch employees to assess their knowledge regarding the factors that affects their customer service to

increase market penetration through referrals such as (product knowledge, market database, customer feedback forms, customer service experience blueprint, CORDS, etc.). This category aims to enhance the mindsets “Laging Tama” and “Maagap”.

#### Brand mindsets for grbp’s employees

##### Maaliwalas-(pleasant)

- The employee wears proper uniform and ID.
- The employee’s overall appearance is neat, tidy and fresh.
- The employee work area is clean, fresh, organized and free from obstruction (observes 5s).
- The employee is friendly and courteous to the customers.

##### Maasikaso-(attentive)

- The employee is attentive, quick and efficient to resolve the customer’s concern.
- The employee offers other services or alternative means to meet the customers’ needs.

##### Maagap-(pro-active)

- The employee finishes work early based on the set deadlines.
- Resources are ready and on-time because employee has planned and scheduled the customer transaction.

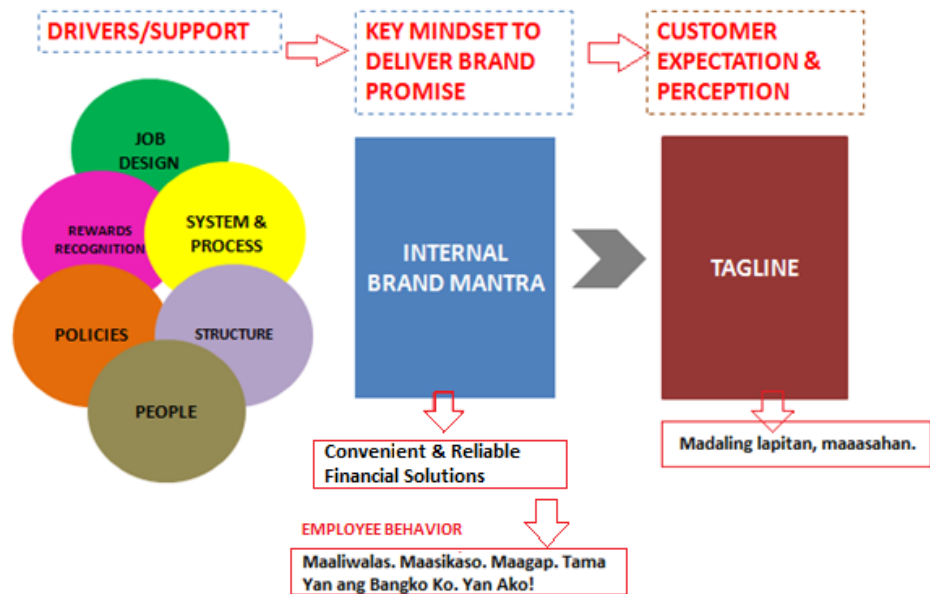
##### Tama-(correct)

- The employee makes sure that all transactions are correct.
- The employee always double checks work and asks superiors if in doubt.
- The employee is always updated with the new policies of the bank.

#### What is our brand value proposition or brand promise to our customers?

Easy banking experience, “Madaling lapitan, Maaasahan.”)

- Faster loan release
- Friendly and approachable employees that aim for total customer satisfaction
- Knowledgeable and expert employees that can provide financial solutions to customers
- Accessible products and services
- Accurate and reliable information



**c. Business model of the bank**

GRBP Business Model

Key Partners	Key Activities	Value Propositions	Relationships	Customer Segments
<ul style="list-style-type: none"> <li>&gt;Landbank of the Philippines</li> <li>&gt;UCPB</li> <li>&gt;Bank of the Philippines Island</li> <li>&gt;BDO</li> <li>&gt;Globe Gcash</li> <li>&gt;Western Union</li> <li>&gt;Cebuana Pera Padala</li> <li>&gt;Bayad Center</li> <li>&gt;Stockholders</li> <li>&gt;Country Bankers Life Insurance Corporations</li> <li>&gt;IT Service Provider</li> <li>&gt;Philippine Crop Insurance Corp.</li> <li>&gt;Agricultural Guarantee Fund Pool</li> <li>&gt;IBOSe</li> <li>&gt;CyberOne</li> <li>&gt;Globe Telecomm.</li> <li>&gt;PLDT</li> </ul>	<ul style="list-style-type: none"> <li>Financial Operations</li> <li>&gt;Deposit Taking</li> <li>&gt;Lending</li> <li>&gt;Remittance</li> <li>&gt;Bills Payments</li> </ul>	<ul style="list-style-type: none"> <li>"Madaling Lapitan, Maaasahan"</li> <li>&gt;Superior Customer Service</li> <li>&gt;Wider Bank Networks</li> <li>&gt;Faster Loan Release</li> <li>&gt;Financial knowledge to Target Markets</li> </ul>	<ul style="list-style-type: none"> <li>Personal Assistance</li> <li>Automation where possible</li> <li><b>Channels</b></li> <li>Bank Branches</li> </ul>	<ul style="list-style-type: none"> <li>&gt;Students</li> <li>&gt;Farmers</li> <li>&gt;Backyard Raisers</li> <li>&gt;Tricycle Drivers</li> <li>&gt;DepEd Teachers</li> <li>&gt;Doctors</li> <li>&gt;MSMEs</li> <li>&gt;Other Below Middle Class citizens</li> </ul>

>Encash >Bangko Sentral ng Pilipinas >Rural Bank Association of the Philippines >Confederation of Cagayan Valley Rural Banks	>Physical and IT Infrastructure >Rediscounting Line >Loan Assets >Human Resources		ATM  Internet Website  Mobile phone	
<b>Cost Structure</b>		<b>Revenue Streams</b>		
Interest Expenses	>Operational Expenses >Salary >Requisitions >Miscellaneous	>Interest Income >Insurance Income	Fee Income	ROPA Disposals

Golden Rural Bank of the Philippines’ value proposition is to live with its tagline “Madaling lapitan, maaasahan” by offering superior customer service and financial solutions, wider bank networks, faster loan release, and to promote financial awareness to our target markets. GRBP’s financial operation includes deposit taking, lending, remittance, and bills payment delivered through personal assistance with the aid of our key partners namely Land Bank of the Philippines, UCPB, BPI, Globe Gcash, Western Union Remittances, Cebuana Pera Padala, Bayad Center, Stockholders, Country Bankers Life and Insurance, IT Service Provider, Philippine Crop Insurance Corporation, Agricultural Guarantee Fund Pool, IBOSe, CyberOne, Globe Telecom, PLDT, Encash, BSP, RBAP, CCVRB. The key resources needed to sustain the GRBP’s operation are Physical and IT Infrastructure, Rediscounting line, Loan Assets, and Human Resources. GRBP catered almost types of market segments like students, farmers, backyard raisers, tricycle drivers, DepEd teachers, Doctors, MSME’s and those who are below middle class income earners. The needs of the said market segments can be serve through bank branches, ATM, Internet website, and mobile phones. Cost Structures from these operations are Internet expenses, operational expenses, salary, requisitions, and miscellaneous. The income of the bank is generated through Interest income and insurance income from loans, fee income, and the income the disposal of Real and Other Property Assets acquired.

## 2. Financial Summary/ Financial Highlights

### GOLDEN RURAL BANK OF THE PHILIPPINES, INC.

#### COMPARATIVE FINANCIAL HIGHLIGHTS

As of December 31, 2017 and 2016

For the year	2017	2016	2017 increase (decrease) from 2016	
			in Peso	in %
<b>Profitability</b>				
Total Net Interest Income	29,842,757.69	31,171,062.16	(1,328,304.47)	-4%
Total Non-Interest Income	11,238,510.93	11,417,530.91	(179,019.98)	-2%
Total Non-interest Expenses	38,219,851.08	36,273,239.07	1,946,612.01	5%
Pre-provision profit	4,502,910.52	5,924,055.78	(1,421,145.26)	-24%
Net Income	2,044,492.24	2,353,840.35	(309,348.11)	-13%
<b>Selected Balance Sheet Data</b>				
Liquid Assets	84,896,132.28	88,379,553.79	(3,483,421.51)	-4%
Gross Loans	232,635,901.22	216,985,990.68	15,649,910.54	7%
Total Assets	349,131,626.26	332,632,250.47	16,499,375.79	5%
Deposits	165,269,564.45	136,738,640.63	28,530,923.82	21%
Total Equity	63,010,061.57	60,678,430.50	2,331,631.07	4%
<b>Selected Ratios</b>				
Return on equity	3.31%	3.92%	-0.62%	-16%
Debt to equity ratio	4.56:1	4.48:1	0.08	2%
Return on assets	0.60%	0.74%	-0.14%	-19%
Net Interest Margin	9.88%	11.08%	-1.21%	-11%
Capital Adequacy Ratio	16.34%	16.48%	-0.14%	-1%
Past due ratio	13.68%	11.43%	2.25%	20%
<b>Per common share data</b>				
Earnings per share:				
Ordinary Shares	4.86	5.59	(0.73)	-13%
Book value per share				
Ordinary Shares	149.67	144.13	5.54	4%

\*Audited

## 3. Financial Condition and Results of Operations

- a. Review of bank's operations and result of operations for the financial year including details and explanations for any significant change during the year.
- b. Highlight of major activities during the year that impact operations.

## FINANCIAL HIGHLIGHTS AND REVIEW OF OPERATIONS

### **Profitability**

The bank's Net interest Income decreased to P29.8 million by P1.3M or 4% compared to 2016. The main driver in this decrease is the higher Interest Expense in 2017 vs. 2016; There is only a marginal increase in Interest Income in 2017 compared to 2016; although the bank was able to increase its 2017 loan portfolio almost twice as the increase of P8 million in 2016, the yield from which are yet to be realized in the following year.

**Interest expense** increased to P13.6 million in 2017 by P1.4 million, or 11%, from P12.2 million in 2016, this is primarily due to the increase in deposits, especially in time deposits. The increase is also attributable to higher amount of bills payable terminated in 2017 compared to 2016 effecting a net decrease in Bills Payable by P13.9 million or 12%.

There is no significant increase/decrease in the bank's funding cost in 2017 which is 5.11% as compared to 2016's 4.98%, however this still higher than industry average of 2.10%. Although the bank's bills payable with interest rate of 5.5% decreased by P13.9 million in 2017 and funds from deposit liabilities increased by P28.5 million, there is still no decline in funding cost because such increase in deposits is mostly or 63% time deposits, the average cost of which is 6% in 2017.

**Non-interest Income** which mainly comprises of Fees and Commission, Gain from ROPA and Other Income - Penalty, makes up 19% of the bank's total gross income, such percentage being the same as 2016.

**Fees and Commission income** for 2017 was P5.3 million which is almost the same as 2016, a large percentage of this income consist of Documentation and Insurance Income which are derived from the bank's loan releases.

**Other Income** which consist of past due penalty/service charge collections was P2.5 million in 2017 in comparison to 2016's P3 million; this is due to higher past due collections in 2016 than in 2017. While income derived from sale of ROPA was higher in 2017 amounting to P3.4M compared to 2016's ROPA gain of P3 million.

**Non-interest Expense** which makes up 69% of total cost increased by P1.9 million or 5% in 2017. Compensation and Fringe Benefit expense which is up by P1.4 million compared to 2016 contributed the largest to this increase.

### **Net Income**

2017 operations resulted in bank wide profit of P2.04 million after tax of P1.5 million, which is 13% lower than 2016. Gross revenue and expenses of the bank both grew 2% to a total of P57.8 million and P55.6 million respectively as compared to 2016. The largest income driver is Interest Income from loans at 75% of total revenues; Interest Income from deposit in banks/investments is at 4% while Non-interest income comprises 19% of gross revenues.

**Expenses** are up by P1.3 million compared to last period, resulting from addition of a new branch and increase in number of bank's employees compared to 2016, consequently increasing Other Admin Expenses and Compensation/Fringe Benefits. The major areas of increase in expenses is Interest Expense and Compensation and Fringe Benefits which rose by 11% and 10% respectively, they also constitute the larger portion of total expenses with Interest Expense at 24% and Compensation at 28%.

### **Selected Balance Sheet Data**

Considered as eligible Liquid Assets are the bank's cash and other cash items, due from BSP and other banks and investment securities. Liquid assets decreased by 4% or

P3.4 million; the main driver for this decline was the decrease in Bills Payable which decreased the bank's deposits in banks by almost P5 million.

The bank's **Loan Portfolio** amounted to P232.6 million which is up by 7% compared to 2016. The increase is primarily due to a P24 million increase in Other Agricultural Loans, having the highest growth in 2017. A large percentage of the bank's loan portfolio consists of Small Scale Enterprise and Agrarian Reform Loans, each contributing almost 40% to total loans; while Other Agricultural loans' share increased from 9% in 2016 to 19% as of 2017.

The net increase of loans in 2017 at P15 million is higher by 95% in 2016 at P8 million, but in terms of volume of loan releases/renewals 2016 marked higher but it was off set by a larger volume of loan payments/collection resulting only in P8 million net increase vs. 2017's P15 million.

**Assets** of the bank increased by 5% in 2017, this is largely attributable to the P15.6 million increase in loans. Loans comprise 67% of the bank's total assets as of 2017 with an increasing trend over the past years. Other assets that marked an increase this year includes the bank's Real and Other Properties Acquired which increased to P30.3 million as of 2017, or a 10% increase vs last year.

**Deposits** also continue to increase over the past years; for 2017, the bank was able to increase deposits by 21% amounting to P28.5M. This increase is largely contributed by new Time Deposit accounts, growing by 31% or P24.5 million compared to 2016, while Savings Deposits grew by 7% or P3.9 million. As of 2017, Time Deposits still comprise a larger percentage of total deposits at 63% than Regular Savings Deposits which is at 37%.

The Banks's total **Equity** climbed to P63.01 million as of 2017, net earnings of P2.044 million alone contributed to increase.

#### **Selected Ratios**

**Return on Equity** decreased to 3.31% from 3.92% in 2016 which is still below industry average of 9%. The bank has relatively higher capital base and lower net profit in peso than industry average; as to capital structure Debt to Equity ratio is 4.48:1 in 2016 increasing to 4.56:1 in 2017, which is higher than industry average of 4.20:1. The increase is driven mainly by higher cost time deposit liabilities increasing by P24.5 million resulting also in higher Interest expense that negatively affected the bottom-line.

**Return on Assets** also decreased to 0.60% in 2017 from 0.74% in 2016, still lower than industry average of 1.71%. The bank's asset size rises year by year, and has increased to P349 million in 2017, however resulting net earnings was only 0.60% of total average assets or P2.044 million.

**Net Interest Margin** in 2017 is 10.17% compared to 11.43% in 2016, the decrease is due to higher earning assets (especially loans) but lower net interest income in 2017. Net interest margin in 2017 is above the industry average of 9.67% because the bank has higher net interest income than industry average of P17.9 million. However, the high net interest income was negated by high non-interest expenses such as Compensation/Fringe Benefits and Other Administrative Expenses, decreasing income which explains the lower than industry average ROE and ROA despite the high NIM.

**Capital Adequacy Ratio** decreased from 16.48% last year to 16.34% in 2017. The bank's 2017 operation resulted in net earnings of P2.044 million, hence an increase in the bank's total qualifying capital. However there was an increase in the bank's non-performing assets such as loans and ROPA compared to 2016 which negatively affected



the banks CAR by 1%; in computing the bank's risk-based capital adequacy ratio, non-performing assets have the highest risk weight at 150%.

**Past Due Ratio** increased to 13.68% in 2017 from 2016's 11.43%, higher by 2.25%. The same is also higher than industry average PDR of 12.06% or by 1.62%. The banks past due loans recorded higher in 2017 by P6.9 million than in 2016 with Agrarian Reform Loans and Small Scale Enterprise loans contributing the most to the increase.

c. Major strategic initiatives of the bank and the banking group, as applicable.

Increase asset size by 25% at the end of the year	<b>Product Development Strategy</b>
	1. Utilize 60M AGFP line in 2017
	2. Full availment of Php 10 million rediscounting line from BSP and increase to 25 million
	<b>Increase Competency Strategy</b>
	1. Infuse Php 10million capital from LandBank through preferred shares
	2. Infuse Php 10 million capital from shareholders through common stocks
Increase deposit by Php 43,000,000.00 by year end	3. Increase CAR at 18%
	<b>Increase Branding Strategy</b>
	1. Intensify Deposit Campaign >Intensify direct marketing of time deposits to our deposit target market  >Increase referral from existing depositors
	>Intensify Deposit product awareness and development
Increase loan by Php 45,000,000.00 by year end	2. Intensify Loan Campaign >Increase market saturation of branches
	>Increase referral from existing borrowers.
	>Continuous improvement of loan legwork monitoring of branches
	<b>Increase Branding Strategy</b>
Wider Market Geographic Coverage in Region 2	1. Boost take-up of Golden Agri-Easy Loan from our target market
	2. Implement Cost Reduction Measures/Program/Protocol
Achieve Net Income of Php 7 million	3. Reduce Past Due ratio from 7% to 5%
	4. Create a marketing plan for Fast ROPA Disposal
	5. Observe loan interest rates concentration bracket (improve pricing of loans and deposits)
	6. Improve employee performance

Improve Image of the bank	7. Establish branch in Diffun in Q3 as a flanking move strategy where rural bank density ratio is low and with fairly high customer ratio
	8. Increase brand value and identity to stakeholders
	9. Conduct CSR activity that has external impact to stakeholders and community
	10. Consolidate with other rural banks (RB of Claveria, Dupax, Sanchez-Mira, Tumauni, Villanueva) (Minor Plan)
	<b>Product Development Strategy</b>
	>establish a ROPA disposal strategy
	3. Empower Product development to tap government credit programs and value chain market
	>develop micro -insurance product
	>establish value chain framework for target market aligned with gov't credit program/value chain
	>Cassava in agri-easy loan product
>Pineapple in agri-easy loan product	
>Establish ISELCO Bills Payment Service	
>Establish Checking Account Product	
>establish FOREX	
>Create organic program	
<b>Increase Competency Strategy</b>	
1. Improve HR	
>Establish Management Specialists team to limit disruption from high turnover by improving Strategy in hiring and retention	
>brand presence	
>head hunt	
>build connection with universities	
>Create training need identification process (draft from HR) through Implementation of Performance Appraisal to identify Gap	
>Improve Corporate Employment Branding to increase employment attractiveness from potential employees	
2. Assess knowledge on policies, tasks, product and services retention for existing employees	
3. Implement Value Formation (Perseverance, Integrity, Belief, Discipline)	
4. Review and standardize hiring process flow and matrix (include lateral transfer process and requirements)	
5. Improve Gap analysis for BSP Circular 855	
Emphasize Employee Empowerment	

Continuously improve business operation	6. Improve credit risk system and processes
	7. Implement and test Business Continuity Back-up Plan
	8. Establish Communication Meeting Flow for Corporate and branches
	9. Implement Penalty and Rewards System
	10. Establish Corporate Governance for BOD System of Professionalism for Management 11. Empower usage and process of technical resources 12. Add trainings for >BOD >employees values and internal brand mindset >process and policies of IBOSe forms >BSC appreciation and usage 13. Conduct a research for HR employment standards and system

d. Challenges, opportunities, and responses during the year.

MARKETING/PLANNING DEPARTMENT	
CHALLENGES	RESPONSES
Due to intense competition in the banking industry with common product offerings, GRBP lacks product differentiation among competitors.	Launching of Flexi-pig raiser loan and its successful and continuous take up differentiates GRBP product among other competitors since it is value chain integrated and is also new in the industry. In addition, product development on agricultural loan is on-going to cater further the different market segments.
Lack of utilization of Balance Scorecard as a tool for strategy implementation	Retraining of all departments and branches is continuously conducted for further understanding, monitoring, and alignment of the company strategies.
Insufficient marketing strategies to market loans and deposit	GRBP conducted related trainings to branches and continuous product development of attractive products is one of our strategies to capture the market for easier generation of loans and deposits.
Insufficient trainings for marketing staffs for individual competencies.	HR Department is looking for a well-known and recognized training institution in order to increase knowledge and competencies of marketing department staffs on marketing perspectives.
OPPORTUNITIES	RESPONSES

Successful take up of Flexi-Pig raiser loan product	Due to client's repeat business and increased ROI, Flexi-pig Raiser Loan is expected to boost and is set to roll out in all braches by this year to extend its market reach within the region since it is one of the GRBP's flagships and competitive product.
Strengthen other services of the company	To strengthen the services offered by the bank, GRBP made a partnership with Cebuana Lhuillier to provide options for easy remittances aside from the bank's existing Western Union services. Likewise, application as Bayad Center Agent has been finalized. By offering Bayad Center services, GRBP will be able to offer a one-stop shop bills payment, remittances, ticketing, and e-loading in a reliable and convenient way.
<b>I.T DEPARTMENT</b>	
<b>CHALLENGES</b>	<b>RESPONSE</b>
Intermittent Internet Connections	Throughout the year the IT Department focuses on high-value things included in the IT's Key Results Area (Minimize Downtime, Improve Customer Satisfaction; Security and Data Integrity) making it the utmost priority in delivering the IT services to GRBP and contributing to the attainment of its goals. However, it is expected that challenges may have arisen in carrying out the strategies that the department have planned. One of the issues encountered is the dependency on the services of an external provider which on the other hand takes effects on the bank operations, both internal and external, one of which is the intermittent internet connections which slows down the connectivity of the branches to the main server where the core system is stored, though the IT ensures that the resolution by an external provider is not unreasonably delayed, it doesn't guarantee the timeliness of the external provider's response. To somehow resolve the said issue and to increase the productivity of employees and the internet speed, IT department has opened the door in taking advantage of technology innovation, this brought the avails of Fiber Plan with high bandwidths that will help out in providing a

	<p>fast transaction and to minimize downtime. Additional bandwidths in the Head Office and branches are also on its way, including backups in case the main connection is down. On the other hand, IT department is continuously working its best in providing a reliable and secure service, satisfying its customers.</p>
<b>OPPORTUNITIES</b>	<b>RESPONSE</b>
<p>The BSP allows banks to use cloud computing technology.</p>	<p>The BSP allowing banks to use cloud computing technology is one of the major opportunities the bank considers. As this will be a great chance for the bank to store and manage its data in a secure and cost-effective way. Thorough research was done to have an idea on how cloud computing works and how it will serve as one of the assets of the bank in delivering reliable and secure services. The IT foresees some benefits that will affect the organizations performance in using cloud, this includes the ff: Connection to the core banking system is always on availability as long as the branch has an Internet connection; Maintenance, roll out of regular updates including security updates is already covered by the provider making the IT department more focus on other projects; In terms of data recovery it provides continuity for services and the ability to failover in the event of a man-made or natural catastrophe. After a thorough deliberation by the Board of Directors, switching to the cloud will be included in the IT department's future plan. For the meantime, to increase the availability of an SQL Server database without the use of cloud, the ongoing projects of the IT department includes the implementation of the MS SQL Server Mirroring. Wherein, it duplicates the entire contents of the principal server on another standby server which allows the data of the core system to be easily restored if the primary server fails. For now, in case of principal server downtime, the IT department will go to Tuguegarao branch to perform service restoration. With fast growing of technology, IT Department makes it a point to take advantage in to it in optimizing the infrastructure, resources and capabilities.</p>

AUDIT DEPARTMENT	
CHALLENGES	RESPONSE
Lack of Personnel to audit expanding branches of GRBP	Hiring of additional Internal Audit staffs to commensurate with the growing company
Lack of training to improve staff skills, knowledge and capabilities.	Continuous searching of seminars by the HR Department to help improve the Internal Audit Staffs
OPPORTUNITIES	RESPONSE
Training of staff	Attending

#### 4. Risk Management Framework Adopted

##### a. Overall risk management culture and philosophy

When an organization sets objectives of adding value to its shareholders and other stakeholders, it must plan strategies to attain these objectives. But before it can devise these strategies, it must have to identify the risks that hinder the attainment of these objectives. Hence, Risk Management came into existence.

