



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

ANNUAL REPORT

2019

Main Office:

Nat'l Highway, Brgy. Cabaruan, Cauayan City, Isabela
PLDT : (078)652-0155 GLOBE: 0917-532-8010

Branches:

Alicia: (078) 323-0708; 0927-712-4872
Cabagan: (078) 396-9989; 0917-585-2807
Cauayan City: 0917-532-8027
Diffun: 0917-503-3959
Echague: (078) 305-9223; 0917-532-7982

Ramon: (078) 859-2123; 0917-532-7993
Roxas: (078) 842-7092; 0917-532-8030
San Mariano: 0977-119-9115; 0917-634-2387
San Mateo: (078) 652-0155; 0917-362-7541
Tuguegarao: (078) 304-0348; 0917-532-8028

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. -**

Our Vision

“To be among the Top Five Most Successful Rural Banks in Cagayan Valley recognized for its Financial Strength by 2023.”

Our Mission

“To Deliver Superior Rural Banking Financial Solutions and Customer Service, Introduce Product Innovation, Sustain Financial Growth and Stability, Increase Stakeholder's Value and Contribute to the Preservation and Development of Ecological Environment where we operate.”

Our Core Values

Six Core Values that guide our Business Strategy, Behavior and Relationships:

1. **Customer Focus** – We believe that the company will only thrive because of satisfied customers, as such, I must treat customers who patronized our services and products and my fellow employees as internal customers with delight.

2. **Integrity** – I will incorporate consistency, honesty and truthfulness without compromising the reputation of the organization.

3. **Accountability** – I will acknowledge and assume responsibility for my own doings and answerable for its resulting consequences to our stockholders and customers.

4. **Passion** – I will be dedicated to the tasks and responsibilities given to me. I will be engaged to provide deliverables which are at par with the company's highest standards.

5. **Professionalism** – I believe that I represent the whole organization, therefore, I will act accordingly as I believe that the key to quality and efficiency is how you deal with your external customers.

6. **Teamwork** – I am willing to cooperate and contribute as part of the team aiming to succeed, working harmoniously across and within the group to accomplish the task easily and expediently.

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 “Madaling Lapitan, 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**

One of the Golden Rural bank of the Philippines, Inc. (GRBP) value positioning is to provide superior customer service by providing customized, innovative, packaged solutions and superior service based on customer's needs. From excellent customer service has shifted to focus on ‘product leadership’. The GRBP strategy house under customer value perspective enables the organization to segment the products and services and identify the needed actions to achieve the targets.

The aim of market penetration is to effectively use your product, enter the market as quick as possible and seize a large market share. The first to market innovative product is used to measure and to determine strong brand recognition and customer loyalty before competitors enter the arena. Other advantages include additional time to perfect its product or service and setting the market price for the new item. It is imperative that GRBP could acquire new market that will be essential to the needs and wants of the target market.

Under Agri-Entrepreneurs Loan is to provide complete business package solutions and convenient payment monitoring that focuses on Flexi-pig loan. The personal and other loans such as Arangtoda and Golden Agri-Easy Loan provides faster approval and release that gives easy and convenient access to all the target market. The bank is also increasing the customer confidence in the advice for Regular Loan mainly in Agricultural Loan, Commercial and Working Capital Loan. Such agreement in terms of packaging is essential by offering high-quality customer advice.

Meanwhile, GRBP also customized its savings and time deposit namely Start-Up, Step-Up, Regular and Abot-Kaya Passbook Savings. It also reaches GRBP's Golden Time Deposit Classic, Golden Money Maximizer Special Savings and Flexi-Gold Time Deposit Account. One great way to achieve this growth is by offering excellent service, building personal relationship and offering competitive rates. It is also essential to enhance and build new partnership to strengthen the quality of strategic alliance and continuously participate in some of the corporate social responsibility to increase and improve GRBP's brand reputation.

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, Voice of the Customer and Examination.**

Brand mindsets for GRBP 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.