Risk management is not a new concept to bankers. After all, managing risk is a cornerstone of sound banking practices that have been a part of banking since the industry began. What is new, however, is how the bank itself applies the principles of sound risk management to day-to-day operations. Rather than continuing to look at risk management simply in relation to separate bank activities, such as lending, investments, and so on, the approach now is to measure risk on a bank wide basis. For example, the Board should see that risks in the lending area can affect other activities of the bank and, if they do, the bank's entire exposure to risks will be affected. Gone are the days when banking operations was treated as compartmentalized or departmental. The focus now is on measuring the consequences of risks on an enterprise-wide basis.

The objective of Golden Rural Bank is to add value to their stockholders' shareholding while at the same time realizing their objective of helping the countryside folks I their financial needs. To enable the bank to attain its objectives, it is imperative that the risks that serve as stumbling

blocks must be identified, measured, managed/mitigated, controlled and monitored. It is therefore, the responsibility of every stakeholder of Golden Rural Bank to actively participate in the Risk Management process.

#### Definition of Risk Management

A risk may be defined as any uncertain future situation or event, which could influence the achievement of the Bank's objectives or realization of opportunities, including strategic, operation, financial, and compliance objectives.

Risk management is defined as, *“the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.”*

#### Importance of Risk Management

All business transactions carry an inherent level of risk to a company's financial position, operational requirements and reputation. These risks can be carried between subsidiaries of a company, to its parent and to its business partners and stakeholders.

A risk management system should bring all risks to the forefront of any anticipated business transaction for consideration by key stakeholders. A comprehensive risk management process will assist the Bank to:

1. Minimize negative financial and operational results;
2. Strengthen business partner relations;
3. Execute more efficient and effective processes;
4. Satisfy the legal and regulatory requirements imposed on it by the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Bureau of Internal revenue (BIR); local government units (LGU), etc.
5. Improve individual accountability and give greater transparency to decision-making ;and
6. Exploit business opportunities quickly with full appreciation of risks involved.

#### Risk Management Approach

Golden Rural Bank, Inc. adopts the risk management approach outlined in this Policy Manual with sufficient flexibility to ensure it is able to adapt to the changing needs of the business. It is the firm of the bank's Management, the Risk's management, and the Board of Directors that an effective risk management strategy, a sound risk identification process and stringent risk reporting provide a solid framework for effectively managing the Bank's risks.

The Bank follows a process in risk management that involves identification, measurement (assessment and evaluation), and mitigation of the risks that hinder the attainment of the Bank's objectives.

**b. Risk appetite and strategy**

**Risks Threshold**

The bank's Risk Appetite/threshold refers to its ability to absorb risks associated with business, express in terms of pesos. Generally speaking, the larger the bank in terms of resources, the greater the risk threshold. The Risk Threshold is linked to the residual risk rating, where the level of exposure is balanced against the potential business opportunity.

The basis or setting the risk threshold or appetite may be a percentage of the total resources of the Bank, based on the professional and intelligent judgment of the Board of Directors.

It is the responsibility of the Board (on recommendation from the Risk Management Committee or RMC) to set the Bank's Risk Threshold and review it on an annual basis. The Board has given a delegation to management to conduct business activities within this Risk Threshold and the accepted bank's business plan and has delegated the review of those functions to the RMC. An acceptable Risk Threshold will be documented and will be the basis for selecting, planning and implementing internal controls to mitigate the risks. The Risks Threshold will be regularly reviewed by the RMC.

**Risk Maturity**

The risk threshold of the bank also depends upon its risk maturity. Risk maturity is the level of effectiveness or status of the risk management system of the bank. The Internal Standard of Internal Auditing of the United Kingdom and Ireland on 'Risk Based Internal Auditing' defines five levels of risk maturity: risk enabled, risk managed, risk defined, risk aware and risk naïve.

1. Risk enabled: *Risk management and internal control fully embedded into the operations.* An understanding of the management of risk and the monitoring of controls will be very sophisticated in this organization. A complete risk register will be available for audit planning. Confidence in the risk management process should enable a range of auditing that makes to be used, from checking the management of individual risks, to those affecting a complete subsidiary. The emphasis of the audit work will be that the risk management processes are working properly, in particular, that key risks are reported to the board and that monitoring of controls by managers is operating. If weaknesses are found, it is unlikely that a



recommendation from the internal activity will be necessary, since management will know the action to be taken.

2. Risk managed: *Enterprise-wide approach to risk management developed and communicated.* Similar to the risk enabled approach. It may be necessary to facilitate management's proposed action where weaknesses are found.
3. Risk defined: *Strategies and policies in place and communicated. Risk appetite defined.* While most managers may have compiled list of risks, it is possible that these will not be assembled into a complete risk register. The internal audit activity will act as a consultant to facilitate the compilation of a complete risk register from lists risks already compiled by managers. The quality of risk management may vary across this type of organization. Any individual audit therefore will have to place emphasis on understanding the level of risk maturity in the areas being audited. Where risk management is poor, we will have to facilitate the identification of risks, using workshops and interviews. It is probable that some consultation work will be necessary to advice managers what action to take where weaknesses are found.
4. Risk aware: *Scattered silo approached to risk management.* No risk register will be available, only a few managers will have determined their risks. We will act as consultant to undertake a risk assessment (in conjunction with management) to determine the work required to implement a risk framework that fulfills the requirements of the board. Using the key risks agreed with management, an audit/consultancy plan will be generated which aims to provide assurance that risks are being managed, or advice as to how to respond to them.
5. Risk naïve: *No formal approach developed for risk management.* As with the risk aware organization, will be necessary to promote, or provide consultation on, the establishment of a risk management framework.

#### Factors that Determine the Bank's Threshold

The following factors will be taken into consideration, and are to continue to be taken into consideration when determining the Risk Threshold:

1. The Bank's position in the rural bank industry, with particular emphasis on its key business divisions as a cooperative bank;
2. The conditions imposed on Golden Rural Bank by BSP, SEC, BIR, and the LGU.
3. The capital that may be required to support expanding the Risk Threshold; and

4. The medium-long term strategic goals of the Bank.

**c. Bank-wide risk governance structure and risk management process**

The Risk Management Process of the Bank consists of five steps which are explained below:

**STEP 1: ESTABLISH THE CONTEXT**

As a precursor to establishing a risk management strategy, it is important to understand the environment within which the Bank is operating. This requires the Bank to consider, among other things:

- a. The internal context – culture, business structure, reporting lines, resources, capabilities (people and systems);
- b. The external context – business, political, financial, regulatory environments;
- c. The legal and compliance framework and the scrutiny of the regulators;
- d. The requirements of its key alliance partners, including Rural Bankers' Association of the Philippines (RBAP) and Bankers' Association of the Philippines' (BAP) members, key suppliers, key customers and other business partners;
- e. The actions of its representatives (including employees and third party outsourced service providers);
- f. The industry framework (to align bank objectives with industry standards); and
- g. Corporate goals and objectives for the bank.

The Bank develops on an annual basis a Business Plan that outlines its goals, objectives and vision for the upcoming year and immediate future years. The Bank will then determine what risks it faces in following this Business Plan and what its approach will be in handling them (whether managing, avoiding or otherwise dealing with them). These are being undertaken in Step 2.

**STEP 2: IDENTIFY THE RISKS**

Identifying a risk involves asking a number of questions within each branch/division/business unit:

- a. What could happen to the branch, division or business unit of the bank?
- b. How would it happen?
- c. Why would it happen?

Corporate Officers, Branch/Divisional Managers, with assistance from the RMO, will be responsible for generating and reviewing a list factors that may compromise the Bank's operation, financial or reputational position now or in the future.

Particular focus is given to risks that compromise the Bank's ability to provide banking services to, or adversely impacts customers. This emphasis is given in light of the Bank's desire to continue to grow, develop and add value to its share and other stakeholders;

### STEP 3: ANALYZE THE RISKS

The qualitative measures of likelihood and consequences are outlined in the Risk Rating Guidelines shown in the matrix below.

Quantitative and Qualitative measures of Likelihood. The following table should be used as a guide when trying to rate the likelihood of a risk occurring any given year. It is a five scale rating where 5 is the highest which is almost certain/always while 1 is the lowest which is rare/may not happen.

### STEP 4: EVALUATE THE RISKS

The evaluation process involves the application of risk controls to the risks identified at Step 2. The controls should be agreed upon by a working group on an annual basis to ensure currency and accuracy.

Once the control(s) have been determined for the risk, they should be given a rating. The rating scale has 4 levels; level 1, being a poor control or no control at all to level 4, being a sophisticated control that is regularly reviewed and that is likely to lower the inherent risk. This rating is to be applied to the inherent risk to determine the residual risk (ie the risk that remains after all control mechanisms are considered and applied). The residual risk is then reassessed using the residual risk rating, which can be found in the Risk Rating Guidelines.

### STEP 5: RESPOND TO THE RISKS

Golden Rural Bank must respond to all risks, which involves identifying the options available to treat risks, assessing the options and implementing a treatment plan based on the accepted option. The appropriate level of response to a risk will be based on a number of factors, including resources (human and financial), worst case scenario versus practical likelihood and return on investment.

### STEP 6: MONITOR THE RISKS

Risk must be monitored to ensure the risk management process is effective. Risk monitoring is a responsibility of the entire bank in all levels

with varying responsibility. Where possible, risk monitoring shall form part of the current framework of policy review, audit and compliance processes and shall maintain a regular review in line with this Policy.

In Golden Rural Bank, the risks are monitored by a group of people consisting of the Risk Management Structure. The Board has determined that in order to have an effective risk management system in place, it must receive advice from, and have risks monitored by, a number sources. These groups are set below with a reporting hierarchy illustrated below.

### **Risk Reporting Hierarchy**

Involved in the risk management structure of the bank are the Board Of Directors, President, Audit and Risk Management Committee, Internal Auditor, Risk Management Officer, Executive Management and Staff.

#### **1. Board of Directors**

The Board has overall responsibility for ensuring that management has developed and implemented an effective risk management system. It has delegated the oversight of risk management to the Risk Management Committee and Audit Committee. Nevertheless, the Board remains responsible for:

- (a) Setting company goals and business strategies (with the assistance of executive management);
- (b) Maintaining appropriate corporate governance structures; and
- (c) Ensuring appropriate risk managements systems are in place (including ensuring this Policy is maintained).

The Board is to receive bi-annual reports on risk management, to be prepared by the RMO.

#### **2. President**

With overall responsibility for the operations of the Bank, the President plays an active role in setting the direction of the Bank and determining which transactions to enter into (thus impacting on the Risk Threshold). The President will:

- (a) Drive the establishment of business strategies and objectives;
- (b) Ensure there are appropriate controls in place to manage all risks;
- (c) Ensure all employees are aware of the Bank's risk management obligations and that risk management is embedded within the Bank's risk management obligations and that risk management is embedded within the Bank's culture; and
- (d) Use his business knowledge and acumen to determine what activities can be absorbed as part of the Risk Threshold.

#### **3. Audit and Risk Management Committee (ARMC)**

The ARMC shall be delegated the oversight of risk management. The Board considers this appointment important in providing focus and oversight on risk management and internal controls on risk management.

It is the ARMS's task to:

- (a) Review, recommend and oversee implementation of the risk management process;
- (b) Provide assistance and guidance on risk management;
- (c) Monitoring and review the risk management process;
- (d) Review the efficacy of internal controls generally, including the interaction between risk management and internal audit.
- (e) Provide advice to the Board on any non-compliance to the risk management framework ; and
- (f) Ensure risk management is promoted within the Bank, particularly to executive managers and their direct reports to ensure it is embedded within the overall Bank culture.

#### **4. Internal Auditor (IA)**

An Internal Auditor (IA) has been appointed to perform the internal audit function. It is the IA's role to:

- (a) Assist the Risk Officer and Corporate Secretary in monitoring risk management;
- (b) Review the risk matrix annually;
- (c) Ensure compliance with this Policy;
- (d) Provide guidance on existing controls and their adequacy to the respective risk; and
- (e) Monitor in particular all risks within the Bank.

#### **5. Risk Management Officer (RMO)**

The Bank may appoint an RMO who is responsible for overseeing the implementation of the risk management function at golden Rural Bank. He shall have day-to-day responsibility for the implementation of the risk management function, with ultimate responsibility resting with the Corporate Secretary and Legal Counsel.

The Board has determined that such a division, which incorporates compliance and legal oversight within the Bank, is best served to maintain this Policy's currency and accuracy in light of legal, operational and regulatory developments. The RMO Officer has a broad responsibility to:

- (a) Challenge executive management and the Board to demonstrate appropriate risk management systems and controls for all risks;
- (b) Conduct regular reviews of the organization to identify new risks, remove old risks and re-rate current risks;
- (c) Coordinate the risk management process;
- (d) Provide a report on risk management issues to the RMC at each meeting and to the Board twice annually;
- (e) Maintain the Risk Register;
- (f) Maintain this Policy; and

- (g) Ensure there is adequate coverage of risk management across the entire business.

The RMO is recognized as a senior employee within the Bank is to be given the necessary access to people, information, systems and resources to ensure the proper discharge of the risk function. This may require access to past records, research, financial statements and analyses, and expert opinion. The Board supports the role of the RMO and will direct management to provide resources and access commensurate to the proper performance of the risk function.

## **6. Executive/Senior Management**

**With assistance from their department managers and staff, executive management has the task of:**

- (a) Ensuring risks are managed and considered on a daily basis;
- (b) Conducting annual business reviews to address inherent and residual risks;
- (c) Determining appropriate controls to risks identified relating to their business function; and
- (d) Embedding the culture of risk management within their department.

In order to ensure the appropriate level of commitment to risk management practices, executive officers at the corporate and branch levels are to be enjoined to promote and adhere to this Policy and to the risk management framework generally. Success will be measured on a number of bases including but not limited to:

- (a) Tasks completed
- (b) Percentage of tasks completed on time
- (c) Compliance with treatment control plans

## **7. Risk Champion (RC)**

Employees from various business units have been nominated and appointed as risk champions to be responsible for risk management within their business. It is the responsibility of a Risk Champion, with the assistance of Executive Management and RMO to:

- (a) Ensure assigned risks are managed in accordance with designated timeframes;
- (b) Implement risk controls as required;
- (c) Support the use of the Risk Management Reporting system to manage and report on the risk management framework;
- (d) Conduct risk reviews of specific tasks;
- (e) Assist the RMO in conducting annual reviews and risk projects as specified; and
- (f) Embed the culture of risk management in their business unit.

Risk Champions will receive additional training and be provided with the necessary time and resources to implement effective risk strategies identified by the company.

## 8. Operating Staff

Staff performing daily operations has a responsibility to implement the risk management process as it relates to their business function. Generally speaking, all employees must:

- (a) Report on any instances of non-compliance with this Policy or the risk management process in general;
- (b) Inform management of any new risks as the result of a business activity; and
- (c) Ensure controls in place over a risk are operating properly.
- (d) Ensure controls in place over a risk are operating properly.

### 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**

Golden Rural Bank of the Philippines, Inc. (GRBP) adopts the policies of the State to (a) protect the integrity and confidentiality of bank accounts and ensure that the Philippines, in general, and the bank, in particular, shall not be used, respectively, as a money laundering site and conduit for the proceeds of an unlawful activity as herein defined; and (b) to protect life, liberty and property from acts of terrorism and to condemn terrorism and those who support and finance it and reinforce the fight against terrorism by criminalizing the financing of terrorism and related offenses.

#### STRATEGY TO COMBAT MONEY LAUNDERING

*“KNOW YOUR CUSTOMER” POLICY – DEPOSITS* – shall be strictly adopted before establishing relationship to any client and before they can avail of the bank’s facilities with emphasis on big financial transactions. To achieve this policy, the bank will:

1. In case of an individual – Determine and document the true identity of all its prospective clients through official or other reliable documents and records and obtain basic background information on them before establishing any business relationship.
2. In case of corporate and other legal entities – (a) Verify the legal existence and structure of the client from the appropriate Government agency or from the client itself or both proof of its incorporation, including information concerning the customer’s name, legal form, address, directors, principal officers and its main purpose in establishing its business. (b) Verify the authority and identity of the person purporting to act on behalf of the client.
3. In case of doubt as to the identity of the true beneficiary of the account and purpose of which the account was opened:

- a. Measures should be undertaken to verify the true identity of the beneficiary of the account opened.
- b. Determine the purpose for the opening of the account.
- 4. Disallow any opening of any anonymous account whether it is allowed by Law.
- 5. Disallow any business relationships with any person/s suspected to be engaged in any illegal activities.
- 6. Disallow any business relationships with individual/corporate clients from countries, which are known to be money laundering haven.
- 7. Renew/update all identification papers/documents of clients or beneficial owner of big deposits or funds held or being managed by the bank.
- 8. Maintain all necessary records on transactions of big clients for at least five (5) years to permit reconstruction of individual transaction so as to provide, if necessary, evidence for prosecution of criminal activities.
- 9. Give special attention to all complex, unusual large transaction and all unusual pattern of transactions which have no apparent and or lawful purpose.

Report all other suspicious transactions not involving deposits to competent authority

#### CUSTOMER DUE DILIGENCE (Section X806)

1. In conducting customer due diligence, a risk-based approach shall be undertaken depending on the type of customer, business relationship or nature of the product, transaction or activity. In this regard, the bank shall maintain a system that will ensure the conduct of customer due diligence which shall include:

- a. Identifying the customer and verifying the true identity of the customer based on official documents or other reliable, independent source documents, data or information. In case of corporate and juridical entities, verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf;
- b. Identifying the beneficial owner and taking reasonable measures to verify the identity of the beneficial owner, such that the bank shall be satisfied that it knows who the beneficial owner is, as well as the ownership and control structure of the customer, in case of juridical entities or legal arrangements;
- c. Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship; and
- d. Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of the relationship to ensure that the transactions being conducted are consistent with the bank's knowledge of the customer, their business and risk profile.

2. The bank shall be required to undertake customer due diligence when:



- a. It establishes business relations with any customer;
  - b. It undertakes any occasional but relevant business transaction for any customer who has not otherwise established relations with the bank;
  - c. There is a suspicion of money laundering or terrorism financing; or
  - d. There is doubt about the veracity or adequacy of previously obtained customer identification data.
3. "Business relations" means the opening or maintenance of an account or the provision of financial advice by the bank to a customer.
4. "Relevant business transaction", shall refer to:
- a. A transaction with a value exceeding P100, 000, except money changing or remittance transactions;
  - b. Two or more transactions believed to be linked and with an aggregate value exceeding P100, 000; or
  - c. In relation to remittance and money changing transactions, any transaction or two or more transactions believed to be linked, with an aggregate value exceeding P5, 000.00.

For this purpose, the bank should have appropriate system to identify and determine occasional customer or transaction.

**CUSTOMER ACCEPTANCE AND IDENTIFICATION POLICY (Subsection X806.1)**

GRBP has developed a clear, written and graduated customer acceptance and identification policies and procedures that will ensure that the financially or socially disadvantaged are not denied access to financial services while at the same time prevent suspicious individuals or entities from opening an account or establishing a relationship.

**CRITERIA FOR TYPE OF CUSTOMERS:** *low, normal and high risk; Standards for applying reduced, average and enhanced due diligence.* (Subsection X806.1.a)

GRBP has specified the criteria and description of the types of customers that are likely to pose low, normal or high ML/TF risk to their operations, as well as the standards in applying reduced, average and enhanced due diligence, including a set of conditions for the denial of account opening or services.

Enhanced due diligence shall be applied to customers that are assessed by the bank or by these rules as high risk for ML/TF. For customers assessed to be of low risk such as small account balance and transactions, the bank may apply reduced due diligence. Some entities may likewise be considered as low risk clients, e.g., banking institutions, trust entities and QBs authorized by the Bangko Sentral to operate as such and publicly listed companies subject to regulatory disclosure requirements.

In designing a customer acceptance and risk profiling policy, the following criteria relating to the product or service, the customer, and geographical location, at a minimum, shall be taken into account:

1. The nature of the service or product to be availed of by the customers and the purpose of the account or transaction;
2. Source of funds/nature of business activities;
3. Public or high profile position of the customer or its directors/trustees, stockholders, officers and/or authorized signatory;
4. Country of origin and residence of operations or the fact that a customer came from a high risk jurisdiction;
5. The existence of suspicious transaction indicators;
6. Watch list of individuals and entities engaged in illegal activities or terrorist-related activities as circularized by the Bangko Sentral, AMLC, and other international entities or organizations such as the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury and United Nations Sanction List; and
7. Such other factors, e.g., the amount of funds to be deposited by a customer or the size of transactions, and regularity or duration of the transaction, as the bank may deem reasonable or necessary to consider in assessing the risk of a customer to ML/TF.

In assessing the risk profile of customers which are juridical entities, the bank should also consider the financial profile and other relevant information of the active authorized signatories.

GRBP has established a Risk Profiling System (refer to Annex A) to document the risk profiling results as well as how a specific customer was profiled (Low, Normal or High) and what standard of CDD (Reduced, Average or Enhanced) was applied

#### FACE-TO-FACE CONTACT (Subsection X806.2.d)

The bank shall conduct face-to-face contact and personal interview at the commencement of the relationship, or as reasonably practicable so as not to interrupt the normal conduct of business, taking into account the nature of the product, type of business and the risks involved: *Provided*, That ML/TF risks are effectively managed.

The use of Information and Communication Technology (ICT) in the conduct of face-to-face contact and interview may be allowed: *Provided*, that the bank is in possession of and has verified the identification documents submitted by the prospective client prior to the interview and that the entire procedure is documented.

The bank shall clearly define the instances when the conduct of face-to-face is reasonably practicable, depending on the product, type of business and risk involved, or when the use of ICT shall apply. Also, the bank should adopt policies and

procedures to address any specific risks associated with deferred or technology-aided face-to-face verification and personal interview.

#### POLITICALLY EXPOSED PERSON (Subsection X806.2.i)

Politically Exposed Person or PEP is an individual who is or has been entrusted with prominent public positions in the Philippines or in a foreign state who are:

- Heads of state or of government
- Senior politicians, senior national or local government
- Judicial or military officials
- Senior executives of government or state owned or controlled corporations
- Important political party officials.

The bank shall endeavor to establish and record the true and full identity of PEPs, as well as their immediate family members and the entities related to them

#### PROCEDURES TO COMBAT MONEY LAUNDERING

In line with Section X804 of the Updated Anti-Money Laundering Rules and Regulations, the bank follows some policies and procedures to combat money laundering which consist of the following:

1. On Savings Account Opening (with emphasis on big account)
  - a. Who may open an account –The following may open an account:
    - Individuals
      - Single Proprietorship
      - Partnership
      - Corporations (domestic only)
      - Unincorporated groups (e.g. associations, clubs, etc.)
      - Government agencies (subject to approval by Monetary Board)
      - Legal representatives

Individuals or entities who may pose undue risks to the Bank (e.g. unscrupulous persons, customers with mishandled accounts, etc.) and are suspected to be engaged in illegal activities shall not be allowed to open an account.

Individual/Corporate clients from countries which are known, as money laundering haven shall not be allowed to open an account.

- b. Account Opening Requirements

Refer to above Customer Identification and Valid Identification Documents.

- c. Specimen Signatures

Each account shall have authorized signatory/ies. Specimen signatures of the authorized signatory/ies of an account shall be obtained and documented in the Specimen Signature Card (SSC) in the presence of the personnel who will authenticate the signature. Each signatory shall have three (3) specimen signatures.

Specimen signatures shall be authenticated against client's signature on ID's presented. For a walk-in client, the specimen signature shall be authenticated by the Account Officer and the Manager.

For a corporate account, the specimen signatures shall be authenticated by the approving officer against the signatures of the authorized signatories appearing in the Board Resolution certified by the Corporate Secretary.

SSCs must be filed not later than the following banking day. These must be arranged by account type.

SSCs shall be under the custody of a designated officer and kept inside the vault after office hours.

SSCs shall be updated every three (3) years. However, updating may be done sooner than the prescribed period if there is any change in the authorized signatory/ies or any other reason which may necessitate an update.

#### d. Approval of Account Opening

All accounts to be opened must be approved by the Authorized Officer. The Officer must satisfy himself as to the identity of individual or organization opening an account and ensure that all documents required for the maintenance and operation of the account are obtained and in order.

In addition to establishing the identity of a prospective account client, there is a need to interview the prospective client to determine whether he is capable of handling an account properly.

#### e. Client and Account Information

Build-up:

Client and account information relevant to the operation of the account to be opened shall be documented in the Account Opening Form and Specimen Signature Cards (SSCs) and encoded in the system.

Additional customer information shall be required for Top 20 customers.

Updating:

Client and account information shall be updated at least every three (3) years or whenever necessary.

#### f. Record Keeping and Retention

All customer identification records shall be maintained and safely stored as long as the account exists. All transaction records and documents shall be maintained and safely stored for five (5) years from the date of transaction (Section X808).

Said records and files shall contain the full and true identity of the owners or holders of the accounts involved in the transactions such as the ID card and photo of individual customers and the documents mentioned in Subsec. X806.2 (b) for entities, customer information file, signature card of authorized signatory/ies, and all other pertinent customer identification documents as well as all factual circumstances and records involved in the transaction. The bank shall undertake the necessary adequate security measures to ensure the confidentiality of such file. The bank shall prepare and maintain documentation, in accordance with the aforementioned client identification requirements, on their customer accounts, relationships and transactions such that any account, relationship or transaction can be reconstructed as to enable the AMLC, and/or the courts to establish an audit trail for money laundering.

##### 1) Closed Accounts

The bank shall maintain and safely store all records of customer identification, and transaction documents for at least five (5) years from the date the account was closed (Subsection X808.1)

##### 2) Retention of records where the account or customer is the subject of a case

If a money laundering case has been filed in court involving the account or customer, records must be retained and safely kept beyond the five (5)-year retention period, until it is officially confirmed by the AMLC Secretariat that the case has been resolved, decided or terminated with finality (Subsection X808.2).

##### 3) Safekeeping of Records and Documents

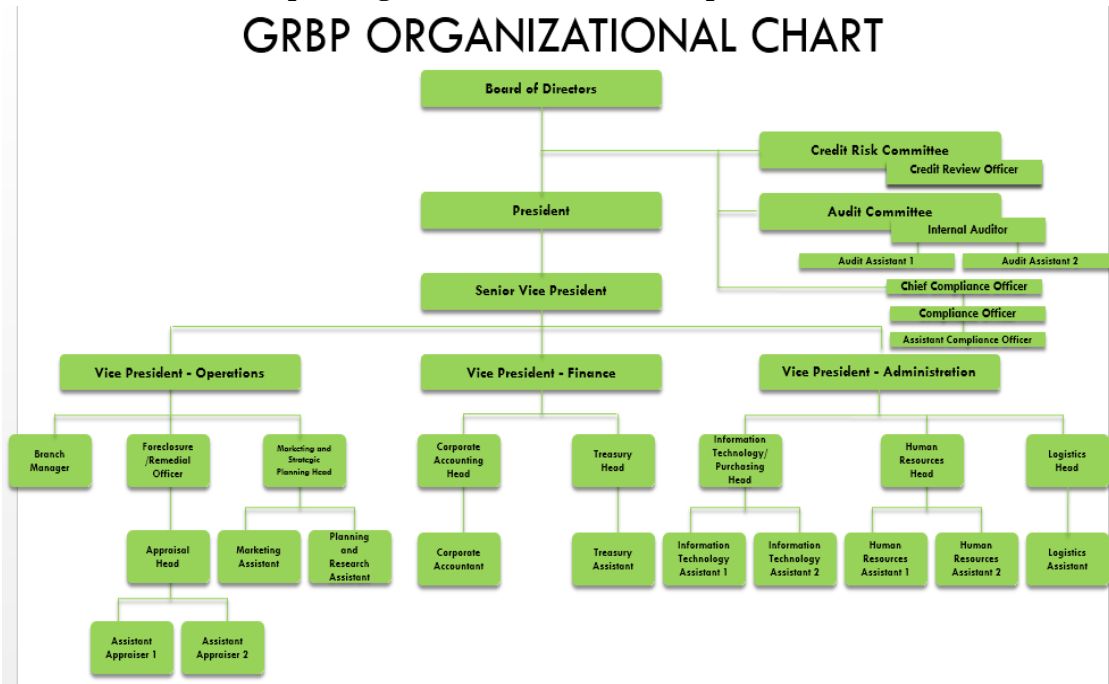
All records and documents are jointly given to the teller and bookkeeper who will be responsible and accountable in the safekeeping of the said records which is required to be retained by the AMLA. They shall have the obligation to make these documents and records readily available during BSP regular or special examinations (**Subsection X808.3**)

##### 4) Form of Records

The bank retained records as originals or copies in such forms as are admissible in court pursuant to existing laws (**Subsection X808.4**). The bank shall, likewise, keep the electronic copies of all CTRs and STRs for at least five (5) years from the dates of submission to the AMLC. For low risk customers, it is sufficient that the bank shall maintain and store, in whatever form, a record of customer information and transactions.

## 5. Corporate Governance

### a. Overall corporate governance structure and practices



## Practices

### 1 Board of Directors

1. Acts within the scope of power and authority of the Bank and the Board as prescribed in the Articles of Incorporation, By-laws and in existing laws, rules and regulations
2. Exercises their best care, skill, judgment and observe utmost good faith in the conduct and management of the business and affairs of the Bank
3. Acts in the best interest of the Bank and for the common benefit of Bank's stockholders and other stakeholders
4. Install a process of selection to ensure a mix of competent Directors and Officers each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, and adopt an effective succession planning program for Management.
5. Elects the President and other Officers
6. Adopts a professional development program for Officers and succession planning for the Bank Executives
7. Determines or validates the Bank's purpose, its vision, mission and strategies to carry out its objectives

8. Ensures that the Bank complies with all relevant laws, rules and regulations and codes of best business practices
9. Identifies the Bank's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program
10. Adopts a system of internal checks and balances and regularly evaluate applicability thereof under changing conditions
11. Identifies key risk areas and key performance indicators and monitor these factors with due diligence
12. Ensures the continuing soundness, effectiveness and adequacy of the Bank's internal control environment
13. Properly discharge Board functions by meeting regularly, and give due consideration to independent views during Board meetings, which meetings shall be duly minute
14. Adopts procedures for the Directors, either individually or as a group, in furtherance of their duties, to take independent professional advice and to have access to management
15. Approves items reserved to the Board, such as, but not limited to
  1. Annual Report and Financial Statements
  2. Dividends
  3. Financial Policies
  4. Budget
  5. Retirement Plan and selection/appointment of Trustees
  6. Safety/Asset Integrity Matters
  7. Others

## **2 Audit Committee**

1. Reports directly to the Board of Directors
2. Provides oversight over the senior management's activities in managing credit, market, liquidity, operational, legal and other risks of the Bank.
3. Provides oversight of the Bank's internal and external auditors.
4. Reviews and approves audit scope and frequency, and the annual internal audit plan.
5. Discusses with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one audit firm is involved.

6. Sets-up an internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any question of resignation or dismissal.
7. Monitors and evaluates the adequacy and effectiveness of the Bank's internal control system.
8. Receives and reviews reports of internal and external auditors and regulatory agencies, where applicable and ensure that management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies.
9. Reviews the quarterly, half-year and annual financial statements before submission to the Board, focusing particularly on:
  - a. Any change/s in accounting policies and practices
  - b. Major judgmental areas
  - c. Significant adjustments resulting from the audit
  - d. Going concern assumption
  - e. Compliance with accounting standards
  - f. Compliance with tax, legal, and stock exchange requirements
10. Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
11. Evaluates and determines non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Bank's total expenditure on consultancy.
12. Ensures that the internal auditors have free and full access to all the Bank's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results, and provide a venue for the Audit Committee to review and approve the annual internal audit plan.

### **3 Internal Auditor**

1. Plans, completes and reports on internal control programs undertaken within agreed time frame
2. Conducts investigations into all matters as may be directed by the Board of Directors
3. Makes recommendations for improvements in internal control procedures and programs
4. Provides guidance to branches of the Bank on control procedures
5. Verifies that the Bank's operational and accounting controls are in place and working properly



6. Monitors control findings and follow-up on remedial actions
7. Debriefs management on branches control findings and to ensure procedures are in place to safeguard the Bank's assets
8. Investigates frauds and irregularities and make recommendations to prevent recurrence
9. Conducts inspection at the Bank's agencies
10. Contributes to the control of risks and operational efficiency

#### **4 Credit Risk Committee**

1. Reports directly to the Board of Directors
2. Advises the Board in the establishment of a loan portfolio that will assure the safety of Bank depositor's money and earns sufficient income to provide an adequate return on capital
3. Monthly reviews of large loan made within the Bank's lending limits
4. Reviews the loan policy and compliance with that policy
5. Monitors loan quality through quarterly problem loan reports, past due reports, loan charge-offs and potential loss predictions
6. Monitors loan loss reserve adequacy
7. Looks for concentration or industry trends in the portfolio
8. Keeps management informed of economic and industry trends that Committee members are aware of
9. Determines what peso limit is appropriate for review and may change that limit periodically
10. Fulfills its statutory, fiduciary and regulatory responsibilities

#### **5. Compliance Officer**

1. Assists with the preparation of the financial statements
2. Oversees and coordinates the implementation of the compliance system which includes the identification, monitoring and controlling of compliance risk
3. Provides appropriate guidance and direction to the bank on the development, implementation and maintenance of the compliance program
4. Approves/overrides withdrawal transactions above P30,000
5. Overrides transactions of high risk clients.

#### **6. President**

1. Establishes and carries out the bank's vision and mission
2. Plans, establishes and develops bank policies and procedures in accordance to BSP rules and regulations.
3. Establishes the bank's main objectives and goals
4. Ensures the bank's growth and development

5. Manages and coordinates banking administration
6. Handles internal and external communication
7. Establishes and ensures implementation of high quality customer care services
8. Establishes long-term relationships with the bank's staff, client and business partners
9. Assists and supports in designing bank's products and services
10. Monitors the bank's performance, anticipate problems and protect the investments
11. Makes sure all banking operations are functional and all customers are satisfied

#### **7. Senior Vice President**

1. Formulates the operational policies and strategies for the bank according to the situation
2. Sets the goals and objectives as well as formulate deadlines for them
3. Oversees all the work regarding financial transactions and other important functions so has to formulate the rules and regulations in the bank
4. Utilizes the resources as much as possible by coordinating them to attain the formulated goals
5. Updates all the financial data of the company with accuracy
6. Monitors all the functions of various departments of the bank to ensure that if they are working on the right track
7. Provides the highest level of customer relations and service; and ensures compliance with Bank policies and procedures
8. Updates the guidelines in the tellering transactions on new issuances of rules, instructions, guidelines and business practice when necessary
9. Approves/overrides withdrawal transactions above P30,000
10. Overrides transactions of high risk clients.

#### **10 Vice President for Operations**

1. Reports to the President or Senior Vice President and presents regular reports or issues requiring decisions to them

2. Provides overall direction and guidance to the operational activities of the organization with the objective of maximizing growth and profitability as well as day-to-day leadership and management to all company operations functions
3. Maximizes an organization's growth and profitability while leading and managing all company operations functions
4. Reviews performance against operating plans, analyzes market conditions and approves changes in plan directions
5. Guides employees by interpreting policies, goals and purposes of the organization for subordinates and conducting employees' performance reviews
6. Identifies training needs, recommends employee actions and communicates with employees on the progress of plans
7. Collaborates with other company departments and segments of management to establish and execute responsibilities
8. Manages organization operations by directing and coordinating activities consistent with established goals, objectives, and policies
9. Implements programs to ensure attainment of business plan for growth and profit
10. Provides direction and structure for operating units
11. Develops and creates strategies and policies aligned with organizational goals
12. Provides mentoring and guidance to subordinates and other employees
13. Approves/overrides withdrawal transactions above P30,000
14. Overrides transactions of high risk clients.

#### **11 Vice President for Administration**

1. Reports to the Senior Vice President and President
2. Responsible for directing all of the administrative functions of the corporation in accordance with industry standards, where applicable, regulatory agencies, as appropriate and Bank objectives and policies
3. Plans, develops, organizes, implements, directs and evaluates the organization's administration function and performance
4. Participates in the development of the Bank's plans and programs as a tactical partner in evaluating and advising on the impact of long-range planning and regulatory action on the areas of responsibility

5. Enhances and/or develops, implements and enforces policies and procedures of the organization by way of systems that will improve the overall operation and effectiveness of the bank
6. Establishes credibility throughout the organization and with the Board as an effective developer of solutions to administrative business challenges
7. Provides technical/professional advice and knowledge to others within the various administrative areas and discipline
8. Advises, negotiates, manages and administers all contracts into which the Corporation may enter. Counsel with the CFO on financial matters associated with the financial viability of entering into such contracts
9. Oversees the entire Human Resources function and activities but manage all of the specific activities pertaining to the Officers of the Bank
10. Approves/overrides withdrawal transactions above P30,000
11. Overrides transactions of high risk clients.

#### **12 Vice President for Finance**

1. Reports directly to the President and Senior Vice President
2. Provides executive leadership for significant financial growth
3. Establishes financial policies, practices and procedures for the Bank according with the BSP regulations
4. Establishes appropriate business controls to engender an appropriate results in decision making
5. Understands and analyse financial performance as it relates to forecasted profitability
6. Improves profit dictated by annual business plans
7. Coordinates expenditure programs to coincide with forecasted cash flow
8. Participates with Senior Management team preparing financial presentations for Bank executives, investors and financial institutions
9. Approves/overrides withdrawal transactions above P30,000
10. Overrides transactions of high risk clients.

### **13 Corporate Accounting Head**

1. Reports directly to the Vice President for Finance
2. Obtains and maintain a thorough understanding of the financial reporting and general ledger structure
3. Ensures an accurate and timely monthly, quarterly and year end close
4. Ensures the timely reporting of all monthly financial information
5. Ensures the monthly and quarterly Bank Compliance activities are performed in a timely and accurate manner
6. Supports budget and forecasting activities
7. Collaborates with Treasury Head to support over all department goals and objectives
8. Monitors and analyzes department work to develop more efficient procedures and use of resources while maintaining high level of accuracy
9. Responds to inquiries from Vice President for Finance, Senior Vice President and other managers regarding financial results, special requests and the like

### **14 Treasury Head**

1. Reports directly to the Vice President for Finance
2. Understands, manages and supervises all aspects of cash flow
3. Forecasts daily cash requirements and execute daily financing decisions
4. Manages all aspects of investment portfolios
5. Manages long-term and short-term investment strategies
6. Prepares or monitors Bank's various cash flow forecasts
7. Manages, directs and develops Treasury staff
8. Recommends, implements and maintains process improvements

### **15 Information Technology Head**

1. Reports directly to the Vice President for Administration
2. Manages information technology and computer systems

3. Ensures technology is accessible and equipped with current hardware and software
4. Monitors maintain technology to ensure maximum access

#### **16 Human Resources Head**

1. Reports directly to the Vice President for Administration
2. Act as the face of the HR for the Bank
3. Responsible for senior level decision making both day to day management and strategic direction of the Bank
4. Develops and implements an annual plan for HR in line with the business plan
5. Ensures that HR plans support the needs of the business but with flexibility to cope with changes in the Bank
6. Provides advice on statutory leaves
7. Ensures all staff receive appraisals in accordance with Bank policy and monitor probationary periods
8. Ensures all job descriptions are kept up to date, create new JDs when necessary
9. Ensures all policies and procedures are up to date and legally compliant
10. Ensures payroll is completed accurately and to deadline
11. Approves/overrides withdrawal transactions above P30,000
12. Overrides transactions of high risk clients.

#### **17 Marketing Head**

1. Reports directly to the Vice President for Operations
2. Responsible for the marketing of professional banking services tailored exclusively to the rural banking industry
3. Develops annual marketing plan in conjunction with the branch operations and other support units
4. Manages the entire product line life cycle from strategic planning to operational activities
5. Carries out demographic research and analyze market data
6. Improves client retention rate

7. Identifies new potential markets
8. Incorporates social networking strategies in the Bank's marketing strategy
9. Approves/overrides withdrawal transactions above P30,000
10. Overrides transactions of high risk clients.

### **18 Branch Manager**

1. Reports directly to the Vice President for Operations
2. Approves loan applications up to the amount delegated to him
3. Recommends the approval/disapproval of loan applications in excess of the loan ceiling to the credit committee
4. Sees to it that all book of accounts are up-to-date and balanced and reconciled
5. Approves all tickets and proof sheets before they are posted to books and ledgers
6. Signs/countersigns checks or demand drafts when authorized by the Board of Directors
7. Sees to it that an effective internal control system is installed and maintained in order to prevent errors and frauds
8. Goes to the field to determine the actual credit needs of borrowers and actual conditions in the locality
9. Checks whether all accountable employees are properly bonded
10. Approves/overrides withdrawal transactions amounting more than P2, 500 but less than to P30, 000.
11. Overrides transactions of high risk clients.
12. Approves payroll as well as any disbursement for expenditures and release of loan proceeds
13. Sees to it that all exceptions noted in the audit and examinations of the books and operations of the bank conducted by the BSP examiners are corrected in accordance with the instructions received
14. Oversees that all required reports are prepared and submitted on time to the different agencies and to the Board of Directors

### **19 Foreclosure Head/Remedial Officer**

1. Assist branches to implement preventive measures to minimize non-performing loans.

2. Maximize collection efforts of branches in managing the recovery of written off and hardened accounts.
3. Acts as main verification specialist on all documents received in relation to the litigation files, working closely with the litigation department to ensure the accuracy of the documents prior to execution.
4. Reviews, processes and communicates among all parties in regards to the validity of document execution.
5. Initiates the valuation and maintenance of investment properties foreclosed or to be foreclosed.
6. Determines bid price to be submitted to sheriff upon application for foreclosure if amount is P500, 000 Or below. Else, the Credit Committee or Board of Directors shall intervene.
7. Assist branches in the foreclosure process, and correspondingly check all necessary documents for the processing of every foreclosure application.
8. Monitors and tracks the progress of all foreclosure proceedings.
9. Monitor the complete record of all documents and transactions pertaining to the foreclosure of mortgage real estate properties including the subsidiary ledger of the loan, litigation, foreclosure and maintenance expenses.
10. Monitors and recommends foreclosure of non-performing loans.

Represent the banks together with the Branch Managers in filling legal cases in court against delinquent clients and other cases.

**b. Selection process for the Board and Senior Management**

No written policy but the Bank ensures that it is in accordance with the MORB and BSP regulations.

**c. Board's overall responsibility**

1. Acts within the scope of power and authority of the Bank and the Board as prescribed in the Articles of Incorporation, By-laws and in existing laws, rules and regulations
2. Exercises their best care, skill, judgment and observe utmost good faith in the conduct and management of the business and affairs of the Bank
3. Acts in the best interest of the Bank and for the common benefit of Bank's stockholders and other stakeholders
4. Install a process of selection to ensure a mix of competent Directors and Officers each of whom can add value and contribute independent



judgment to the formulation of sound corporate strategies and policies, and adopt an effective succession planning program for Management.