Our Brand Proposition/Our Brand Promise

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
>Landbank of the Philippines >ACPC – AgriNegosko/Kaya >SBC – P3 and WHOLESALE >DBP >UCPB >BSP >Western Union >Cebuana Lhuillier >Stockholders >Country Bankers Life Insurance Corporations >PCIC >AGFP >IT Service Provider >Bayad Center Services >Digipay >Rural Net Services >International Remittance via Iremit and Transfast >Union Bank – I2I Blockchain Technology >IBOSe >CyberOne	Financial Operations >Deposit Taking >Lending >Remittance >Deposit Pick-up >Bills Payments >Social Media platforms in Facebook and Instagram Accounts	“Madaling Lapitan, Maaasahan” >Superior Customer Service >Wider Bank Networks >Faster Loan Release >Financial knowledge to Target Markets >Focus on the new Value Proposition of “Product Leadership” in the next five years 2019-2023	Personal Assistance Automation where possible	>Students >Farmers >Backyard Raisers >Tricycle Drivers >Doctors >MSMEs >Other Below Middle-Class citizens
	Key Resources		Channels	

>Globe Telecommunication >PLDT >Intranet >Encash >Bangko Sentral ng Pilipinas >Rural Bank Association of the Philippines >Confederation of Cagayan Valley Rural Banks	>Physical and IT Infrastructures >Rediscounting Lines >Loan Assets >Human Resources		Bank Branches ATM Internet Website Customer Service Mobile phone	
Cost Structure		Revenue Streams		
Interest Expenses	>Operational Expenses >Salary >Requisitions >Miscellaneous	>Interest Income >Insurance Income	>Fee-based Income	ROPA Disposals

Legends: - New

- Will be established for this year (on process)

- Will be established for next year (on process)

Golden Rural bank of the Philippines is a wholly-owned rural bank of the Guinto family. Traces of its first operations in Cabagan, Isabela the then Rural Bank of Cabagan Inc. GRBP now with ten branches located in Isabela, Cagayan and Quirino provinces offering deposit and loan products primarily to farmers and Micro and Small Medium Enterprises (MSME). Other services offered include local remittances through Western Union and Cebuana Lhuillier Padala, as well as bills payment acceptance through Bayad Center and Digipay.

Conclusion: Golden Rural Bank of the Philippines' 2019 value proposition is to provide high-quality customer service and currently shifted in to product leadership. The bank's tagline "Madaling Lapitan, Maaasahan" is to offer 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, Globe Gcash, Western Union Remittances, Cebuana Pera Padala, Bayad Center Services, Digipay, Stockholders, Country Bankers Life and Insurance, IT Service Provider, Philippine Crop Insurance Corporation (PCIC), Agricultural Guarantee Fund Pool (AGFP), IBOSe, CyberOne, Globe Telecom, PLDT, Encash, BSP, RBAP, Intranet, 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 served 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 for 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, 2019, and 2018

For the year	2019	2018	2019 increase (decrease) from 2018	
			in Peso	in %
Profitability				
Total Net Interest Income	30,974,733.74	35,765,468.53	(4,790,734.79)	-13%
Total Non-Interest Income	17,269,375.82	11,117,078.09	6,152,297.73	55%
Total Non-interest Expenses	44,847,697.49	42,256,955.28	2,590,742.21	6%
Pre-provision profit	3,448,049.29	3,778,076.27	(330,026.98)	-9%
Allowance for credit losses	10,795,648.08	9,508,706.89	1,286,941.19	14%
Net Income	1,024,508.10	2,882,551.63	(1,858,043.53)	-64%
Selected Balance Sheet Data				
Liquid Assets	73,217,778.80	75,826,712.79	(2,608,933.99)	-3%
Gross Loans	236,510,046.70	264,197,396.69	(27,687,349.99)	-10%
Total Assets	372,211,298.59	378,513,629.69	(6,302,331.10)	-2%
Deposits	175,802,958.69	168,595,208.63	7,207,750.06	4%
Total Equity	66,917,120.63	65,886,927.20	1,030,193.43	2%
Selected Ratios				
Return on equity	1.54%	4.47%	-2.92%	-65%
Debt to equity ratio	4.56:1	4.74:1	-0.18	-4%
Return on assets	0.27%	0.79%	-0.52%	-66%
Net Interest Margin	10.07%	11.28%	-1.21%	-11%
Capital Adequacy Ratio	16.16%	16.39%	-0.23%	-1%
Past due ratio	14.54%	21.07%	-6.54%	-31%
Per common share data				
Earnings per share:				
Ordinary Shares	2.43	6.85	(4.42)	-65%
Book value per share				
Ordinary Shares	158.95	156.50	2.45	2%
Cash dividends declared	0	0	0	0%