5. Elects the President and other Officers
6. Adopts a professional development program for Officers and succession planning for the Bank Executives
7. Determines or validates the Bank's purpose, its vision, mission and strategies to carry out its objectives
8. Ensures that the Bank complies with all relevant laws, rules and regulations and codes of best business practices
9. Identifies the Bank's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program
10. Adopts a system of internal checks and balances and regularly evaluate applicability thereof under changing conditions
11. Identifies key risk areas and key performance indicators and monitor these factors with due diligence
12. Ensures the continuing soundness, effectiveness and adequacy of the Bank's internal control environment
13. Properly discharge Board functions by meeting regularly, and give due consideration to independent views during Board meetings, which meetings shall be duly minuted
14. Adopts procedures for the Directors, either individually or as a group, in furtherance of their duties, to take independent professional advice and to have access to management
15. Approves items reserved to the Board, such as, but not limited to
  - Annual Report and Financial Statements
  - Dividends
  - Financial Policies
  - Budget
  - Retirement Plan and selection/appointment of Trustees
  - Safety/Asset Integrity Matters
  - Others

**d. Description of the role and contribution of executive, non-executive and independent directors, and of the chairman of the Board**

No existing policy but the Bank ensures that it is in accordance with the BSP regulations.

**e. Board composition. For each member, include the following:**

- i. *Type of directorship***
- ii. *The principal stockholder represented if nominee***
- iii. *The number of years served as director***
- iv. *Number of direct and indirect shares held***
- v. *Percentage of shares held to total outstanding shares of the bank***

<i>Name of Directors</i>	<i>i. Type of directorship</i>	<i>ii. The principal stockholder represented if nominee</i>	<i>iii. The number of years served as director</i>	<i>iv. Number of direct and indirect shares held</i>	<i>v. Percentage of shares held to total outstanding shares of the bank</i>
Arturo E. Guinto	Chairman	N/A	31	121487	28.5868%
Enrico Arturo A. Guinto	Director/Corporate Secretary	N/A	16	59533	14.1409%
Carlo Esteban A. Guinto	Director	N/A	18	59533	14.1409%
Aleli P. Guinto	Director	N/A	16	10	0.0024%
Rona Lissa A. Guinto	Director	N/A	7	59533	14.1409%
Julie Ann A. Guinto	Director	N/A	6	59533	14.1409%
Elimar M. Manabat	Director	N/A	2	1	0.0002%
John M. Foster	Independent Director	N/A	2	3	0.0007%
Danilo R. Castro	Independent Director	N/A	1	3	0.0007%

**f. Board qualification**

NAME: ARTURO E. GUINTO  
POSITION: DIRECTOR/CHAIRMAN  
AGE: 68 y/o  
NATIONALITY: FILIPINO  
EXPERIENCE/S

NAME OF OFFICE	POSITION	FROM	TO
RURAL BANK OF NAGUILIAN-NAGUILIAN	MANAGER	1977	1986
RURAL BANK OF CAUAYAN-CAUAYAN	SUPERVISED CREDIT TECHNICIAN	1971	1977

NAME : ENRICO ARTURO A. GUINTO  
POSITION : DIRECTOR  
AGE : 39 y/o  
NATIONALITY : FILIPINO  
EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines, Inc.	Senior Vice-President	2012	present
Golden Rural Bank of the Philippines, Inc.	Officer-In-Charge	2005	2011
PNB-Head Office	Internal Auditor	2002	2003
Golden Rural Bank of the Philippines, Inc.	Liaison Officer	2001	2002
UNION BANK	Accountant	Sept. 2001	Dec. 2001

NAME : CARLO ESTEBAN A. GUINTO  
 POSITION : DIRECTOR  
 AGE : 40 y/o  
 NATIONALITY : FILIPINO  
 EXPERIENCES:

NAME OF OFFICE	POSITION	FROM	TO
GOLDEN RURAL BANK OF THE PHILIPPINES, INC.	VICE PRESIDENT-ADMIN	2012	PRESENT
GOLDEN RURAL BANK OF THE PHILIPPINES, INC.	OFFICER-IN-CHARGE	2005	2011
SAN MIGUEL CORPORATION	ACCOUNT EXECUTIVE	2001	2002

Present Position - Other Private Institution

First Golden North Cable Vision Corp.	Director
Guinto Land Development Corporation	Director

NAME : ALELI P. GUINTO  
 POSITION : DIRECTOR  
 AGE : 39 y/o  
 NATIONALITY : FILIPINO  
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Chevron Holdings, Inc.	Financial Analyst	2004	2006
Ayala Property Management Corp.	Corporate Accountant	2000	2004

NAME : RONA LISSA A. GUINTO  
 POSITION : DIRECTOR  
 AGE : 34 y/o  
 NATIONALITY : FILIPINO  
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines, Inc.	Director	2012	present
Golden Rural Bank of the Philippines, Inc.	Marketing Head	2011	present
Holcim Philippines Inc.	Procurement Analyst	2007	2009
Collins International Trading Corp.	Marketing Assistant	2006	
PLDT, UK	Marketing Executive	2005	

NAME : JULIE ANN A. GUINTO  
 POSITION : DIRECTOR  
 AGE : 36 y/o  
 NATIONALITY : FILIPINO  
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines, Inc.	Director	2002	present
Golden Rural Bank of the Philippines, Inc.	Assistant Manager	2002	2008
Golden Rural Bank of the Philippines, Inc.	OIC – GRBP Echague	2009	2011

NAME : ELIMAR M. MANABAT  
 POSITION : DIRECTOR  
 AGE : 57 y/o  
 NATIONALITY : FILIPINO  
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines, Inc.	Director	2014	present
Equity Machineries Inc.	Internal Auditor	1988	1990
JTC Lumber Inc.	Bookkeeper	1985	1987
Bandag Retread	Area Supervisor	1983	1987
Offering Marketing	Area Sales Representative	1980	1982

NAME : JOHN M. FOSTER  
 POSITION : INDEPENDENT DIRECTOR  
 AGE : 39 y/o  
 NATIONALITY : FILIPINO  
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines, Inc.	Independent Director	2013	present
University of Perpetual Help System-Isabela	Instructor	2004	Present
Department of Education	Master Teacher	2013	Present
Isabela Hotel and Resort	Events & Concierge Coordinator	2011	2012
JCI Cauayan Bamboo	Secretary General	2010	2012

NAME : DANILO R. CASTRO  
 POSITION : DIRECTOR  
 AGE : 66 y/o  
 NATIONALITY : FILIPINO  
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines, Inc.	Independent Director	2017	Present
Phil. Rural Banking Corporation - Cabatuan Branch	Manager	1996	1998
Phil. Rural Banking Corporation – Santiago Branch	Manager	1998	2000

Phil. Rural Banking Corporation - Alicia Branch	Manager	2000	2001
Phil. Rural Banking Corporation – Head Office	Head-Loans Department	2001	2003
Land Bank of the Phils. Cauayan Branch	Loans Clerk	1982	1986
Land Bank of the Phils. Cauayan Branch	Appraiser	1987	1990
Land Bank of the Phils. Cauayan Branch	Head Loans & Discounts	1991	1993
Land Bank of the Phils. Santiago Branch	Head Loans & Discounts/Cashier	1994	1996

**g. List of board-level committees including membership and functions.**

**AUDIT COMMITTEE**

Danilo R. Castro	Chairman
Carlo Esteban A. Guinto	Member
John M. Foster	Member

**Functions:**

1. Reports directly to the Board of Directors
2. Provides oversight over the senior management's activities in managing credit, market, liquidity, operational, legal and other risks of the Bank.
3. Provides oversight of the Bank's internal and external auditors.
4. Reviews and approves audit scope and frequency, and the annual internal audit plan.
5. Discusses with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one audit firm is involved.
6. Sets-up an internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any question of resignation or dismissal.
7. Monitors and evaluates the adequacy and effectiveness of the Bank's internal control system.
8. Receives and reviews reports of internal and external auditors and regulatory agencies, where applicable and ensure that management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies.
9. Reviews the quarterly, half-year and annual financial statements before submission to the Board, focusing particularly on:
  - a. Any change/s in accounting policies and practices
  - b. Major judgmental areas
  - c. Significant adjustments resulting from the audit
  - d. Going concern assumption
  - e. Compliance with accounting standards
  - f. Compliance with tax, legal, and stock exchange requirements

10. Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
11. Evaluates and determines non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Bank's total expenditure on consultancy.
12. Ensures that the internal auditors have free and full access to all the Bank's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results, and provide a venue for the Audit Committee to review and approve the annual internal audit plan.

**CREDIT COMMITTEE**

Arturo E. Guinto	Chairman
Enrico Arturo A. Guinto	Member
Carlo Esteban A. Guinto	Member

**Functions:**

1. Reports directly to the Board of Directors
2. Advises the Board in the establishment of a loan portfolio that will assures the safety of Bank depositor's money and earns sufficient income to provide an adequate return on capital
3. Monthly reviews of large loan made within the Bank's lending limits
4. Reviews the loan policy and compliance with that policy
5. Monitors loan quality through quarterly problem loan reports, past due reports, loan charge-offs and potential loss predictions
6. Monitors loan loss reserve adequacy
7. Looks for concentration or industry trends in the portfolio
8. Keeps management informed of economic and industry trends that Committee members are aware of
9. Determines what peso limit is appropriate for review and may change that limit periodically
10. Fulfill its statutory, fiduciary and regulatory responsibilities

**h. Directors' attendance at Board and committee meetings**

NAME OF DIRECTORS	BOARD NUMBER OF MEETINGS		AUDIT COMMITTEE NUMBER OF MEETINGS		CREDIT COMMITTEE NUMBER OF MEETINGS	
	ATTENDED	%	ATTENDED	%	ATTENDED	%
Arturo E. Guinto	12	100%			36	75%

Enrico Arturo A. Guinto	12	100%			48	100%
Carlo Esteban A. Guinto	12	100%	12	100%	43	90%
Aleli P. Guinto	11	91.67 %				
Rona Lissa A. Guinto	12	100%				
Julie Ann A. Guinto	12	100%				
Elimar M. Manabat	12	100%				
Crisanto M. Mora	2	16.33 %	2	16.33 %		
John M. Foster	12	100%	12	100%		
Danilo R. Castro	9	75%	9	75%		
<b>Total Number of Meetings Held During the Year</b>	<b>12</b>	<b>100%</b>	<b>12</b>	<b>100%</b>	<b>48</b>	<b>100%</b>

i. List of Executive Officers/ Senior Management

NAME: ARTURO E. GUINTO  
POSITION: DIRECTOR/PRESIDENT  
AGE: 68 y/o  
NATIONALITY: FILIPINO  
EXPERIENCE/S

NAME OF OFFICE	POSITION	FROM	TO
RURAL BANK OF NAGUILIAN-NAGUILIAN	MANAGER	1977	1986
RURAL BANK OF CAUAYAN-CAUAYAN	SUPERVISED CREDIT TECHNICIAN	1971	1977

NAME : ENRICO ARTURO A. GUINTO  
POSITION : DIRECTOR/SENIOR VICE-PRESIDENT  
AGE : 39 y/o  
NATIONALITY : FILIPINO  
EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines, Inc.	Senior Vice-President	2012	present
Golden Rural Bank of the Philippines, Inc.	Officer-In-Charge	2005	2011
PNB-Head Office	Internal Auditor	2002	2003
Golden Rural Bank of the Philippines, Inc.	Liaison Officer	2001	2002
UNION BANK	Accountant	Sept. 2001	Dec. 2001

NAME : CARLO ESTEBAN A. GUINTO  
POSITION : DIRECTOR/VICE PRESIDENT-ADMIN  
AGE : 40 y/o  
NATIONALITY : FILIPINO

EXPERIENCES:

NAME OF OFFICE	POSITION	FROM	TO
GOLDEN RURAL BANK OF THE PHILIPPINES, INC.	VICE PRESIDENT-ADMIN	2012	PRESENT
GOLDEN RURAL BANK OF THE PHILIPPINES, INC.	OFFICER-IN-CHARGE	2005	2011
SAN MIGUEL CORPORATION	ACCOUNT EXECUTIVE	2001	2002

Present Position - Other Private Institution

First Golden North Cable Vision Corp.	Director
Guinto Land Development Corporation	Director

NAME : ALELI P. GUINTO  
 POSITION : DIRECTOR/VICE PRESIDENT-FINANCE  
 AGE : 39 y/o  
 NATIONALITY : FILIPINO  
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Chevron Holdings, Inc.	Financial Analyst	2004	2006
Ayala Property Management Corp.	Corporate Accountant	2000	2004

NAME : RONA LISSA A. GUINTO  
 POSITION : DIRECTOR/MARKETING HEAD  
 AGE : 34 y/o  
 NATIONALITY : FILIPINO  
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines, Inc.	Director	2012	present
Golden Rural Bank of the Philippines, Inc.	Marketing Head	2011	present
Holcim Philippines Inc.	Procurement Analyst	2007	2009
Collins International Trading Corp.	Marketing Assistant	2006	
PLDT, UK	Marketing Executive	2005	

NAME : MICHELLE ANN D. GUINTO  
 POSITION : HUMAN RESOURCES HEAD  
 AGE : 39 y/o  
 NATIONALITY : FILIPINO  
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines, Inc.	HR Officer	2009	present
WRP Distributors, Inc.	Key Accounts Specialist	2004	2005

j. Performance Assessment Program



Existing performance assessment program is for the employees only. Currently, the board is using the “Self Evaluation Form” for the overall assessment of the quality of board oversight. The form is completed by every director, the results of which provide input to the overall assessment of the Board.

k. Orientation and Education Program

The bank has no existing policy on Orientation and Education Program for directors and senior management but the Human Resource Department is in-charge in finding appropriate trainings/seminars for them. The director or senior management could also initiate/recommend attending trainings that they think they needed.

l. Retirement and Succession Policy

No existing policy but the Bank developed a reliever plan in cases when there is an immediate need for relievers in certain positions especially if it involves critical positions in the operation.

m. Remuneration policy

*i. Remuneration Policy and Structure for Executive and Non-Executive Directors*

*ii. Remuneration Policy for Senior Management*

No existing remuneration policy

n. Policies and procedures on related party transactions

*i. Overarching policies and procedures for managing related party transactions*

*ii. Conglomerate Structure*

*iii. Material RPTs*

1. Introduction

The Board of Directors of the Golden Rural Bank of the Philippines, Inc. (GRBP) have adopted the following policy and procedures with regard to Related Party Transactions (RPTs), in line with the requirements of the Bangko Sentral ng Pilipinas (BSP).

2. Purpose

The objective of this policy is to ensure proper approval, disclosure and reporting of transactions as applicable, between the bank and any of its related parties, in the best interest of the bank and its stakeholders.

3. Definitions

a. **Related parties** shall cover the bank's subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the bank exerts direct/indirect control over or that exerts direct/indirect control over the bank; 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 interests may pose potential conflict with the interest of the bank, hence, is identified as a related party.

b. **Close family members** are persons 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, grandparent, grandchild, parent-in-law, son-/daughter-in-law, brother-/sister-in-law, grandparent-in-law, and grandchild-in-law of the bank's DOS.

c. **Corresponding persons in affiliated companies** are the DOS of the affiliated companies and their close family members.

d. **Control** of an enterprise exists when there is:

1) Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or

2) Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or

3) Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or

4) Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or

5) Any other arrangement similar to any of the above.

Control is presumed to exist if there is ownership or holding, whether direct or indirect, of 20 percent or more of a Class of voting shares of a company.

Should the bank choose to disclaim or rebut the presumption, it should provide facts sufficient to show that there is indeed no control. Further, the bank shall submit a written commitment that: (1) shares owned or held are exclusively for investment purposes; (2) the bank's stockholder will not serve on the board of directors and will not nominate any candidate to serve on the board or otherwise seek board representation; (3) the bank's stockholder will have only limited contacts with bank management that are customary for interested shareholders; (4) the bank's stockholder will engage only in normal and customary transactions with the enterprise; and (5) the bank will not pledge the shares acquired to secure a loan with any institution.

e. **Related party transactions** are transactions or dealings with related parties of the bank, regardless of whether or not a price is charged. These shall include, but not limited to the following:

- On- and off-balance sheet credit exposures and claims and write-offs;
- Investments and/or subscriptions for debt/equity issuances;
- Consulting, professional, agency and other service arrangements/contracts;
- Purchases and sales of assets, including transfer of technology and intangible items (e.g, research and development, trademarks and license agreements)
- Construction arrangements/contracts;

- Lease arrangements/contracts;
- Trading and derivative transactions;
- Borrowings, commitments, fund transfers and guarantees;
- Sale, purchase or supply of any goods or materials; and
- Establishment of joint venture entities.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

#### 4. Duties and Responsibilities

a. The Board of Directors shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. Towards this end, the board of directors shall carry out the following duties and responsibilities:

1) To observe good governance and approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. A group-wide RPT policy shall be adopted, encompassing all entities within the banking group, taking into account their size, structure, risk profile and complexity of operations.

2) To approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders 'meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors.

All final decisions of the board on material RPTs, including important facts about the nature, terms, condition original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meetings and duly reflected in the minutes of board and stockholders' meetings.

3) To delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors. This shall, however, exclude DOSRI transactions, which are required to be approved by the board. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.

4) To establish an effective system to:

- Determine, identify and monitor related parties and RPTs;
- Continuously review and evaluate existing relationships between and among businesses and counterparties; and
- Identify, measure, monitor and control risks arising from RPTs.

The system shall be able to define related parties' extent of relationship with the bank; assess situations in which a non-related party (with whom a bank has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the BSP and audit functions for review. Any changes in the policies and procedures shall be approved by the board of directors.

5) To maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the bank is well-insulated from any going concern issue of related parties.

6) To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The board should ensure that senior management addresses legitimate issues on RPT that are raised. The board should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals.

7) To constitute an RPT committee in addition to the committees prescribed under Section X141.3(7) of the Manual of Regulations for Banks (MORB) on the creation of board committees, and to provide adequate resources to said Committee, including the authority to procure the assistance of independent experts, if necessary, to assess the fairness of RPTs. For this purpose, the constitution of an RPT committee shall apply to banks that are part of a conglomerate and to banks directed by the BSP to constitute said Committee.

The RPT committee shall be composed of at least three (3) members of the board of directors, two (2) of whom shall be independent directors, including the chairperson. The committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. The Compliance Officer or Internal Auditor may sit as resource persons in said Committee.

The Audit Committee of the bank will act as the RPT Committee.

b. The RPT committee shall:

1) Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the board and regulators/supervisors.

2) Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee shall take into account, among others, the following:

- a) The related party's relationship to the bank and interest in the transaction;
- b) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- c) The benefits to the bank of the proposed RPT;
- d) The availability of other sources of comparable products or services; and

e) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The bank shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs.

All RPTs that are considered material based on bank's internal policies shall be endorsed by the RPT Committee to the board of directors for approval.

3) Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the bank's affiliation or transactions with other related parties.

4) Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.

5) Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.

6) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

c. The Senior Management shall implement appropriate controls to effectively manage and monitor RPTs on a per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with the bank's policy and BSP's regulations.

d. The internal audit function shall conduct a periodic formal review of the effectiveness of the bank's system and internal controls governing RPTs to assess consistency with the board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits shall be communicated directly to the Audit Committee.

e. The compliance function shall ensure that the bank complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. It shall aid in the review of the bank's transactions and identify any potential RPT that would require review by the Board or Audit/RPT Committee. It shall ensure that the RPT policy is kept updated and is properly implemented throughout the bank.

#### 5. Policy on RPTs

All RPTs must be reported to the Audit/RPT Committee for its approval in accordance with this policy.

#### 6. Identification of Potential RPTs:

All branches/departments are required to identify/determine and report to the Audit/RPT Committee all their proposed transactions/arrangements with the bank's related parties for review.

The Audit/RPT Committee will be provided with all relevant material information of RPTs, including the terms of the transaction, the business purpose of the transaction, the benefits to the bank and to the related party, and any other relevant matters.

The following factors to the extent relevant to the RPT in conducting an independent review:

- a. the identities of the parties involved in the transaction or relationship;
- b. the terms of the transactions are fair and on arm's length basis to the Bank;
- c. the impact on Director's or Senior Officer's independence; and
- d. Whether the RPT would present an improper conflict of interest for any Director, Stockholder or Senior Officer of the bank.

#### 7. Approval of RPTs

The Board of Directors approves and confirms all RPTs endorsed by the Audit Committee.

Any member of the Board or Audit Committee who has interest in the transaction must abstain from participation in the review and approval of any RPT.

#### 8. Disclosure and Regulatory Reporting

This policy will be communicated to all operational employees and other concerned persons of the bank. The bank shall adequately disclose in its Annual Report, if applicable, the overarching policies and procedures for managing RPTs, including managing of conflicts of interest or potential conflicts of interest; responsibility of RPT committee; nature, terms and conditions, as well as original and outstanding individual and aggregate balances including off-balance sheet commitments, of material RPTs.

In addition to the required reports on DOSRI and transactions with subsidiaries and affiliates under existing regulations, the bank shall submit a report on material exposures to related parties, which shall include the material RPTs of

their non-bank financial subsidiaries and affiliates within 20 calendar days after the end of the reference quarter to the BSP.

Transactions concerning deposit operations, credit card availments, regular trade transactions involving purchases and sales of debt securities traded in an active market, are excluded from the reporting requirement to BSP. Provided, that credit card lines with amounts falling within the definition of "material transactions" shall be reported to the BSP upon approval of the line.

Lease contracts and other similar contracts with recurring payment transactions shall only be reported once, upon approval of said transaction by the board of directors. In case the parties involved in the transactions are both supervised by the BSP, only the lessor, in case of a lease contract, or the party engaging/requesting for the services of the other bank, in case of other contracts, shall submit the report.

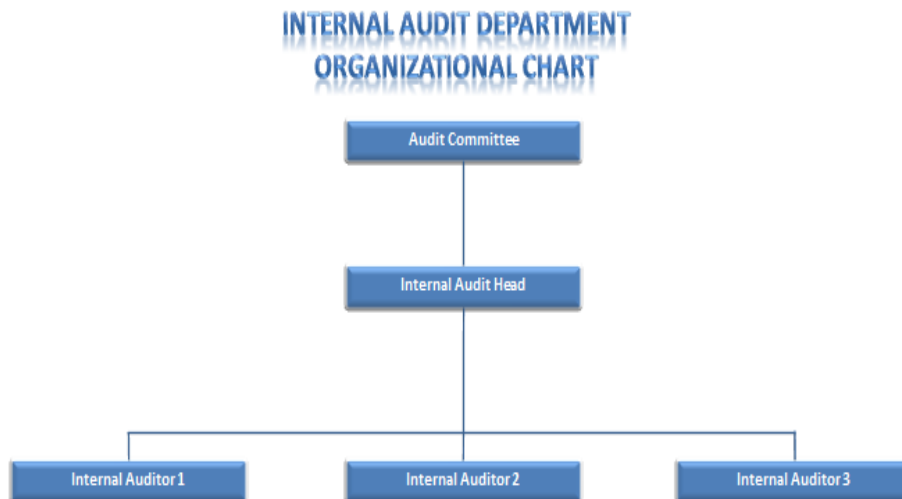
This section amends the reporting requirement on group structure and the report on significant transactions required under Subsection X141.3c (9) of the MORB on group structures.

9. Review of the Policy

The Board/Audit/RPT Committee will review and may amend this policy from time to time.

o. Self-Assessment Function

- i. *The structure of the internal audit and compliance functions including its role, mandate/ authority, and reporting process*
- ii. *The review process adopted by the Board to ensure effectiveness and adequacy of the internal control system*



**ROLE OF INTERNAL AUDIT**

Internal Audit looks at the organization's objectives and then focuses on those risks that are identified by management that may hinder their achievement.

### Audit Committee

1. Reports directly to the Board of Directors
2. Provides oversight over the senior management's activities in managing credit, market, liquidity, operational, legal and other risks of the Bank.
3. Provides oversight of the Bank's internal and external auditors.
4. Reviews and approves audit scope and frequency, and the annual internal audit plan.
5. Discusses with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one audit firm is involved.
6. Sets-up an internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any question of resignation or dismissal.
7. Monitors and evaluates the adequacy and effectiveness of the Bank's internal control system.
8. Receives and reviews reports of internal and external auditors and regulatory agencies, where applicable and ensure that management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies.
9. Reviews the quarterly, half-year and annual financial statements before submission to the Board, focusing particularly on:
  - a. Any change/s in accounting policies and practices
  - b. Major judgmental areas
  - c. Significant adjustments resulting from the audit
  - d. Going concern assumption
  - e. Compliance with accounting standards
  - f. Compliance with tax, legal, and stock exchange requirements
10. Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
11. Evaluates and determines non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Bank's total expenditure on consultancy.
12. Ensures that the internal auditors have free and full access to all the Bank's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results, and provide a venue for the Audit Committee to review and approve the annual internal audit plan.

### Acting Audit Head

1. As back up internal auditor to regular audit and turn-over audit to branches. (Audit Procedure on turn over)
2. Reviews reports of internal auditors.



3. Establish appropriate policies and procedures to guide the internal audit function and to improve or enhance existing internal control procedures and program, and ensure the quality of the assurance services delivered.
4. Ensure that the status (e.g. stipulated in an audit charter), strategy, resources of the internal audit department are aligned and are consistent with the organization's objectives and governance policy
5. Communicate plan of engagements and resource requirements for the internal audit function, including significant interim changes to the audit committee. This communication shall include the impact of resource limitations.
6. Ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the internal audit plan approved by the Audit Committee or the Board.
7. Ensure the timely completion of internal auditing engagements.
8. Ensure that reports on internal auditing engagements are provided to the audit committee with a minimum of delay.
9. Ensure that professional internal auditing standards are followed
10. Reports quarterly outstanding audit findings and accomplishments to the Audit Committee.
11. Oversees and organize internal operating controls, processes and practices in accordance with annual audit plan.
12. Plans and allocates resources and individuals in accordance with skills and schedules
13. Produce reports highlighting issues and providing potential solutions
14. Supervise, coach and develop junior members of staff within teams
15. Ensure compliance with internal (audit methodology and risk management) and external (regulatory) requirements

#### Internal Auditor

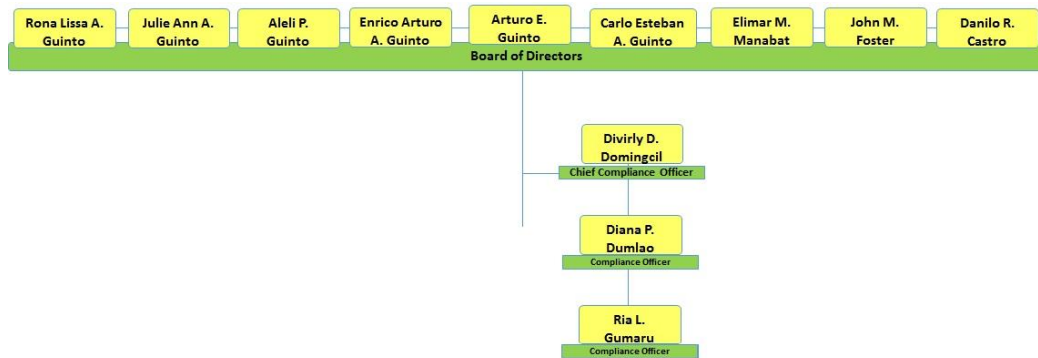
1. Plans, completes and reports on internal control programs undertaken within agreed time frame
2. Conducts directly spot cash count, regular audit to branches.
3. Conducts investigations into all matters as may be directed by the Board of Directors.
4. Makes recommendations for improvements in internal control procedures and programs

5. Provides guidance to branches of the Bank on control procedures
6. Verifies that the Bank's operational and accounting controls are in place and working properly
7. Monitors control findings and follow-up on remedial actions
8. Debriefs management on branches control findings and to ensure procedures are in place to safeguard the Bank's assets
9. Investigates frauds and irregularities and make recommendations to prevent recurrence
10. Conducts inspection at the Bank's agencies
11. Contributes to the control of risks and operational efficiency

#### REPORTING PROCESS

Process Owner/s	Process	Remarks
Internal Auditor	1. List and print initial audit findings and give copy to branch employees. Discuss audit findings with the branch employees. After discussion, make final audit report, give copy to Audit com/BOD, and issues Personnel Memorandum. The branch receives and sign initial findings copy and participate in the discussion.	This is the time discussing and communicating audit findings, comments and performances thru Exit conference.
BOD/Auditcom	2. Receive and read Final Audit Report	BOD/Audit com will receive the final audit report on the fifth (5 <sup>th</sup> ) day from exit conference.
HR Head/Asst.	3. Receives copy of issued personnel memorandum	

## COMPLIANCE STRUCTURE



## COMPLIANCE FUNCTION

The Compliance Function shall have a formal status within the organization. It shall be established by a charter or other formal document approved by the Board of Directors that defines the compliance function's standing, authority and independence, and addresses the following issues:

- Measures to ensure the independence of the compliance function from the business activities of the bank;
- The organizational structure and responsibilities of the unit or department administering the compliance program;
- The relationship of the compliance unit/department with other functions or units of the organization; including the delineation of responsibilities and lines of cooperation;
- Its right to obtain access to information necessary to carry out its responsibilities;
- Its right to conduct investigations of possible breaches of the compliance policy;
- Its formal reporting relationships to senior management, the Board of Directors, and the appropriate board-level Committee; and
- Its right of direct access to the Board of Directors and to the appropriate board-level Committee.
- The charter or other formal document defining the status of the compliance function shall be communicated throughout the organization.

p. Dividend policy

The Bank has no existing dividend policy

q. Corporate Social Responsibility Initiatives

TREE PLANTING 2017







EARTH HOUR 2017









r. Consumer Protection Practices

- i. *Role and responsibility of the Board and Senior Management for the development of consumer protection strategy and establishment of an effective oversight over the bank's consumer protection programs*

## ROLES AND RESPONSIBILITIES OF OVERSIGHT BODIES

### BOARD OF DIRECTORS

The Board of Directors (BOD) has the ultimate responsibility for the level of customer risk assumed by GRBP. Accordingly, the Board approves the Bank's overall business strategies and significant policies, including those related to managing and taking customer risks.

The Board of Directors takes steps to develop an appropriate understanding of the customer risks the Bank faces through briefings from auditors and experts external to the organization.

The board of directors provides clear guidance regarding the level of customer protection risk acceptable to the Bank and ensures that senior management implements the procedures and controls necessary to comply with the policies that have been adopted.

The BOD is responsible for developing and maintaining a sound Consumer Protection Risk Management System that is integrated into the over-all framework for the entire product and service life-cycle.

Each director has a level of knowledge commensurate with the nature of his or her role in managing the Bank's customer protection program. This can be done through attendance to trainings and seminars, interaction with experts and regulatory personnel knowledgeable to this line.

The Board reviews and approves appropriate customer protection policies to limit risks inherent in the Bank's significant business lines, activities, or

products, including ensuring effective oversight of any third-party providers that provide products and services for the Bank.

The Board periodically reviews and approves customer protection risk exposure limits to conform to any changes in the Bank's strategies and addresses the extent of protection assumed by the customers when new products are introduced.

#### SENIOR MANAGEMENT

Senior management is responsible for implementing a program to manage the customer compliance risks associated with the Bank's business model, including ensuring compliance with laws and regulations on both a long-term and a day-to-day basis. Accordingly, management should be fully involved in its activities and possess sufficient knowledge of all major products to ensure that appropriate risk controls are in place and that accountability and lines of authority are clearly delineated.

Senior management also is responsible for establishing and communicating a strong awareness of, and need for, effective customer protection risk controls and high ethical standards.

#### BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The BOD and Senior Management periodically review the effectiveness of the Consumer Protection Risk Management System (CPRMS) including how findings are reported and whether the audit mechanism in place enable adequate oversight.

The BOD and Senior Management must ensure that sufficient resources are devoted to the customer protection program.

They must be certain the FCP weaknesses are properly addressed and corrective actions are taken in a timely manner.

The Board and Senior Management are sufficiently familiar with and are using adequate record keeping and reporting systems to measure and monitor the major sources of customer risk to the Bank.

The Board and Senior Management ensure that the depth of staff resources is sufficient to operate and manage the Bank's customer protection activities soundly and that employees have the integrity, ethical values, and competence that are consistent with a prudent management philosophy and operating style.

The Board and Senior Management anticipate and respond to customer protection risks that may arise from changes in the Bank's competitive environment and to risks associated with new or changing regulatory or legal requirements.

- ii. *The consumer protection risk management system of the bank*



## PURPOSES & OBJECTIVES

The Consumer Protection Risk Management System (CPRMS) is a means by which a Bank can identify, measure, monitor and control customer protection risks inherent in its operations. The risks belong to the financial customer or the Bank.

The CPRMS is proportionate to the size, structure and complexity of GRBP operations. It provides the foundation for ensuring the Bank's adherence to CP standards of conduct and compliance with customer protection laws, rules and regulations in order to prevent risk to the Bank and any harm or financial loss to the customer.

## OVERSIGHT FUNCTIONS

### ROLE OF BOARD OF DIRECTORS

- 1) The Board is responsible for developing and maintaining a sound CPRMS that is integrated into the overall framework for the entire product and service life-cycle.
- 2) The Board should periodically review the effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms in place enable adequate oversight.
- 3) The Board must also make certain that CPRMS weaknesses are addressed and corrective actions are taken in a timely manner.

### ROLES OF SENIOR MANAGEMENT

- 1) The Senior Management should also periodically review the effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms in place enable adequate oversight
- 2) The Senior Management must also make certain that CPRMS weaknesses are addressed and corrective actions are taken in a timely manner.
- 3) The Senior Management should recommend revision of policies and procedures.

## RISK MANAGEMENT PROCESS

### RISK IDENTIFICATION AND EFFECTS ON CUSTOMER AND THE BANK GRBP

Identifies its customer protection risks in each principle through analyzing its effects to the Bank and the customer.

The following were specifically recognized or identified risks by the Bank under the different principles or protection standards of consumer protection:

- 1) Oversight Bodies
- 2) Disclosure and Transparency
- 3) Conflict of Interest
- 4) Protection of Customer Information
- 5) Fair Treatment
- 6) Remuneration Structure
- 7) Effective Recourse
- 8) Financial Education and Awareness

#### EFFECTS OF LACK OF OVERSIGHT SUPERVISION BY BOARD OF DIRECTORS AND SENIOR MANAGEMENT

GRBP has identified possible inherent risks under this standard as follows:

There shall be poor implementation of customer protection program due to lack oversight supervision.

Lack of customer protection compliance and audit program will pave way for the BSP to enforce prompt corrective action against the Bank or sanctions in the form of monetary and administrative penalties; and

#### EFFECTS OF POOR OR LACK OF DISCLOSURE AND TRANSPARENCY TO THE CUSTOMERS

GRBP has identified possible inherent risks under this principle as follows:

The Bank may lose the trust and confidence or result to strained relationship with the customer resulting to disengagement or withdrawal of deposit from the Bank.

Customer's lack of information on the features, terms and conditions of the Bank's products and services may result to future conflict and misunderstanding.

#### EFFECTS OF UNRESOLVED CONFLICT OF INTEREST

GRBP has determined potential problems arising from unresolved conflict of interests under the following situations:

Loss of trust to the Bank on the part of the borrower when the latter discovered later that he/she was forced to enter into a deposit or investment

contract not on the basis of his banking needs but on the basis that the Branch Manager either takes incentives or attaining a deposit quota.

Customer is deprived of fair pricing on purchase of ROPA when a director or senior officer has special interest on the property.

#### EFFECTS OF NON-PROTECTION OR FAILURE TO PROTECT THE INFORMATION AND DATA OF CUSTOMERS

The following effects maybe experienced by GRBP if there is lack or failure to protect the information and data of customers:

Monetary, administrative and criminal case arising from violation of Republic Act 1405.

Lack of information security plan to manage the protection program of customers can lead to control lapses and unrecognized weaknesses of the Bank.

Non-reporting of suspicious attempts by unauthorized employees to obtain customer information may result to consummation of fraud or theft of information.

#### EFFECTS OF UNFAIR TREATMENT OF CUSTOMER

Absence of cooling-off period after signing of contract (deposit or loan) will force the customer to avail the product or services when there is already no need to avail it due to some reasons, such as; over-liquidity of the borrower, migration to other places or better offers from competitors.

Absence of objectivity in presenting the products and services of the Bank may result in misunderstanding in the future.

Lack of policies and procedures pertaining to fair redemption price and respect of owner's rights will deprive the customers of redeeming their valuable property.

#### EFFECTS OF LACK OF REMUNERATION STRUCTURE

Lack of remuneration structure design for Bank's staff will encourage irresponsible business conduct, unfair treatment and conflicts of interests against the customers.

Lack of adequate procedures and controls of remuneration structure will result to abusive intention of employees against the customers.

#### EFFECTS OF LACK OF DEMONSTRATION OF EFFECTIVE RECOURSE

Complaints are not timely and properly addressed due to absence of customer assistance management system of the Bank.

The Bank will be directed to answer customer complaints directly reported to the BSP due to improper handling.

The Bank's basis in evaluating customer service effectiveness and efficiency will be deficient due to lack of records, logbooks or reports prepared by designated customer care employees or non-designation of customer assistance personnel.

#### EFFECTS ON NON-IMPLEMENTATION OR FAILURE TO IMPLEMENT FINANCIAL EDUCATION AND AWARENESS PROGRAM

Customers may avail the wrong products and services which might affect their customer satisfaction due to absence of a broadly-based financial education and information program.

Failure of the Bank to educate the customer may lead to over-indebtedness or default of customer which eventually strains the relationship of the Bank with the customer.

The Bank may find difficulty to solicit deposits or loans if customers are unaware of the benefits or advantages of the Bank's products and services and the profile of the Bank.

#### CUSTOMER PROTECTION RISK MEASUREMENT & ANALYSIS

GRBP recognizes the importance of measuring risks in relation to the degree and extent of risks in financial customer protection. In this view, the Bank has established two (2) approaches in measuring the effects of failure to follow the required protection standards or principles, namely;

The Bank classifies its risk according to probability or the likelihood of occurrence of the risk:

**RARE** – the happening of the customer protection risk is not expected to come soon;

**LIKELY** – the happening of the customer protection risk is not expected at the moment;

**CERTAINLY** – the happening of customer protection risk is definite or imminent.

The Bank classifies the level of customer protection risks accordingly:

**LOW**– the impact of customer protection risk to the Bank is nil or minimal;

MEDIUM - the impact of customer protection risk to the Bank is moderate or within the tolerable level of the Bank;

HIGH – the impact of customer protection risk to the Bank is above what the Bank’s tolerable limit and has adverse effects on the reputation.

## RISK ANALYSIS AND EVALUATION

Based on existing financial customer protection standard risks as identified and profiled by the Bank, identified risks were classified as follows:

The effects of lack of oversight supervision by BOD and SM is “rare” to happen since they are very serious in addressing customer protection issues by coming out of policies and procedures and developing the Consumer Assistance Management System, thereby, impact of the risk to the Bank and the customer would be low.

## CUSTOMER PROTECTION RISK CONTROL, TECHNIQUES AND STRATEGIES

### OVERSIGHT FUNCTIONS

GRBP has professional and experienced members of the Board of Directors and senior management. Nevertheless, the Bank provides for strategies and techniques in order to avoid the identified risks and their effects to the customer and the Bank by the following preventive measures:

- a) The BOD should appoint the Audit Committee to supervise the consumer protection risk management system (CPRMS);
- b) The BOD should regularly require the senior management to report on the customer’s complaints and update their status;

### DISCLOSURE AND TRANSPARENCY

In order to avoid the risks related to disclosure and transparency, the Board of Directors and Senior Management issued the following strategies and control measures to avoid the risks:

- a) The Bank **must** conduct regular trainings/seminars on a per schedule basis to all its employees in order for the latter to be familiarized with current products and services;
- b) All employees in charge **should** explain the terms and conditions related to a certain product and service prior to signing up the relationship contract to include corresponding policies and procedures, right and responsibilities of the clients;

- c) The Marketing Head of the Bank **must** see to it that brochures, flyers advertisement materials are updated and does not contain adverse or deceptive information. The information is clear, accurate and easily understood by the Bank's clients.

#### CONFLICT OF INTEREST

GRBP resolves and prevents conflict of Interest among the customers and bank employees through the following measures:

- a) A director should inhibit in the approval process of own loan;
- b) When a borrower is the subject of credit investigation and property appraisal by the Bank's employee who is closely associated to the borrower, the Bank assigns the job to another CI/Appraiser;

#### PROTECTION OF CLIENT INFORMATION

Bank's strategies are to put prevention and control measures in order to protect the client's information are enumerated hereunder:

- a) The Bank must have well defined IT processes and procedures and designated IT Department to handle the entire system;
- b) All computers being utilized for storing and retrieving of data and information of customer must have an automatic log-off and log-in;

#### FAIR TREATMENT

GRBP sees to it that fair treatment is provided to all its customers by employing the following preventive measures:

- a) Loan products must be priced based on competition lending rate after surveys are conducted;
- b) The Bank should involve its customers in designing its loan and deposit products by getting their opinion or ideas through the suggestion box system;
- c) The Bank must focus on the capacity and character of the customer and not rely mainly on collateral or guarantees;

## REMUNERATION STRUCTURE

In order to encourage responsible conduct of business by bank employees, fair treatment and avoid conflict of interests, the Bank must:

- a) come up with an incentive scheme to reward productive employees in soliciting deposits or loans, collection of past due and previously written-off loan accounts;
- b) disclose to customers that bank employees receive incentives from soliciting their accounts;

## EFFECTIVE RECOURSE

In order for Management to address properly and timely the complaints or requests of customers, the Bank has come out with preventive measures:

- a) The Bank must establish a customer care center that will monitor employees conduct on customer inquiries, complaints or requests;
- b) The Bank must establish its own Consumer Assistance Management System which encompasses policies and processes such as; processing time, responding to customers, and customer access like setting up dedicated phone line or help-desk for customer response;
- c) The Bank should provide a poster showing the information on how to file a complaint/request visible at the lobby or website of the Bank;

## FINANCIAL EDUCATION AND AWARENESS

In order to address the identified risks, the Bank should perform the following preventive and control measures under financial education and awareness standard:

- a) The Bank must initiate financial education to empower customers provide knowledge and skills and understand the information from the products and services offered by the Bank;
- b) The Bank must conduct financial awareness program to all the area where it operates.
- c) The Bank must develop financial awareness program which could improve the knowledge and understanding of customers regarding their rights and obligations and to make an informed decisions in availing Bank's products and services. The program must meet the literacy level of its customers such that features of products and services should be translated to local dialect of the customers, if needed;

## CUSTOMER PROTECTION RISK MONITORING AND MANAGEMENT INFORMATION SYSTEM

Effective risk monitoring requires GRBP to identify and manage all significant risk exposures, including compliance risk. Identifying such risk throughout its operations is important to ensure that the Bank modifies its compliance management program as needed to respond to any internal or external changes that affect the institution.

Risk monitoring activities are supported by appropriate MIS that provides senior management and directors with timely information on the customer protection compliance risk exposure of the Bank, as well as with regular and sufficient information for line managers engaged in the day-to-day management of the Bank's activities.

Bank uses Management Information System to organize and report data to senior management. Customer protection compliance issues of the Bank are included in the IT System and also in a Register or logbook. Internal Auditors ascertain whether the MIS is helpful to ensure that relevant information gets escalated from the branches to the compliance function and then to senior management.

Internal Auditors discuss with senior management the Bank's approach and methodology for identifying customer protection risk. Management should be able to articulate its understanding of customer protection compliance risk. Comprehensive reporting and monitoring systems allow for more frequent reporting, tighter monitoring of complex compliance activities, and the aggregation of risks on a fully consolidated basis across all business lines and activities.

## CUSTOMER PROTECTION RISK REPORTING

Reports of the Bank for both internal and external are prepared and presented in accordance with the Consumer Assistance Management System (CAMS) of the Bank.

Internal reporting refers to the reports prepared by the Consumer Assistance Officer (CAO) and submitted to the Head, Consumer Assistance Officer which is being summarized and actions are being recommended to the Senior Management or Board of Directors.

These reports are presented to the SM and BOD on a monthly basis and reported to the BSP (external) on a quarterly basis within one (1) month after the cut-off period of the preceding month.



## INTERNAL CONTROLS

In evaluating the adequacy of the GRBP's internal controls and audit procedures pertaining to customer protection, our Internal Auditors consider whether the following conditions are met.