Number of officers and employees:

For the year	2019	2018	2019 increase (decrease) from 2018	
Officers	28	26	2	8%
Rank and File	67	66	1	2%

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

Net Income

Golden Rural Bank of the Philippines 2019 operations resulted in bank wide profit of P1.02 million. Gross revenue and expenses of the bank grew by 9% and 12% to a total of P64.7 million and P63.6 million respectively compared to 2018. The largest income driver is Interest Income from loans at 72% of total revenues. The bank's core earnings associated with Net Interest Income (NII) declined by P4.7 million in 2019. Interest costs from Bills Payable financing increased by P3.6 million mainly due to an increase in interest rate to 7% during the last quarter of 2019 from previous year's 5.5% and further increased to 7.65% at the beginning of 2019; while interest revenue, mainly from Loans Receivables declined by P1.1 million. The decline in the bank's loan portfolio of P27.6 million or by 12% from last year, correspondingly affected revenue generated from loans particularly interest which further decreased Net Interest Income.

Non-interest Income which mainly comprise of Fees and Commission, gain from ROPA and Other Income - Penalty, for the year 2019 makes up 27% of the bank's total gross income, higher than 2018 in which it makes up 19% of gross income. The increase of P6.1 million is mainly due to gain recognized from ROPA disposals for the year. Fees income mostly derived from loan generation also did not improve due to loan portfolio decline; on the other hand, penalty income from past due accounts improved compared to last year.

Non-interest Expense which makes up 69% of total cost increased by P2.5 million or 6% in 2018. Compensation and Fringe Benefit expense was up by P1.5 million, due to DOLE mandated wage increase as well company's adjustment on employee salaries in 2019; Depreciation and Amortization Expense was also up by P1.02 million due to adjustment made in compliance to PFRS 16 or the new accounting standard for leases which requires the bank (as a lessee) to recognize all leases in the balance sheet, in effect the bank recognized a Right of Use Asset which shall be amortized over the lease term.

Selected Balance Sheet Data

Liquid Assets consist of the bank's cash and other cash items, due from BSP and other banks and investment securities. Liquid assets of the bank at year end amounted to P73.2 million although it decreased by 3% or P2.6 million from last year, the bank posted a Minimum Liquidity Ratio of 58.49% still maintaining stock of liquid assets well above the minimum ratio required to cover qualifying liabilities.

The bank's 2019-year end Loan Portfolio amounted to P236.5 million declining by 10% or P27.6 million. The decrease was primarily due to conversion of Non-Performing Loans to Real and Other Properties Acquired amounting to P22.5 million for the year, mainly from Agrarian Reform and Small-Scale Enterprise Loans. Other Agricultural Credit Loans specifically the bank's Flexi Pig Raiser loans which had contributed to the rise in last year's portfolio by P19.7 million, recorded a decrease of P15.6 million this year. Declining largely in the latter half of the year following the outbreak of African Swine Fever (ASF), there was a decline in demand for hogs which significantly curtailed the bank's Flexi Pig Raiser loan releases for the year. Small and Medium Enterprise Loans still comprises the largest segment of loans with almost 50%, followed by Agrarian Reform Loans and Other Agricultural Loans with 29% and 20% respectively.

Assets of the bank declined by 2% or P6.3 million in 2019, mainly driven by Loan portfolio decrease, a large portion of which were converted to ROPA. Gross loans comprise 64% of the bank's total assets as of 2019, declining compared to previous years, while ROPA accounted for 13% of total assets which increased from 7% last year. Other assets that marked an increase this year includes the bank's Investments in government treasury bills which increased to P1.6 million, Bank Premises, Furniture and Fixtures was up by P7.8 million mainly due to recognition of Right-of-use asset on leases, in compliance to the new PFRS 16 standard on leases.

Deposits amounted to P175.8 million as of year-end 2019 increasing by P7.2 million. The bank's deposit base continues to increase year by year and was able to increase deposits by 4% this year. This increase is largely contributed by new Time Deposit accounts.

Selected Ratios

Return on Equity and Return on Assets declined from 4.47% to 1.54% and from 0.79% to .27% respectively. The banks' total Equity climbed to P66.9 million as of 2019 from P65.8 million as of 2018, net earnings for the year solely contributed to the increase.