- 1) The system of internal controls is appropriate for the type and level of risks posed by the nature and scope of the Bank's customer protection activities.
- 2) The Bank's organizational structure establishes clear lines of authority and responsibility for monitoring adherence to financial customer protection policies, procedures, and limits.
- 3) Reporting lines provide sufficient independence of the control areas from the business lines and adequate separation of duties throughout the organization.

Specifically, the internal controls applicable to customer protection include:

- 1) A review of Branch's documentation and filing of customer complaints;

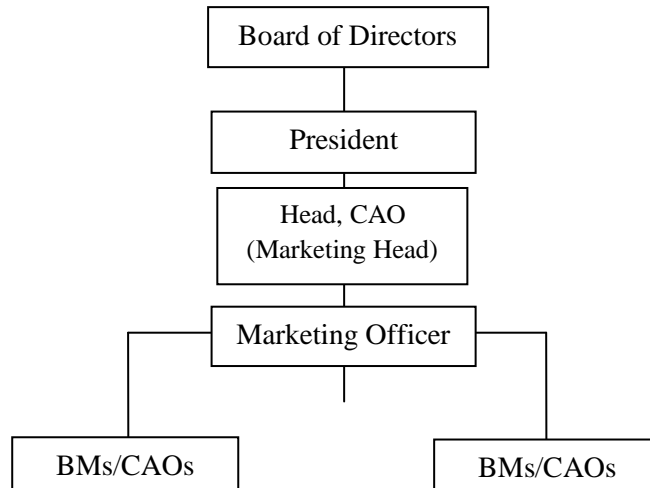
Test the process of Branch's complaint mechanism and system;

- iii. *The consumer assistance management system of the bank which shall include the consumer assistance policies and procedures as well as the corporate structure for handling complaints*

## CORPORATE STRUCTURE OF THE BANK'S CONSUMER ASSISTANCE MANAGEMENT SYSTEM

### STRUCTURE

GRBP follows its existing operational channel in handling customer complaint sand established the Customer Oriented Response Dimension System (CORDS). The CORDS will serve as the CAMS of GRBP. It has designated its Branch Managers to serve as the Consumer Assistance Officers (CAOs), while the Marketing Head is designated Head of the Consumer Assistance Officers. The Marketing Head then report to the Branch Banking Operations and/or the President for the latter to present and discuss the report on complaints to the Board which will provide action based on the recommendations of the Heads of CAOs (Marketing Head) and/or the VP Operations. The structural chart for CORDS is presented below:



**ROLES OF CONSUMER ASSISTANCE OFFICER (CAO)**

The Branch Managers who are designated as CAOs shall have the following functions and responsibilities:

Receives and acknowledges customer concerns, either complaint or request. A Complaint/Request Form (see next page) shall be provided to the customer to file the complaint with the Bank;

Records customer’s concerns in a logbook. A database of concerns is encoded in the computer.

Makes an initial review and investigation of concerns of the customer. He / She shall see to it that the primary cause of the customer’s concern is identified properly;

Processes concerns of the customer. The CAO shall immediately address the concern of the customer. If the concern requires Head CAO’s (Marketing Head) assistance or from the VP, send immediately the concern to them;

Provides official reply to the customer. The reply shall be approved by the Head CAO or Marketing Head and the VP for Operation;

In order to determine whether the Bank has satisfactorily addressed the concern of the customer, requests client feedback;

Prepares and submits a summary report to Head Consumer Assistance Officer (Marketing Head).

GOLDEN RURAL BANK OF THE PHILIPPINES, INC.

No. \_\_\_\_\_

COMPLAINT/REQUEST ACKNOWLEDGMENT FORM

<i>Name of Complainant/Requester</i>	<i>Date Received</i>
<i>Address:</i>	<i>Cell Phone No.</i>
<i>Nature of Complaint/Request</i>	<i>Telephone No</i>
<i>Details of Complaint/Request</i>	
<i>Resolution Requested:</i>	<i>Signature of Complainant/Requester</i>
<i>Received By:</i>  <i>CAO</i>	<i>Noted By:</i>  <i>HEAD, CAO</i>
<i>Resolutions/Remarks:</i>	

**ROLES OF HEAD, CONSUMER ASSISTANCE OFFICER**

In order to monitor the functions of the CAOs and implementation of the CORDS, the Head CAO (Marketing Head) shall conduct the following:

He shall monitor customer assistance process being undertaken by the CAOs. He shall ensure that all CAOs are doing their functions properly and accurately and that timely submission of report of complaints are done; He shall keep track, identify and analyze nature of complaints and recommend solutions to avoid recurrence. The nature of complaints could be poor personnel service, process, or defective property of the Bank;

He shall report to Senior Management the complaints received on a monthly basis (see below) including reasons for such complaints, the recommended solutions to avoid recurrence and the suggestions for process or personnel competency or Bank's property needing improvement; and

He shall ensure immediate escalation of any significant complaint to the BBG Head for proper disposal.

**REPORT OF BRANCH**

A. CORDS eForm for Branch Manager –

Form for new complaints encountered by the Branch Manager

B. Service Recovery Form for Branch Manager-

Form for customer complaints that is already included in CORDS Matrix  
(For Branch Manager)

C. Customer Recovery Form for Frontliner-

Form for customer complaints that is already included in CORDS Matrix  
(For other employee of he branch)

D. CORDS eForm for Frontliner-

Form for new complaints encountered by the Branch Manager

E. SQI Index

<b>DATE</b> <b>Customer</b> <b>Complaint/Problem</b>	<b>Weighting</b> <b>Factor</b>	<b>Frequency</b>	<b>Total</b>	<b>Target</b>
<b>Slow Loan Process</b>	10	0	10	0
<b>Loan Interest Too High</b>	5	0	5	5
<b>More Requirements Needed</b>	5	0	0	0
<b>High Penalty Rate</b>	5	0	5	5
<b>Unclaimed Notices</b>	1	0	1	0
<b>Total</b>			21	10

<b>NOVEMBER 2015</b> <b>SUMMARY</b>	<b>NOV</b> <b>07</b>	<b>NOV</b> <b>14</b>	<b>NOV</b> <b>21</b>	<b>NOV</b> <b>28</b>	<b>Target</b>
<b>Slow Loan Process</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Interest Too High</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>More Requirements Needed</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>High Penalty Rate</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Unclaimed Notices</b>	0	0	0	0	<b>0</b>
<b>Total</b>	0	0	0	0	<b>0</b>

**REPORT OF MARKETING OFFICER**

**GOLDEN RURAL BANK OF THE PHILIPPINES, INC.**

**SUMMARY OF COMPLAINTS/REQUESTS REPORT**

For the Month of xxx

Date of Receipt	Nature of Complaint	Reason for the Complaint	Recommended Solutions	Customer Profile	Status	Action Taken	Date Resolved	REMARKS

**REPORTS OF HEAD, CONSUMER ASSISTANCE GROUP  
TO VP/PRESIDENT/BOD**

1. SUMMARY OF COMPLAINTS/REQUESTS

2. DEVIATION OF RESOLUTION

NAME OF CUSTOMER	COMPLAINT/REQUEST	RESOLUTION REQUESTED	ACTION TAKEN BY THE BANK	DEVIATION FROM RESOLUTION REQUESTED	REASON FOR THE DEVIATION
------------------	-------------------	----------------------	--------------------------	-------------------------------------	--------------------------

NAME OF BRANCH

1.

3. AGING OF COMPLAINT/REQUEST

NAME OF CUSTOMER	DATE OF COMPLAINT/REQUEST	DATE RESOLVED	NO. OF DAYS TO RESOLVE COMPLAINT/REQUEST	NO. OF DAYS OF COMPLAINT/REQUEST TO DATE (IF UNRESOLVED)	REASON FOR THE NO ACTION TO DATE
NAME OF BRANCH					
1.					

GENERAL CATEGORY OF COMPLAINT/REQUEST (Company, Customer, Third Party, Nature)	FREQUENCY OF COMPLAINT/REQUEST	PERCENTAGE OF COMPLAINT/REQUEST TO TOTAL	RESOLUTION/ ACTION TAKEN TO RESOLVE THE COMPLAINT/REQUEST	RECOMMENDATIONS NEEDED TO IMPROVE COMPETENCY ON COMPANY, CUSTOMER, THIRD PARTY, NATURE
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### CAPABILITY BUILDING TRAINING

In order to gain skills and knowledge on how to handle customer concerns, Bank personnel shall undergo the following training:

- 1) Solid interpersonal skills/customer service;
- 2) Basic and advance listening skills;
- 3) Written and verbal communication skills;
- 4) Handling financial customer feedback;
- 5) Dealing with difficult people;
- 6) Problem solving and conflict resolution
- 7) Bank’s corporate structure, products and services

### DEVELOPING TRAINING NEEDS

§6.2.5.1 GRBP continues to develop its employees’ training needs which shall include customer protection. Using the Training Needs Analysis template below, the Bank (President) enables to identify the type of training or seminar to be accorded to each of the employee including the customer protection aspect.

Training Needs Analysis Template					
EMPLOYEE NAME:		POSITION			TNA DONE
Major tasks of position	Training/skills development required?		If yes, identify what training needs exist	How will this be achieved? (eg on the job, external training)	When ?
	Y	N			
<insert major tasks of position>	<input type="checkbox"/>	<input type="checkbox"/>	<insert training needs, if any>	<insert how this will be achieved>	<insert when>
	<input type="checkbox"/>	<input type="checkbox"/>		eg on the job, external training	
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>			
What do we want to achieve in the period ahead?					
<insert comments>					
Where do you/we see your career progressing in the next two years?					
<insert comments>					
How are we going to make this happen?					

These training and seminars are summarized in the Annual Personnel Development Program of the Bank (see format in next page). Each of the Bank’s employee including Board of Directors and Senior Management officers are provided with their corresponding needed trainings, training provider(s), projected date of training and the estimated costs for each training.

The total costs under the Annual Personnel Development Program shall be part of the annual “Training and Seminar Expense” budget of the Bank.

**Personnel Development & Training  
Program on Consumer Protection  
For the Year**

Name and Position of Personnel	Area of Training	Name of Training Provider	Title of Seminar/ Training	Projected Date	Projected Costs

**PUBLICATION OF CUSTOMER ORIENTED RESPONSE DIMENSION SYSTEM (CORDS)**

GRBP shall publish its CORDS in clear and simple language through any of the following:

- 1) Posting of summary details of CORDS in the lobby of the Main Office and its branches.
- 2) The Bank shall also print the CORDS in brochures or flyers to be given to all customers who sign up for new loan or deposit services.
- 3) The Bank shall revise its Application for New Account forms for deposits and loan forms to include the CORDS.
- 4) The CORDS shall be posted in the Bank’s website.
- 5) Newsletter issued quarterly to the customer’s residence or available in all branches of the Bank.

## CUSTOMER ASSISTANCE CHANNELS

Customers may lodge their complaints or requests to any of the Bank's channels:

- 1) walk-in or personal visit
- 2) letter or e-mail
- 3) Telephone or facsimile.

Each branch of the Bank shall maintain Customer Assistance Help Desk with hotline dedicated for customer concerns and service. The Consumer Assistance Officers (Branch Managers) shall be in charge of the Customer Help-Desk.

The Bank shall post to all lobbies of branches a poster where customers know how and where to lodge their concerns.

The Bank shall provide special lane/Teller for senior citizen, customer with disabilities (CWDs), pregnant women, women with children as part of its prioritization scheme in serving customers.

**The** Bank shall also provide alternative mode of resolution, such as; conciliation, mediation and arbitration, in order to achieve, settlement of issues at the Bank's/branch's level.

Each branch has a suggestion box where the customer can provide comments or even concerns. On a daily basis, the Branch Head/CAO or Area Head/Marketing Head responds to the concerns or suggestions of clients.

## CUSTOMER ASSISTANCE PROCESS AND TIMELINES

Any simple concern (complaint or request) shall be processed by the Bank within seven (7) days and the reply shall be issued within two (2) days after the resolution is completed. Below is a sample process and timelines for simple concern.

STEP	PROCEDURE	RESPONSE TIME	PERSON IN CHARGE	FORMS
1	Approach the Consumer Assistance Officer (CAO)	1 minute	Branch Manager/Frontliner	
2	Express Complain the	30 minutes	Branch Manager/Frontliner	CORDS Matix eform



3	Pacify the complaining customer	10-30 minutes	Branch Manager/Frontliner	
4	Input action taken into database	Within 1 Day	Branch Manager	IBOSe
5	Submit report to Marketing Officer	Within 1 Day	Branch Manager	CORDS Matrix eForm
6	Validate action taken by the BM	Within a week	Marketing Officer	CORDS Matrix eForm
7	Submit to Marketing Head for review	Within 7 Days	Marketing Officer	CORDS Matrix eForm
8	Provide official reply to the Customer.	Within 9 Days	Marketing Head	Letter/Mobile Call

Note: All periods are reckoned from receipt of complaint/request.

However, if the complaint/request of the customer is complex and requires third party intervention in the investigation process (steps 5-7 above), the resolution could be done within not exceeding forty five (45) days. Thereafter, the resolution shall be issued within two (2) days.

### RECEIVING AND ACKNOWLEDGING CONCERNS PROCESS

In order to process accurately the complaint/request, the Bank shall obtain and record the following data from the customer:

- 1) Full name and contact details
- 2) Nature of complaint or request and its details
- 3) Resolution requested
- 4) Signature of complainant/requester
- 5) Name of Bank employee directly handling / in-charge of the complaint

The CAO shall explain the customer assistance process and timelines. The Bank shall provide an assurance to the customer that the Bank is attending with the complaint or request, and that complainant shall be kept well-informed on the progress of the complaint or request until a resolution is obtained.

## **PROCESS IN INVESTIGATING AND RESOLVING COMPLAINT/REQUEST**

In investigating and resolving complaint or request of customer, the Bank shall conduct the following procedures within nine (9) days upon receipt of the complaint/request:

- 1) The Consumer Assistance Officer (Branch Head) shall interview the customer to determine the main cause of the complaint or request;
- 2) If a branch personnel's attitude or character is involved in the complaint, the CAO shall personally discuss the matter the concerned employee;
- 3) If a Bank's process/procedure or property is involved in the complaint, the CAO shall course through the complaint to the Marketing Head;
- 4) The Marketing Head shall meet with the concerned Department Head and discuss and find the reason of such a complaint/request. He shall possibly act immediately to the complaint/request. If the problem requires the concurrence of the President and/or Board of Directors, discuss the matter with the President or include the complaint/request in the agenda during the meeting of the Board. The Marketing Head shall ensure that an action from the President and/or Board of Directors is obtained.
- 5) The Marketing Head shall prepare a memorandum letter addressed to the Marketing Head as to the result of action or reply taken from the President or Board of Directors.
- 6) The Marketing Head shall endorse such action to the CAO who shall in turn prepare a letter addressed to the customer.

Provided that the extension shall not exceed 45 days, If assessment and investigation of complaints/requests cannot be completed within the time frame, complainants shall be informed in writing the following:

- 1) Reason thereof
- 2) Need for extended specific time frame
- 3) Date on which the complainant may expect the outcome

## **CONFIDENTIALITY AND CONFLICT OF INTEREST**

### **CONFIDENTIALITY**

The Bank or its personnel shall not disclose to a third party any information acquired from the customer in all stages of the complaint, except, as may be required by the conduct of the Bank's investigation or upon the written consent of the customer.

### **CONFLICT OF INTEREST**

The Bank shall ensure that complaints are investigated by a Consumer Assistance Officer (CAO) who is neither directly or indirectly involved in the matter which is the subject of the complaint. The CAO shall not also investigate a complaint if the subject of a complaint is a close friend.

In either case above, the Bank shall designate a CAO from other branch to investigate the complaint or request.

### **CUSTOMER FEEDBACK**

Subject to the willingness of the customer, the CAO shall ask feedback on the following matters:

- 1) Over-all satisfaction (satisfied, somewhat satisfied or dissatisfied)
- 2) Process needing improvement
- 3) Personnel needing improvement
- 4) Property needing improvement
- 5) Any other suggestion for improvement of the operations of the Bank

Customer feedback shall be obtained through a feedback form from the customer. In this case, a Suggestion Box shall be installed in all branches of the Bank. In like manner, Bank's CAO may conduct satisfaction survey available for walk-in complainants. The Bank, through its IT Officer, can derive survey via its website.

Customer feedback shall be recorded and analyzed by the Marketing Head in order to improve the system and to enhance personnel capabilities in handling complaints, determine the weaknesses of the Bank including the need to procure new machines or improvement of Bank's façade and signage. He shall provide recommendations and/or solutions for action by the President and/or the Board of

Directors. The aim of feedback mechanism shall focus in not repeating the same complaint by other customers and to determine whether such issue is isolated or widespread or system problem of the Bank.

### **COMPLAINTS RECORDING AND DATA MANAGEMENT**

The Bank and its branches/offices shall maintain copies of the complaints/requests received, including supporting documents within two (2) years from date of resolution. Digital copies of documents may be maintained by the Bank in accordance with the MIS for record keeping.

The Bank's Main Office and its branches shall maintain complaints/requests Register/Logbook with the following contents:

- 1) Name of the complainant
- 2) Subject/nature of the complaint (loans, administrative, remittances, deposits, etc.)
- 3) Name of personnel handling directly or in-charge of the complaint and Officer supervising the resolution of the complaint
- 4) Date of Receipt
- 5) Actions taken on the complaint or request
- 6) Resolutions provided and date
- 7) Other details, log-in, phone, cellphone, etc.
- 8) Status

The Head Consumer Assistance Officer (Marketing Head) shall maintain:

- 1) Master register of all complaints received by the Bank and its branches;
- 2) A complaint database to identify the trend of complaint received, potential problems and customer protection risks. A sample report analysis is shown below.

The records shall be available to BSP Examiners, External Auditors and Internal Auditors during their regular or special review of records pertaining to customer protection program of the Bank.

## CUSTOMER COMPLAINTS - STATISTICS & TREND ANALYSIS (sample format)

TYPES OF COMPLAINTS	NUMBER OF COMPLAINTS		
	Branch 1....26	Total	%
<b>Company</b>			
1	6		
2	.		
Sub-total	2		
<b>Customer</b>			
1	1		
2	4		
Sub-total	-		
<b>Third Party</b>			
1	C		
2			
Sub-total	U		
<b>Nature</b>			
1	S		
2	T		
Sub-total	O		
<b>Total</b>	M		
	E		
	R		

## CUSTOMER PROTECTION RISK ASSESSMENT STRATEGIES

### PURPOSES

The Bank has in-placed customer protection risk assessment strategies in order to attain the following purposes:

- 1) It identifies and remedies any recurring or systemic problems;
- 2) It identifies weaknesses in the Bank's internal control or process;
- 3) Provides immediate solutions to the complaint in order to avoid future inconveniences for both the customer and the Bank; and
- 4) Aimed at improving and maintaining a long lasting relationship between the Bank and its customers.

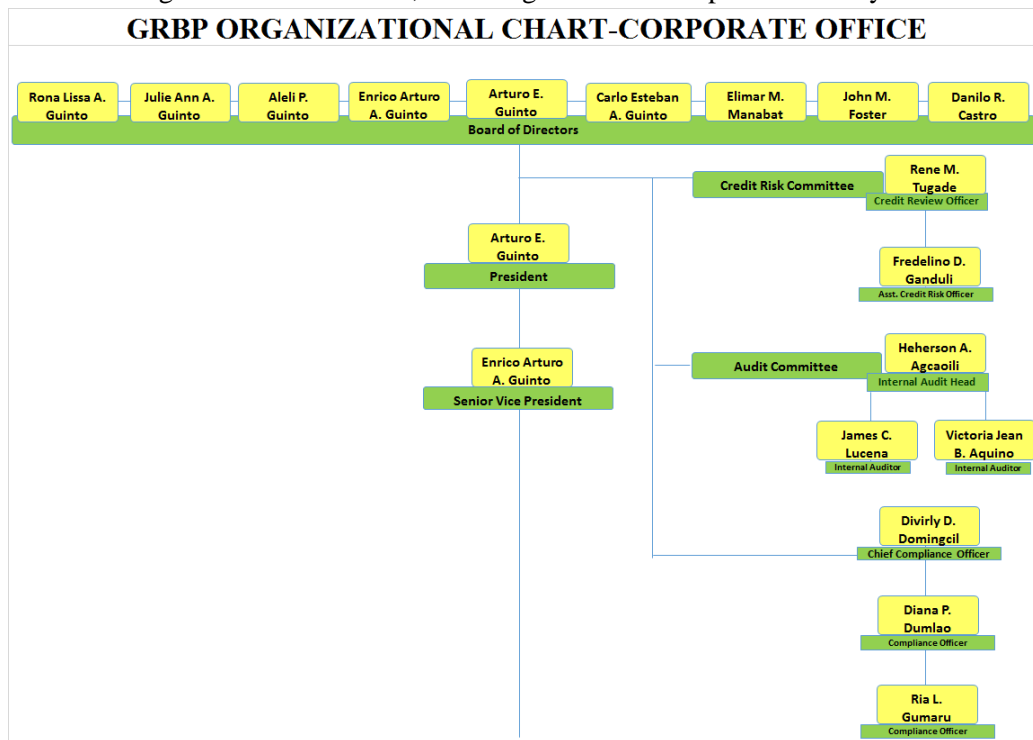
## REMEDIES

The Bank provides remedies by:

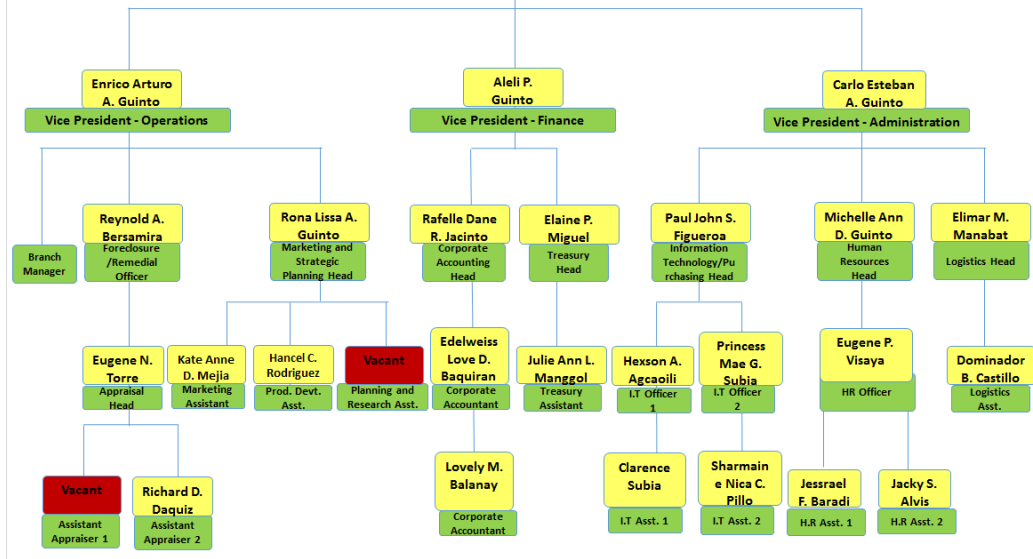
- 1) Analyzing complaints/requests data;
- 2) Analyzing causes of complaints/requests;
- 3) Considering whether such identified weaknesses may also affect other processes or products including not directly complained or requested;
- 4) Correcting whether reasonable to do so, such causes taking into consideration the concomitant costs and other resources.