Net Interest Margin in 2019 declined to 10.07% compared to 11.28% in 2018, due to increased cost of fund and interest revenue decline.

Capital Adequacy Ratio The bank still maintains a Capital Adequacy Ratio above regulatory requirement of 10%, although it declined to 16.16% from 2018's 16.39%. The bank's 2019 operations resulted in net earnings of P1.02 million, which improved qualifying capital; however, the bank's risk-weighted asset increased which was mainly driven by the increase in Real and Other Properties Acquired converted

from Non-Performing Loans for the year, decreasing CAR. Although the bank did not generate enough new loans to meet target portfolio increase for the year, the bank was able to manage its existing loan portfolio's quality and improve Past Due Ratio from 2018's 21.07% to 14.54%

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

Increase Asset Growth	PRODUCT DEVELOPMENT STRATEGY
	1. Application for renewal and increase of guarantee lines.
	2. 3. Renewal & increase of rediscounting lines.
	5. Application of new rediscounting lines.
	INCREASE COMPETENCY STRATEGY
	1. Increase capability by consolidating with other rural banks through Consolidation opportunities.
	2. Grow GRBP by allowing other investment
Increase deposits	INCREASE BRANDING STRATEGY
	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
	2. Intensify Loan Campaign >Increase market saturation of branches
Increase loans	1. Increase marketing of MSMEs loan upon completion of capacity building program
	2. Intensify marketing and full roll-out of Flexi-pig raiser value chain loan in all branches
	3. Increase market saturation of branches
	4. Increase referral from existing borrowers
	5. Continuous improvement of loan legwork monitoring of all branches
Achieve Net Income	1. Implement Cost Reduction Measures/Program/Protocol
	2. Reduce Past Due ratio
	3. Improve ROPA disposal plan and action
	5. Improve loan interest rates concentration bracket (improve pricing of loans and deposits)
	6. Improve employee performance
Provide Total Customer Satisfaction	PRODUCT DEVELOPMENT STRATEGY
	1. Create other Value Chain Loans
	2. Outsource or accredit third party cash agents for deposit pick up to improve deposit take up
	3. Create Deposit Product for Financial Inclusion in Compliance with BSP.
	4. Create New Loan Products

	7. Offer Rural Net service to branches
	8. Partner with Lend for possible marketing and online banking services
	9. Offer Micro Insurance
	10. Application for Home Guaranty Corporation (HGC)
	11. Credit Surety Fund Program
	12. Small Business Corporation (SBC) Guaranty Fund
	13. Small and Medium Enterprises Credit (SMEC) Program
	14. Agrarian product Credit Program
	15. Countryside Loan Product
	PROCESS IMPROVEMENT STRATEGY
Strengthen Compliance	1. Enhance Corporate Governance by improving BOD composition, management, education and establishment of good governance and ethics guidelines
	2. Enhance compliance framework
	3. Retain strict adherence to AMLA guidelines
	4. Improve Risk Management in compliance with the Risk Governance Guidelines
Streamline Business Process	1. Prepare server for cloud migration
	2. Intensify Balanced Scorecard (BSC) monitoring and utilization
	3. Improve planning and research framework
	4. Increase marketing of MSME's loan upon completion of capacity building program
	PROCESS IMPROVEMENT STRATEGY
Establish Training and Development Program	1. Improve HR Strategies and Implementation
	A. Recruitment B. Branch structure C. Benefit programs D. SWAT team implementation E. Succession planning
	2. Strengthen HR Function as a strategic partner more than administrative function
	3. Establish and invest employee training and coaching framework and programs respectively
	4. Increase employee engagement across all levels

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 branches as part of the long-term plan 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 Bayad Center Services to provide options for easy bills payment along the bank's existing Western Union and Cebuana Lhuillier services. Likewise, application as Rural Net Services Agent has been given and will materialize by January, 2020. By offering Rural Net Services, GRBP will be able to offer a one stop shop bills payment, remittances, ticketing, and e-loading in a reliable and convenient way. The difference with Rural Net Services is it provides insurance coverage to our target market. Lastly, the in adaptation of the new technological advancement, GRBP will be partnered with Union Bank, featuring the I2I blockchain technology that aims to bring millions of unbanked Filipinos to the

	financial system by connecting rural banks to the country's main financial network.
IT DEPARTMENT	
CHALLENGES	RESPONSE
Inefficient use of the existing payroll system due to its down features which cause manual process.	Adoption of new Attendance Management and Payroll System.
Improvement of the system's function and availability. (<i>Use for internal transactions</i>)	The system was migrated to the backup server, resulting in a smooth and efficient connection.
OPPORTUNITIES	RESPONSE
Invest in Technology to improve bank operation such as a cloud-based server, online banking, and SD-WAN internet connection speed improvement.	<p>Engage in extending banking services through technology development opportunities.</p> <ul style="list-style-type: none"> • Adopt Union Bank (I2I - Island To Island) Blockchain Technology to connect with other rural banks and commercial banks through deposit, pick-up, bills payment platform, etc. <p>The IT Department is still conducting a study in considering the following opportunities to be included in its strategic plan.</p> <ul style="list-style-type: none"> • More secured and streamlined Server Management now available for rural banks through Cloud. • Mobile banking fund transfer designed for rural banks
User training (<i>GRBP Employees</i>) conducted by the IT Department.	Establish a training and development program for the employees. (a) Business Continuity Plan Training (b) Core Banking System Training (c) Employee's Web Portal
Seminar/Training for I.T. Staffs	Attended seminar/training (a) Managing IT Outsourcing Requirements & Risk Management Training (b) Supervisory and People-Handling Skills Training (c) PhilPass Seminar (d) CCVRB Technology Presentation

AUDIT DEPARTMENT	
CHALLENGES	RESPONSE
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	Attends Training

5 *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 Audit, Risk Management and Compliance Oversight Committee or ARMCO Committee) 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 Risk Threshold will be regularly reviewed by the ARMCO Committee.

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 advise 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 of 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, Risk Management and Compliance Oversight Committee (ARMCO Committee)

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

The Golden Rural Bank of the Philippines, Inc. (GRBP) adopts the policies of the State to (a) protect and preserve the integrity of the Philippine financial system, including the confidentiality of bank accounts; (b) ensure that the Philippines, in general, and the bank, in particular, shall not be used, as money laundering sites and conduit for the proceeds of unlawful activities as herein defined; (c) 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; (d) recognize terrorism and terrorist financing as inimical and dangerous to national security and the welfare of the people; and make the financing of terrorism a crime against the Filipino people, against humanity and against the law of nations; and (e) adhere to international commitments to combat financing of terrorism, specifically the International Convention for the Suppression of the Financing of Terrorism, as well as other binding terrorism related resolutions of the United Nations Security Council, pursuant to Chapter 7 of the United Nations Charter.

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 based on official documents, or using relevant information or data obtained from reliable sources, such that the covered person is satisfied that it knows who is the beneficial owner. The covered person should have a system to understand the nature of the customer's business and its ownership and control structure, in case of juridical persons or legal arrangements.

Where the customer, or the owner of the controlling interest is a company listed in a stock exchange and subject to disclosure requirements (either by stock exchange rules or through law or enforceable means) to ensure adequate transparency of beneficial ownership, or is a majority-owned subsidiary of such a company, the covered person is not required to verify the identity of any shareholder or beneficial owner of such companies. The relevant identification data may be obtained from a public register, from the customer or from other reliable sources.

The bank shall keep records of the actions taken in order to identify the beneficial owner.

- 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 covered person's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds.

Where a covered person is unable to comply with the relevant CDD measures, it shall refuse to open an account, commence business relations or terminate the business relationship or perform the transaction; and (b) consider filing a suspicious transaction report (STR) in relation to the customer.

In cases where GRBP forms a suspicion of ML/TF and associated unlawful activities, and reasonably believes that performing the CDD process will tip off the customer, the covered person need not pursue the CDD process, but should file an STR, closely monitor the account, and review the, business relationship.

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.

5. For existing customers. The Bank shall apply CDD requirements to existing customers on the basis of materiality and risk, and conduct due diligence on existing relationships at appropriate times, taking into account CDD measures previously undertaken as well as the adequacy of information and documents obtained.