### 6. Corporate Information

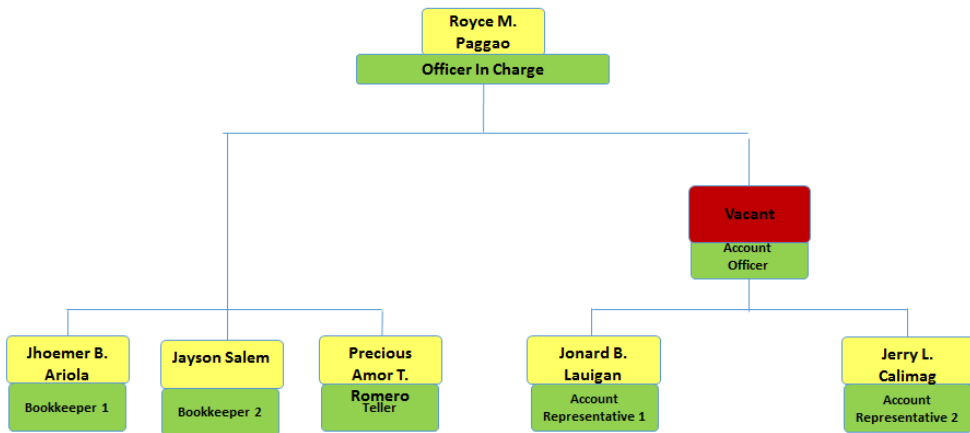
- a. Organizational structure, including the name and position of key officers



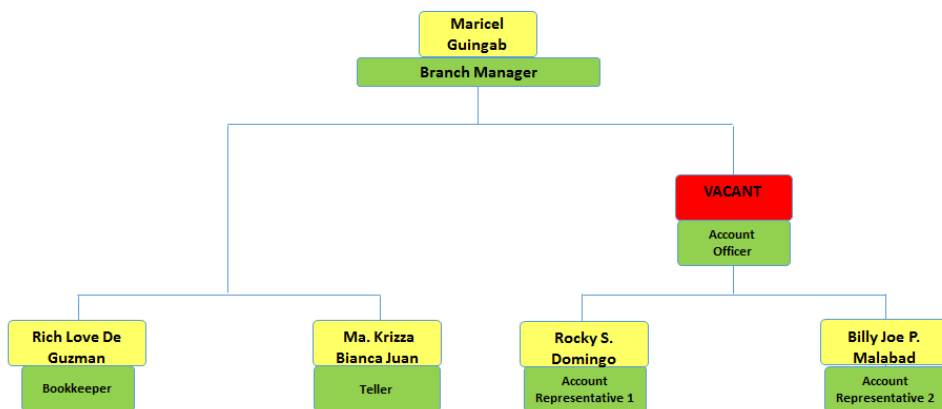
## GRBP ORGANIZATIONAL CHART-CORPORATE OFFICE



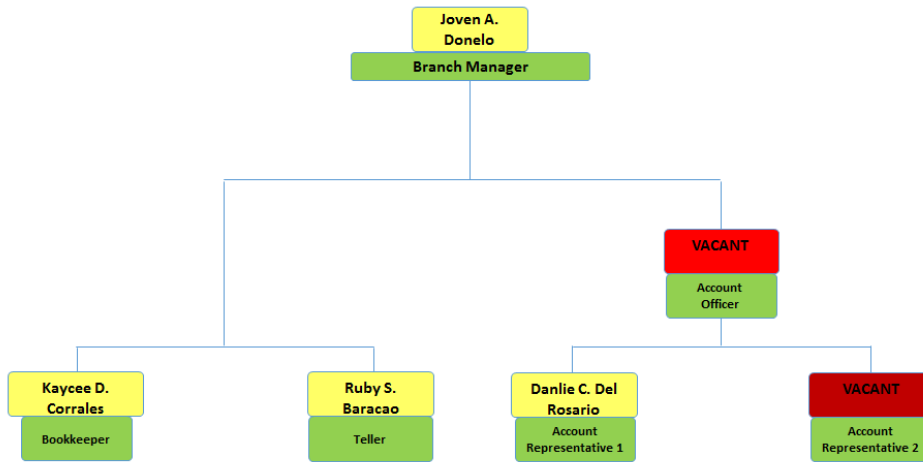
## GRBP ORGANIZATIONAL CHART-CAUAYAN BRANCH



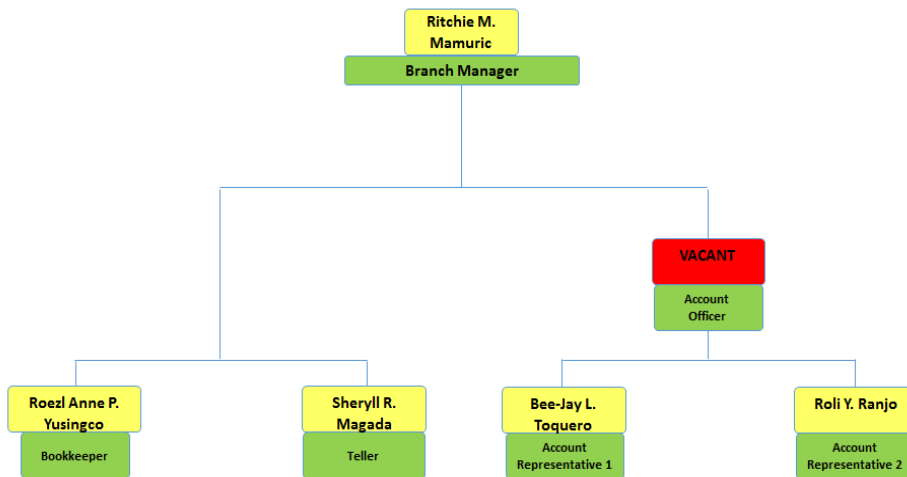
## GRBP ORGANIZATIONAL CHART-CABAGAN BRANCH



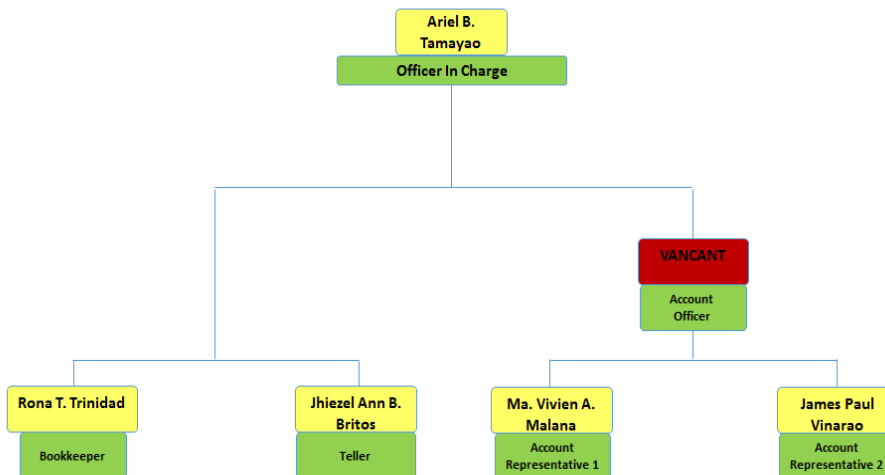
**GRBP ORGANIZATIONAL CHART-RAMON BRANCH**



**GRBP ORGANIZATIONAL CHART-ECHAGUE BRANCH**

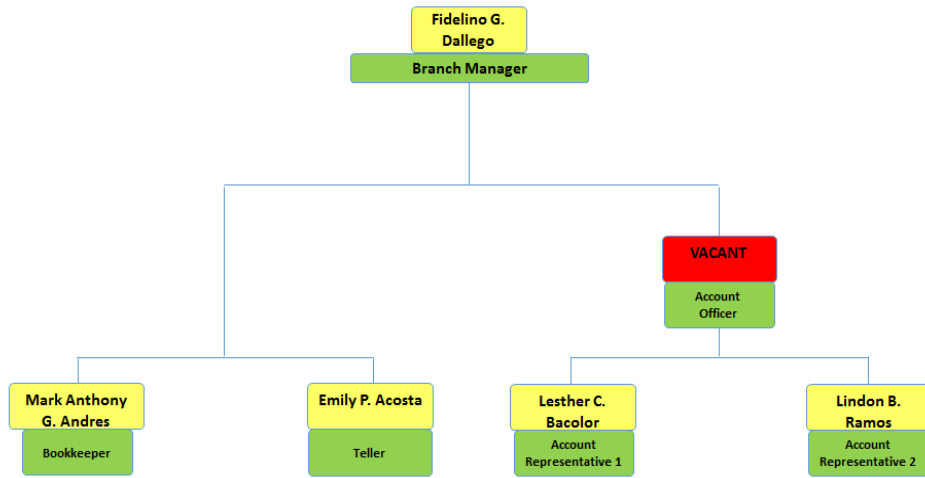


**GRBP ORGANIZATIONAL CHART-TUGUEGARAO BRANCH**

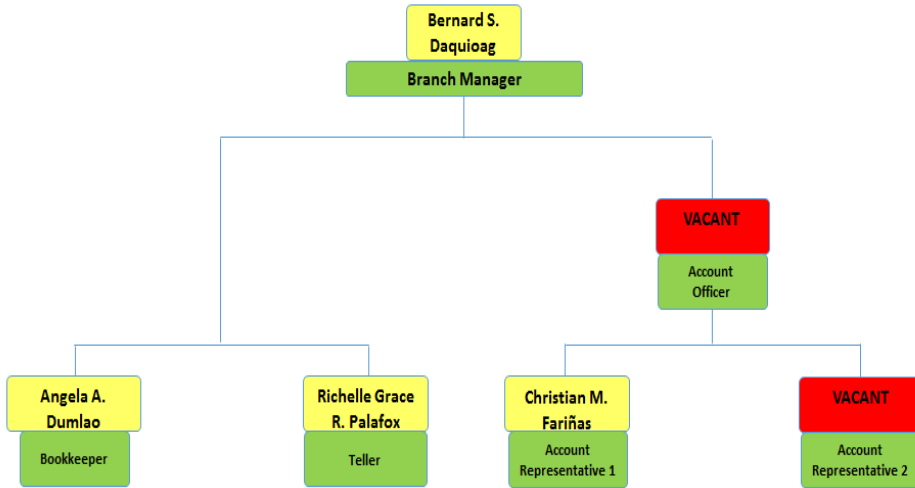




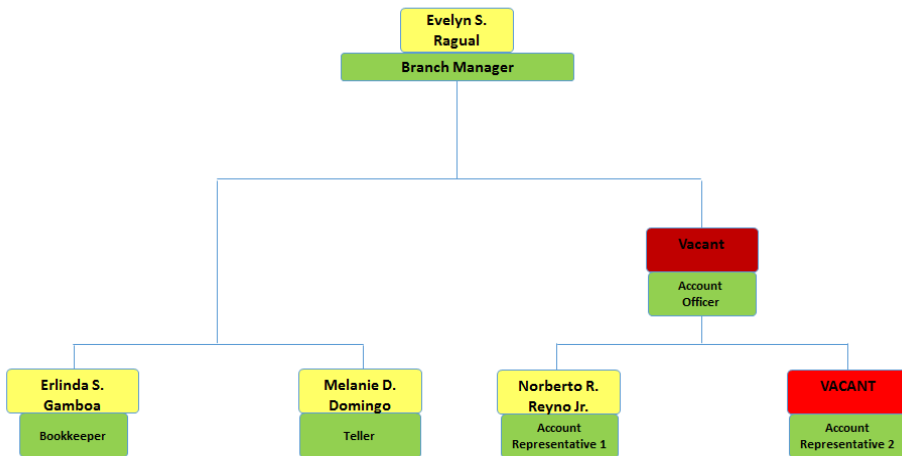
**GRBP ORGANIZATIONAL CHART-ROXAS BRANCH**



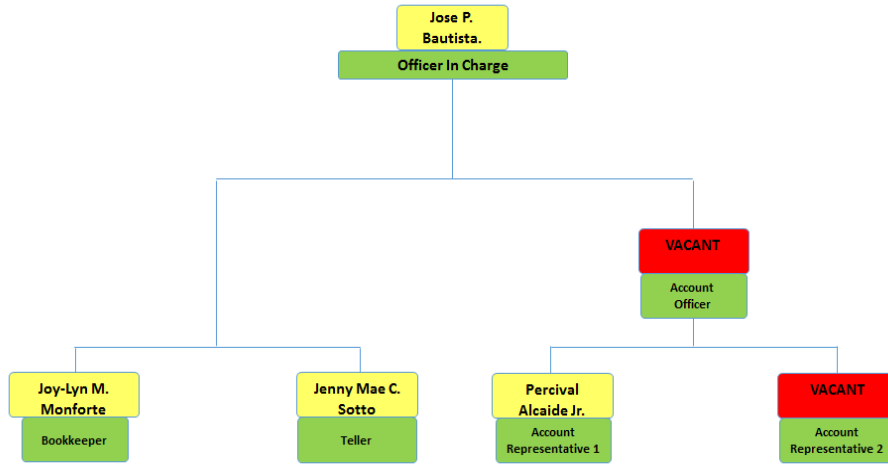
**GRBP ORGANIZATIONAL CHART-ALICIA BRANCH**



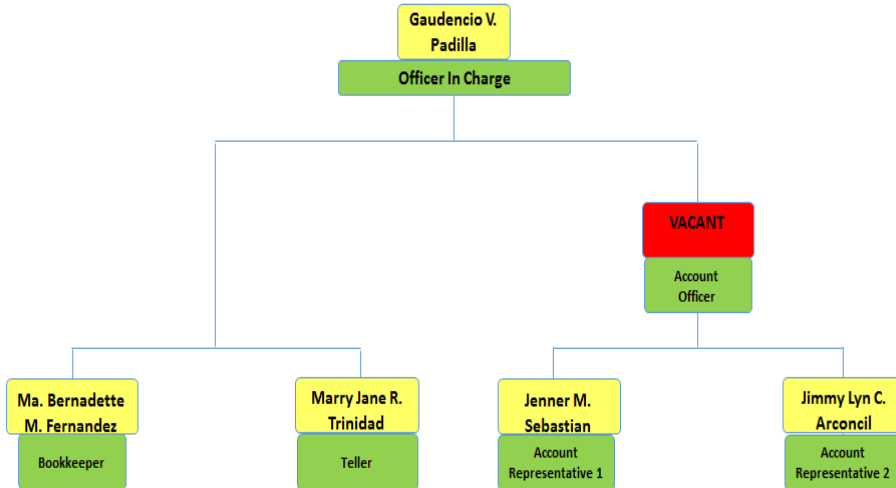
**GRBP ORGANIZATIONAL CHART-SAN MATEO BRANCH**



## GRBP ORGANIZATIONAL CHART-SAN MARIANO BRANCH



## GRBP ORGANIZATIONAL CHART-DIFFUN BRANCH



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

Name of Stockholder	Nationality	Percentage of Stockholdings	Voting Status
Arturo E. Guinto	Filipino	28.8568%	YES
Carlo Esteban A. Guinto	Filipino	14.1409%	YES
Enrico Arturo A. Guinto	Filipino	14.1409%	YES
Julie Ann A. Guinto	Filipino	14.1409%	YES
Rona Lissa A. Guinto	Filipino	14.1409%	YES
Vanessa Lou A. Guinto	Filipino	14.1409%	YES

- c. List and description of products and services offered

## GRBP Products and Services

### Deposit Products

#### Savings Deposits

*a. Start-up Savings Passbook Account*

Available to elementary and high school students who are 7 to 18 years old. Relatively lower minimum initial deposit and maintaining daily balance of 50 pesos. With high interest rate per annum. Interest is credited monthly based on Average Daily Balance (ADB). It can be deposited and withdrawn over the counter during banking hours.

*b. Step-Up Savings Passbook Account*

Available to elementary and high school students who are 19 to 23 years old. Relatively lower minimum initial deposit and maintaining daily balance of 100 pesos. With high interest rate per annum. Interest is credited monthly based on Average Daily Balance (ADB). It can be deposited and withdrawn over the counter during banking hours.

*c. Regular Savings Account*

Relatively lower initial deposit and maintaining balance of 500 pesos. Interest is credited and compounded monthly based on ADB. It can be deposited and withdrawn over the counter during banking hours.

#### Time Deposits

*a. Golden Time Deposit Classic Account*

A regular time deposit account where the interest and principal can only be withdrawn upon maturity of the term for a high interest rate with minimum deposit of P50, 000. The term of deposit is from 3 months to 5 years. Deposit can also be used as collateral in borrowing the bank. The term may be ended in the middle of the period according to bank's policies. It is also insured under PDIC up to P500, 000.

*b. Golden Money Maximizer Special Savings Account*

For individuals looking for a long term investment (1-3 years) for a relatively high interest rate where the principal amount can be withdrawn upon maturity but with the flexibility of being able to withdraw the interest earned on a monthly basis. Minimum deposit of P100, 000. The term may be ended in the middle of the period according to bank's policies. It is also insured under PDIC up to P500, 000.

*c. Flexi-Gold Time Deposit Account*

Designed for individuals seeking for long-term tax free investments (5 years) for a high interest rate where the principal amount can only be withdrawn upon maturity but with varying flexibility to withdraw the interest earned on a

monthly, quarterly, or semi- annual basis. Minimum deposit of P100, 000. It is also insured under PDIC up to P500, 000.

### Loan Products

#### Agricultural Products

##### *a. Regular Agricultural Loan*

It can be availed by farmers, fisher folks and livestock-raisers. Loan amount is from P10, 000 and above with interest rate that may reach to only 1.33% per month. The term of loan is from 3 months to 1 year. Payment may either be lump sum or installment and with guaranteed easy payment schemes.

##### *b. Golden Agri-Easy Loan*

Can be availed by small farmers, fisher folks and livestock-raisers. Loan amount is P10, 000 and above. No collateral needed, fast loan release guaranteed easy payment schemes.

##### *c. Flexi-Pig Raiser Loan*

This loan was designed to finance former backyard raisers/ contract grower who lack financial means but still willing to raise hogs. Minimum of 15 and maximum of 50 hogs per account with minimum loan amount of 100,000 and above. Payment is lump sum with flexible interest rate and a term of 120-180 days.

#### Commercial Loans

##### *a. Business Loan*

This product is designed to provide the proprietors of medium enterprises with short and medium term loan facilities as additional working capital for the operation and growth of their establishments. Loan amount is from P10, 000 and above with interest rate that may reach to only 2.5% per month. The term of loan is from 3 months to 1 year. Payments may either be lump sum installment with guaranteed easy payment schemes.

##### *b. Trader Loan*

This loan is designed to grant financiers with loan facilities for their lending activities. Can be availed by financiers and rice mill owners. Loan amount is from P10, 000 and above with interest rate that may reach to only 2.5% per month. The term of loan is from 3 months to 1 year. Payments may either be lump sum or installment. With guaranteed easy payment schemes.

##### *c. Industrial Loan*

This product is designed to grant manufacturers with financing and they may use to purchase additional plants and machineries for production of goods. Can be availed by manufactures and small and medium retailers with collaterals of chattel mortgage, business titles or machineries

The amount of the loan is up to P1, 000, 000.00. The term of the loan is 1 year. Payment may either be lump sum or installment with guaranteed easy payment schemes.

## Other Loans

### *a. DepEd Salary Loan*

For employees under the Department of Education. The amount of the loan varies according to the net salary of the borrower. The minimum amount to be borrowed is P20, 000. Lowest interest rate per month, interest rate varies according to the term applied. The term of the loan is up to 24 months. Payment of loan will be automatically deducted from borrower's monthly salary through DepEd.

### *b. Doctor's Loan*

This product is designed for doctors to give them financial assistance in their necessities in the performance of their professions. Doctors, physicians, general practitioners, surgeons, dentists, optometrists and veterinarians are qualified to avail this loan upon meeting the loan conditions. The amount that can be borrowed is from P50, 000.00 to P250, 000 .The term is from three (3) months to one (1) year. Payment for the loan may either be lump sum or installment. With guaranteed easy payment schemes.

### *c. Arang Toda Loan*

This loan can be availed by tricycle drivers/operators. Loan amount is from 10,000 up to 30,000. Term loan is 4 to 6 months. Payment scheme may be everyday or weekly depending upon the loan amount and agreement of both parties.