CUSTOMER ACCEPTANCE AND IDENTIFICATION POLICY (Subsection X806.1)

GRBP has developed a clear, written and graduated customer acceptance and identification policies and procedures, which shall include sanctions screening. Covered persons shall 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. The bank shall formulate a risk-based and tiered customer acceptance, identification and retention policy that involve reduced CDD for potentially low risk clients and enhanced CDD for higher risk accounts.

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.

Immediate family members of PEP's are individuals who are related to a PEP within the second degree of affinity or consanguinity.

(1) In case of domestic PEPs or persons who have been entrusted with a prominent function by an international organization, or their immediate family members or close associates, in addition to performing the applicable due diligence measures, the bank shall:

- (a) Take reasonable measures to determine whether a customer or the beneficial owner is a PEP; and
- (b) In cases when there is a higher risk business relationship, adopt measures under paragraphs (2)(b) to (2)(d) below.

(2) In relation to foreign PEPs or their immediate family members or close associates, in addition to performing the applicable customer due diligence measures, the bank shall:

- (a) Put in place risk management systems to determine whether a customer or the beneficial owner is a PEP;
- (b) Obtain senior management approval before establishing (or continuing, for existing customers) such business relationship;
- (c) Take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as PEPs; and
- (d) Conduct enhanced ongoing monitoring on that relationship.

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 and termination of relationship

The bank shall maintain and safely store all records of customer identification, and transactions documents, including the results of any analysis undertaken, for at least five (5) years following the closure of the account, termination of the business relationship or after the date of the occasional transaction. *(Also refer to the bank's record keeping and retention policy)*

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

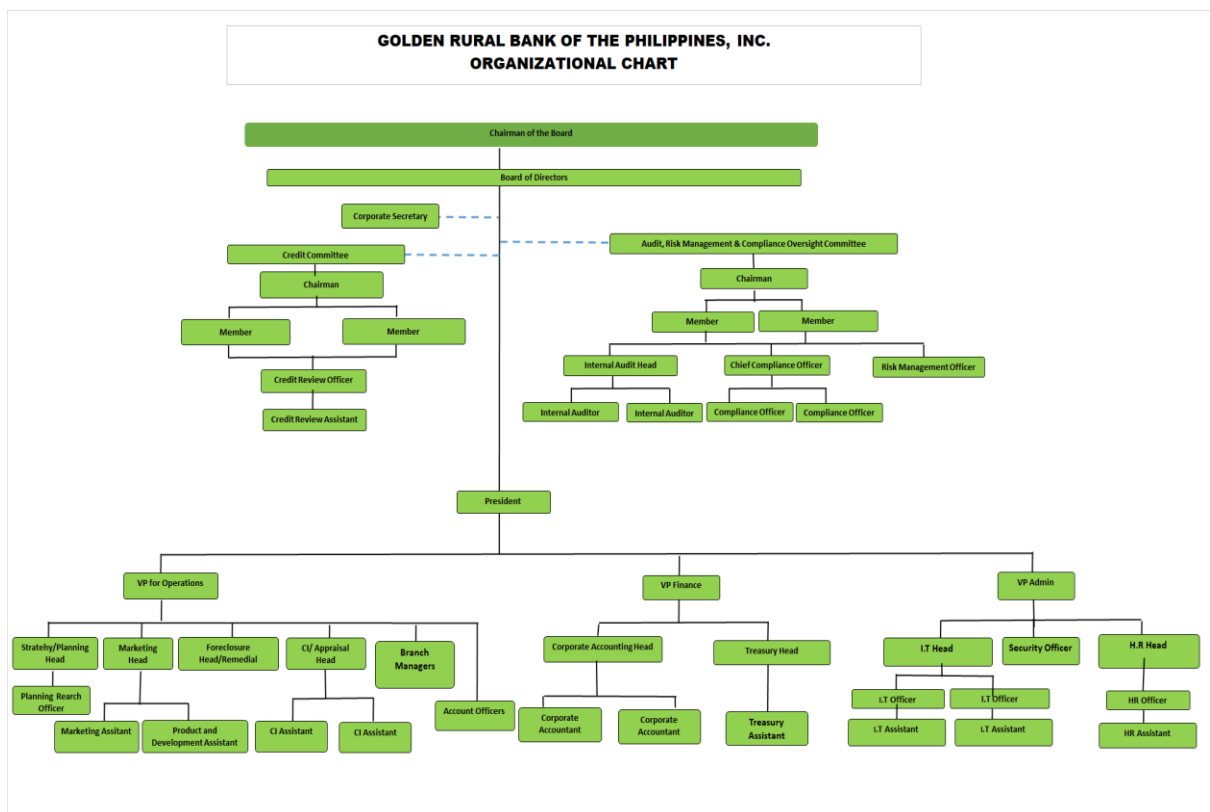
The bank retained records as originals or copies in such forms as are admissible in court pursuant to existing laws (*Subsection X808.4*).The bank shall, likewise, keep the electronic copies of all CTRs and STRs for at least five (5) years from the dates of submission to the AMLC .For low risk customers,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

5) On going monitoring of customers, accounts and transactions

The bank shall, on the basis of materiality and risk, ensure the pertinent identification information and documents collected under the CDD process are kept up-to-date and relevant, by undertaking reviews of existing records, particularly for higher risk categories of customers. The bank shall document the actions taken in connection with updating of customers records/information, and accordingly update customer’s risk profile.

6 Corporate Governance

a. Overall corporate governance structure and practices



Practices

1 Board of Directors

1. To approve and monitor the implementation of strategic objectives.
2. To approve and oversee the implementation of policies governing major areas of banking operations.
3. To approve and oversee the implementation of risk management policies.
4. To oversee selection and performance of senior management.
5. To consistently conduct the affairs of the institution with a high degree of integrity.
6. To define appropriate governance policies and practices for the bank and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.
7. To constitute committees to increase efficiency and allow deeper focus in specific areas.
8. To effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors.
9. In group structures, the board of directors of the parent company banks shall have the overall responsibility for defining an appropriate corporate governance framework that shall contribute to the effective oversight over entities in the group.

2. Audit, Risk Management and Compliance Oversight Committee

Internal Control

1. Evaluate whether Management has established and appropriately maintained processes to assure the reliability and integrity of internal accounting policies and financial reporting and disclosure practices of GRBP.
2. Review and recommend to the Board the appointment, reassignment, or dismissal of the general auditor selected to develop and carry out the annual internal audit plan.
3. Review the internal audit, risk management and compliance department's budget and staffing levels to ensure that the resources provided are adequate to allow successful completion of the departments' responsibilities.
4. Evaluate the scope, effectiveness, and significant findings of the internal audit process for GRBP's operations.
5. Review the internal auditor's report on the results of the annual audit plan.
6. Evaluate whether recommendations for improved internal controls are effectively implemented by Management.
7. Evaluate, annually, the adequacy of the ARMCO Committee Charter and the performance of the Committee thereunder.

Financial Reporting/Disclosure

1. Annually review the significant risks GRBP is exposed to and evaluate Management's plan to manage these uncertainties.
2. Review and evaluate Management's interpretation and implementation of mandated changes to accounting and reporting requirements.

3. Review the annual financial statements for accuracy and completeness.
4. Evaluate the accounting treatment of unusual and non-recurring transactions such as restructuring charges and acquisitions.
5. Evaluate significant income statement and balance sheet items which require Management judgment.
6. Review and approve the process for preparing interim, unaudited (quarterly) financial statements.
7. Resolve any differences in financial reporting between management and the external auditors.

Risk Management

1. Discuss with Management and Board all risk exposures and the steps Management has taken to monitor and control such exposures, including result of risk assessment and risk management policies.
2. Oversee the establishment and maintenance of internal risk management framework throughout the bank.
3. Identify, assess and measure risks arising from the firm's activities
4. Oversee risk functions

Compliance with Laws, Regulations and Company Policies

1. Review the effectiveness of the system for monitoring compliance with laws and regulations.
2. Review the effectiveness of compliance risk assessment and the result of compliance testing.
3. Recommends appropriate actions to be taken on non-compliance with laws and regulations.
4. Establish procedures for the handling of complaints received by GRBP regarding accounting, internal controls, or auditing matters. In addition, such procedures will also protect the confidentiality and anonymity of any individual submitting concerns related to questionable accounting or auditing matters.
5. Ensure that GRBP's policy statements are kept up to date and are accessible to and adhered to by the entire organization.
6. Engage and determine funding for independent legal counsel, accounting and other advisors as it deems necessary to carry out its duties.