## **Other Services**

We accept domestic and international remittances through our partners:

- a. GCash Remit
- b. Western Union Remittance
- c. Cebuana Lhuillier Pera Padala

### d. Bank website

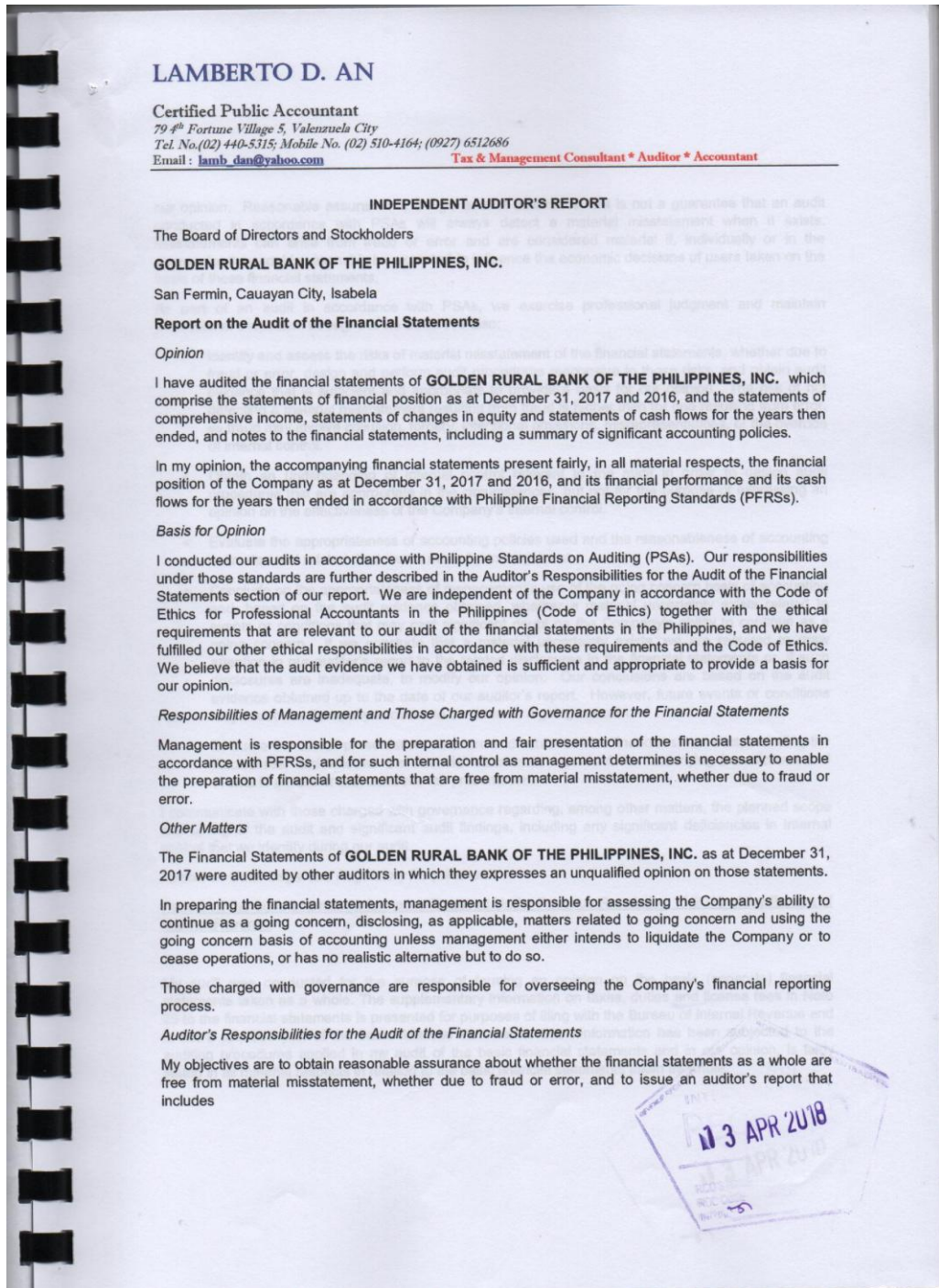
In the year 2014, the Board of Directors approved the publishing of the corporate website of Golden Rural Bank of the Philippines, Inc. which can be visited at [www.grbp.com.ph](http://www.grbp.com.ph). GRBP recognizes the corporate website as a valuable tool in advertising its products and services online. In order to make sure that the public will get the latest updates about the bank. GRBP's marketing team consistently work for the betterment of the website to make it more informative and somehow will able to provide answers to customer's queries by simply taking a visit to the online site. The content of the site includes the bank's vision and mission, products, and services, corporate social responsibilities, properties for sale, careers, branches/ATM locator and contact us. With this information, customers will get to know more about the bank's services easily anytime and anywhere. GRBP envisions the website as a means of connecting people in a way that both parties the bank itself, its clients and customers will be able to build a great

relationship by helping one another to make a better future. And at the same time the bank will be able to attend to its customer's needs at its best with just a few clicks of a mouse or taps on their mobile phone in connection with its tagline "Madaling Lapitan, Maasahan" and at the end satisfies them.

d. List of banking units domestic and abroad including address and contact details

NAME OF BANKING UNIT	ADDRESS	CONTACT NUMBER
	House # / Room # / Unit # / Floor # / Building Name / Street / Barangay	
GOLDEN RB OF THE PHILS	NAT'L HWY CABARUAN CAUAYAN CITY ISABELA	0917-532-8027
GOLDEN RB OF THE PHILS - CABAGAN	UGAD CABAGAN ISABELA	0917-585-2807
GOLDEN RB OF THE PHILS - RAMON	79 NAT'L HWY BUGALLON RAMON ISABELA	0917-532-7993
GOLDEN RB OF THE PHILS - ECHAGUE	IPIL ECHAGUE ISABELA	0917-532-7982
GOLDEN RB OF THE PHILS - TUGUEGARAO CITY	DIVERSION RD UGAC NORTE TUGUEGARAO CITY	0917-532-8028
GOLDEN RB OF THE PHILS - ROXAS ISABELA	SAN BERNABE ST LUNA ROXAS ISABELA	0917-532-8030
GOLDEN RB OF THE PHILS - ALICIA	MAGSAYSAY ALICIA ISABELA	0917-702-5894
GOLDEN RB OF THE PHILS - SAN MATEO	NAT'L HWY BARANGAY 1 SAN MATEO ISABELA	0917-861-9028
GOLDEN RB OF THE PHILS - SAN MARIANO	ZONE 1 SAN MARIANO ISABELA	0917-634-2387
GOLDEN RB OF THE PHILS - DIFFUN	NAT'L HWY ANDRES BONIFACIO DIFFUN QUIRINO	0917-503-3959

7. Audited Financial Statements (AFS) with Auditor's Opinion





## LAMBERTO D. AN

Certified Public Accountant

79 4<sup>th</sup> Fortune Village 5, Valenzuela City  
Tel. No. (02) 440-5315; Mobile No. (02) 510-4164; (0927) 6512686  
Email : [lamb\\_dan@yahoo.com](mailto:lamb_dan@yahoo.com)

Tax & Management Consultant \* Auditor \* Accountant

our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 Company 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.

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

*Report on Other Legal and Regulatory Requirements*

Report on the Supplementary Information Required Under Revenue Regulation 15-2010 of the Bureau of Internal Revenue

My audit was conducted for the purpose of forming an opinion on the basic (separate) financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.





GOLDEN RURAL BANK OF THE PHILIPPINES, INC.  
 COMPARATIVE STATEMENTS OF CHANGES IN EQUITY  
 For the Years Ended December 31, 2017 and 2016  
 (Amounts in Philippine Peso)

	Capital Stock (Note 17)	Retained Earnings - Reserves	Retained Earnings (Deficit)	Total
Balance at January 1, 2017	P 42,100,000	P 120,000	P 18,458,431	P 60,678,431
Additional Capital Infusion				-00
Total comprehensive income for the year			2,044,492	2,044,492
Other Comprehensive Income			-861,341	-861,341
Provisions and Adjustments			1,148,480	1,148,480
Balance at December 31, 2017	P 42,100,000	P 120,000	P 20,790,061	P 63,010,061
Balance at January 1, 2016	P 42,100,000	P 120,000	P 17,387,963	P 59,607,963
Issuance of shares				-00
Total comprehensive income for the year			2,353,840	2,353,840
Other Comprehensive Income			-865,332	-865,332
Provisions and Adjustments			-418,041	-418,041
Balance at December 31, 2016	P 42,100,000	P 120,000	P 18,458,431	P 60,678,431

See accompanying Notes to Financial Statements.

	For the Years Ended December 31	
	2017	2016
Additional Capital Infusion	0	0
Total comprehensive income for the year	2,044,492	2,353,840
Other Comprehensive Income	(861,341)	(865,332)
Provisions and Adjustments	1,148,480	(418,041)
Balance at December 31	20,790,061	18,458,431



**GOLDEN RURAL BANK OF THE PHILIPPINES, INC.**  
**COMPARATIVE STATEMENT OF COMPREHENSIVE INCOME**  
*(Amounts in Philippine Peso)*

	For the Years Ended December 31	
	2017	2016
<b>INTEREST INCOME</b>		
Loans and Receivables, Net (Note 9)	P 41,759,171	P 42,835,051
Due from Other Banks (Note 7)	1,366,690	215,699
Sales Contract Receivables (Note 9)	9,333	-
Held to Maturity Investments (Note 8)	282,970	327,725
Unquoted Debt Securities Classified as Loans (Note 8)	366	-
<b>TOTAL INTEREST INCOME</b>	<b>P 43,418,531</b>	<b>P 43,378,475</b>
<b>INTEREST EXPENSE</b>		
Deposit Liabilities (Note 13)	P 6,334,718	P 5,533,454
Bills Payable (Note 14)	7,241,055	6,673,959
<b>TOTAL INTEREST EXPENSE</b>	<b>P 13,575,773</b>	<b>P 12,207,413</b>
<b>NET INTEREST INCOME</b>	<b>P 29,842,758</b>	<b>P 31,171,062</b>
<b>PROVISION FOR CREDIT LOSSES</b>	<b>2,458,418</b>	<b>3,570,215</b>
<b>NET INTEREST INCOME AFTER PROVISION</b>	<b>P 27,384,339</b>	<b>P 27,600,847</b>
Other Income (Note 18)	14,394,369	13,409,072
<b>TOTAL INCOME BEFORE OPERATING EXPENSES</b>	<b>P 41,778,708</b>	<b>P 41,009,919</b>
<b>OTHER OPERATING EXPENSE</b>		
Compensation & Fringe Benefits (Note 19)	15,433,765	14,023,243
Other Administrative Expenses (Note 20)	13,427,703	12,886,121
Taxes & Licenses (Note 25)	5,648,014	5,565,868
Depreciation & Amortization (Note 21)	3,710,369	3,798,007
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>P 38,219,851</b>	<b>P 36,273,239</b>
<b>NET INCOME BEFORE INCOME TAX</b>	<b>P 3,558,857</b>	<b>P 4,736,680</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	<b>1,514,365</b>	<b>2,382,840</b>
<b>NET INCOME AFTER INCOME TAX</b>	<b>P 2,044,492</b>	<b>P 2,353,840</b>
<b>EARNINGS PER SHARE</b>	<b>4.86</b>	<b>5.59</b>

See accompanying Notes to Financial Statements.

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GOLDEN RURAL BANK OF THE PHILIPPINES, INC.  
 COMPARATIVE STATEMENT OF COMPREHENSIVE INCOME  
 (Amounts in Philippine Peso)

**GOLDEN RURAL BANK OF THE PHILIPPINES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
 (Amounts in Philippine Peso)

	As of December 31	
	2017	2016
<b>ASSETS</b>		
Cash and Other Cash Items (Note 6)	P 4,193,712	P 3,591,043
Due from BSP (Note 7)	5,602,197	4,765,362
Due from Other Banks (Note 7)	65,948,450	70,865,511
Investment Securities, Net (UDS, HTM) (Note 8)	9,151,773	9,157,637
Loans & Receivable, Net (Note 9)	219,045,338	203,619,055
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 10)	11,301,758	10,849,566
Investment Properties (Note 11)	29,525,677	26,666,721
Deferred Tax Asset (Note 23)	512,049	512,049
Other Assets (Note 12)	3,850,673	2,605,306
<b>TOTAL ASSETS</b>	<b>P 349,131,627</b>	<b>P 332,632,250</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposit Liabilities (Note 13)	P 165,269,564	P 136,738,641
Bills Payable (Note 14)	107,445,690	121,438,721
Accrued Interest, Taxes and Other Expenses Payable (Note 15)	7,390,618	8,148,967
Income Tax Payable	650,865	830,465
Deferred Tax Liability	70,166	70,166
Other Liabilities (Note 16)	5,294,661	4,726,860
<b>TOTAL LIABILITIES</b>	<b>P 286,121,565</b>	<b>P 271,953,819</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock (Note 17)	15,413,755	14,923,243
Common Stock	P 42,100,000	P 42,100,000
Retained Earnings- Reserve	120,000	120,000
Retained Earnings - Free	20,790,061	18,458,431
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>63,010,061</b>	<b>60,678,431</b>
<b>TOTAL LIABILITIES &amp; EQUITY ACCOUNTS</b>	<b>P 349,131,627</b>	<b>P 332,632,250</b>
<b>BOOK VALUE PER SHARE</b>	<b>149.67</b>	<b>144.13</b>

See accompanying Notes to Financial Statements.

NET INCOME AFTER INCOME TAX P 2,044,482 P 2,353,040  
 EARNINGS PER SHARE 2.05 2.35

See accompanying Notes to Financial Statements.






**GOLDEN RURAL BANK OF THE PHILIPPINES, INC.**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
*(Amounts in Philippine Peso)*

	For the Years Ended December 31	
	2017	2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Income	P 2,044,492	P 2,353,840
Provision & Adjustment – RE	1,148,480	(418,041)
Provision for Credit Losses on Loans and Receivables	2,458,418	3,570,215
Depreciation & Amortization (Note 21)	3,710,369	3,798,007
Reversal of 2016 (OCI)	(861,341)	165,728
Adjustment to reconcile Net Income to Net cash provided by operating activities:		
Decrease/(Increase) in:		
Loans & Receivable, Net (Note 9)	(17,884,701)	(10,500,126)
DTA	-	-
Other Assets (Note 12)	(1,245,367)	(586,271)
Increase / (Decrease) in current liabilities:		
Deposit Liabilities (Note 13)	28,530,924	9,943,005
Income Tax Payable	(179,600)	72,133
DTL	-	70,166
tax Payable (Note 15)	(758,349)	1,293,518
Other Liabilities (Note 16)	567,801	(1,176,736)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>P 17,531,127</b>	<b>P 8,585,439</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investment Securities-UDS & HTM	5,864	314,423
Investment Properties	(2,902,232)	(1,094,594)
Addition or Adjustment to Bank Premises	(4,119,286)	(3,382,723)
<b>NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES</b>	<b>P (7,015,653)</b>	<b>P (4,162,894)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Cash Receipts from Bills Payable	(13,993,030)	15,900,966
<b>NET CASH PROVIDED (USED IN) BY FINANCING ACTIVITIES</b>	<b>P (13,993,030)</b>	<b>P 15,900,966</b>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(3,477,556)</b>	<b>20,323,511</b>
<b>CASH &amp; CASH EQUIVALENTS - BEGINNING</b>	<b>P 79,221,916</b>	<b>P 58,898,405</b>
<b>CASH &amp; CASH EQUIVALENTS - ENDING ( Note 6,7)</b>	<b>P 75,744,359</b>	<b>P 79,221,916</b>

*See accompanying Notes to Financial Statements.*



**I. Compliance with Appendix 63c of the MORB-Disclosures in the Annual Reports and Published Statement of Condition**

**A. Capital structure and capital adequacy:**

**1. Tier 1 capital and a breakdown of its components;**

<b>Tier 1 (Core plus Hybrid) Capital</b>		
<b>Core Tier 1 Capital</b>		
Paid up common stock		42,100,000.00
Deposit for common stock subscription		0.00

Paid-up perpetual and non-cumulative preferred stock		0.00
Deposit for perpetual and non-cumulative preferred stock subscription		0.00
Additional paid-in capital		0.00
Retained earnings		19,726,910.33
Undivided profits		2,194,850.24
Net gains on fair value adjustment of hedging instruments in a cash flow hedge of available for sale equity securities		0.00
Cumulative foreign currency translation		0.00
Minority interest in subsidiary financial allied undertakings (i.e., RBs and venture capital corporations (VCCs) for TBs, and RBs for Coop Banks) which are less than wholly-owned (for consolidated basis) <sup>1/</sup>		0.00
Sub-total [ <i>Sum of A.1 (1) to A.1 (10)</i> ]		<b>64,021,760.57</b>
<b>Deductions from Core Tier 1 Capital</b>		
Common stock treasury shares (for consolidated basis)	0.00	
Perpetual and non-cumulative preferred stock treasury shares (for consolidated basis)	0.00	
Net unrealized losses on available for sale equity securities purchased	0.00	
Unbooked valuation reserves and other capital adjustments based on the latest ROE as approved by the Monetary Board	0.00	
Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance for credit losses	139,243.44	
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates, net of allowance for credit losses	0.00	
Deferred tax asset, net of deferred tax liability <sup>2/</sup>	441,883.00	
Goodwill, net of allowance for losses <sup>3/</sup>	0.00	
Total Deductions <i>[Sum of A.2 (1) to A.2 (8)]</i>		581,126.44
<b>Total Core Tier 1 Capital [A.1 (11) minus A.2 (9)]</b>		<b>63,440,634.13</b>
<b>Hybrid Tier 1 Capital</b>		
Perpetual preferred stock		
Perpetual unsecured subordinated debt		
Total Hybrid Tier 1 Capital <i>[Sum of A.4 (1) and A.4 (2)]</i>		0.00
Eligible Hybrid Tier 1 Capital <i>[limited to 17.65% of Total Core Tier 1 Capital (Item A.3)]</i>		0.00
<b>Total Tier 1 Capital</b> <i>[Sum of A.3 and A.4 (4)]</i>		<b>63,440,634.13</b>

## 2. Tier 2 capital and a breakdown of its components;

<b>Tier 2 (Supplementary) Capital</b>		
<b>Upper Tier 2 Capital</b>		
Paid-up perpetual and cumulative preferred stock		0.00
Deposit for perpetual and cumulative preferred stock subscription		0.00
Paid-up limited life redeemable preferred stock with the replacement requirement upon redemption		0.00
Deposit for limited life redeemable preferred stock subscription with the replacement requirement upon redemption		0.00
Appraisal increment reserve – bank premises, as authorized by the Monetary Board		0.00
Net unrealized gains on available for sale equity securities purchased (subject to a 55% discount)		0.00

General loan loss provision [limited to 1.00% of total credit risk-weighted assets computed per Part I, Item B.1(d)]		2,006,503.03
Unsecured subordinated debt with a minimum original maturity of at least 10 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)		0.00
Hybrid Tier 1 Capital (in excess of the max allowable 15% limit of total Tier 1 capital) <i>[A.4 (3) minus A.4 (4)]</i>		0.00
Sub-total <i>[Sum of B.1 (1) to B.1 (9)]</i>		2,006,503.03
<b>Deductions from Upper Tier 2</b>		
Perpetual and cumulative preferred stock treasury shares (for consolidated basis)	0.00	
Limited life redeemable preferred stock treasury shares with the replacement requirement upon redemption (for consolidated basis)	0.00	
Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon redemption	0.00	
Net losses in fair value adjustment of hedging instruments in a cash flow hedge of available for sale equity securities	0.00	
Total Deductions <i>[Sum of B.2 (1) to B.2 (4)]</i>		0.00
<b>Total Upper Tier 2 Capital <i>[B.1 (10) minus B.2 (5)]</i></b>		<b>2,006,503.03</b>
<b>Lower Tier 2 Capital</b>		
Paid-up limited life redeemable preferred stock without the replacement requirement upon redemption (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)		0.00
Deposit for limited life redeemable preferred stock subscription without the replacement requirement upon redemption		0.00
Unsecured subordinated debt with a minimum original maturity of at least 5 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)		0.00
Sub-total <i>[Sum of B.4 (1) to B.4 (3)]</i>		0.00
<b>Deductions from Lower Tier 2</b>		
Limited life redeemable preferred stock treasury shares without the replacement requirement upon redemption (for consolidated basis)	0.00	
Sinking fund for redemption of limited life redeemable preferred stock without the replacement requirement upon redemption (limited to the balance of redeemable preferred stock after applying the cumulative discount factor)	0.00	
Total Deductions <i>[Sum of B.5 (1) and B.5 (2)]</i>		0.00
<b>Total Lower Tier 2 Capital <i>[B.4 (4) minus B.5 (3)]</i></b>		0.00
<b>Eligible Amount of Lower Tier 2 Capital (limited to 50% of total Tier 1 capital per Item A.5)</b>		0.00
<b>Total Tier 2 Capital <i>[Sum of B.3 and B.7]</i></b>		<b>2,006,503.03</b>
<b>Eligible Amount of Tier 2 Capital (limited to 100% of total Tier 1 capital per Item A.5)</b>		<b>2,006,503.03</b>

### 3. Deductions from Tier 1 (50%) and Tier 2 (50%) capital;

<b>Gross Qualifying Capital</b> <i>(Sum of A.5 and B.9)</i>		65,447,137.16
Total Tier 1 Capital <i>(Item A.5)</i>	63,440,634.13	
Total Tier 2 Capital <i>(Item B.9)</i>	2,006,503.03	

<b>Deductions from Tier 1 and Tier 2 Capital</b>		
Investments in equity of unconsolidated subsidiary RBs and VCCs for TBs, and RBs for Coop Banks after deducting related goodwill, if any (for solo basis)	0.00	
Investments in other regulatory capital instruments of unconsolidated subsidiary RBs for Coop Banks (for solo basis)	0.00	
Investments in equity of unconsolidated subsidiary non-financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases)	0.00	
Significant minority investments (20%-50% of voting stock) in banks and other financial allied undertakings (for both solo and consolidated bases)	0.00	
Reciprocal investments in equity/other regulatory capital instruments of other banks/quasi-banks/enterprises	0.00	
Total Deductions [Sum of D (1) to D (5)]		0.00

**4. Total qualifying capital;**

<b>Net Tier 1 and Tier 2 Capital</b>		
Net Tier 1 Capital <sup>4</sup> {C (1) minus [D (6) multiply by 50%]}	63,440,634.13	
Net Tier 2 Capital <sup>4</sup> {C (2) minus [D (6) multiply by 50%]}	2,006,503.03	
<b>Total Qualifying Capital [C minus D (6)]</b>		<b>65,447,137.16</b>

**5. Capital requirements for credit risk;**

<b>Capital requirements for credit risk</b>		<b>34,374,157.85</b>
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**6. Capital requirements for market risk;**

<b>Capital requirements for market risk</b>		<b>0</b>
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**7. Capital requirements for operational risk; and**

<b>Capital requirements for operational risk</b>		<b>5,613,131.43</b>
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**8. Total and Tier 1 capital adequacy ratio on both solo and consolidated bases.**

Net Tier 1 Capital		63,440,634.13
<b>RISK-BASED CAPITAL ADEQUACY RATIO [A.3 divided by B.4 multiply by 100]</b>		<b>16.37</b>