Relationship with External Auditor

1. Oversee the external audit coverage – GRBP's Independent Financial Statement Auditor (external auditor) is ultimately accountable to the ARMCO Committee, which has the sole authority to select, evaluate and, when appropriate, replace the external auditors. The external auditor must be an independent public accountant.
2. Have sole authority to approve the engagement letter and the fees to be paid to the external auditors.
3. Review and approve the scope of the external audit to be performed each fiscal year, including the matters required relating to the conduct of the audit, and pre-approval of all audit services.
4. Pre-approve, prior to execution of engagement agreements, all non-audit related engagements with GRBP's external auditors and all engagements with other firms. Approvals can be delegated to the Chairman or any two other members of the Committee with ratification at the next Committee Meeting.

5. Meet with the external auditors to review the accuracy, completeness, and overall quality of GRBP's accounting principles and internal controls as applied in its annual financial reporting.
6. The Committee Chairman, or any two other members, shall meet with the external auditor to discuss and review significant events, transactions, and changes in accounting estimates deemed by the external auditor to affect the quality of GRBP's financial reporting and related internal controls prior to the filing of GRBP's financial statements
7. Obtain confirmation and assurance as to the external auditors' independence, including ensuring that they submit on a periodic basis (no less than annually) to the ARMCO Committee a formal written statement delineating all relationships between the external auditors and GRBP. The ARMCO Committee is responsible for actively engaging in a dialogue with the external auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the external accountants and for taking appropriate action in response to the external auditor's report to satisfy itself of their independence.

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 Risk Management Officer

1. Risk Register: Maintain a risk register based on the identified applicable laws and regulations, fraud schemes, and AML considerations.
2. Controls Catalogue: Based on review of procedures and walkthroughs, maintain an inventory of internal controls and map them to key risk areas.
3. Issues Management: Track the progress of remediation of control weaknesses identified by Internal Audit, self-testing, or controls assessment.
4. Risk Assessment: Assist in the execution of the corporate compliance, fraud, and BSA risk assessments by identifying the key risks and assessing mitigating controls to determine the risk profile for the organization.
5. Risk Monitoring: Assist in the development and monitoring of key risk indicators (KRIs) that are mapped to various risks to determine elevations in risk and proactively implement risk mitigation measures.

Informs Treasury Head for the preparation of Notice of Account Credit (NAC).

6. Emerging Risks: Identify emerging risks that present new regulatory, fraud, or money laundering risks. These include risks associated with new products and services, customer types, geographies, and channels.
7. Data Analytics: Coordinate the collection of risk information from source systems, departments, and reporting. Analyze the data and apply to various key risk areas to update the risk profile.
8. Policy and Procedure Maintenance: Provide assistance to in developing and updating policies and procedures by enforcing document standards.
9. Manage Document Library: Manage the publication, dissemination, and availability of compliance and financial crimes policies and procedures.
10. Reviews BRR and CRAM.
11. Overseeing the development and implementation of the bank's risk management function.
12. Responsible for supporting the board in its development of the bank's risk appetite and for translating the risk appetite into a risk limits structure.
13. Should be independent and have duties distinct from other executive functions.
14. Manages (risk) quality of the loan portfolio.
15. Manages risk rates assigned to clients.
16. Updates Credit Manual.
17. Recommends risk rating distribution by branch and industry.

5. Chief Compliance Officer

1. Identify and assess the compliance risks associated with the organization's current and proposed future business activities.
2. Identify and keep an inventory available to all staff of essential laws and regulations pertinent to the organization.
3. Advise management on the applicable laws, regulations, rules and standards and inform them about any developments in these areas.
4. Establish written guidelines to staff on the appropriate implementation of the laws, regulations, rules and standards through policies and procedures (Compliance Manual, Code of Conduct).
5. Assess the appropriateness of internal policies, procedures and guidelines, ensure a follow-up of any identified deficiencies, make recommendations for amendments, where necessary, and supervise the implementation of corrective measures to mitigate the identified deficiencies.
6. Monitor compliance with internal policies, procedures and guidelines by performing regular and comprehensive compliance risk assessments and testing; report the results on a regular basis and promptly where deemed necessary to executive management and, if necessary, the Board of Directors.
7. Centralize all information on compliance-related issues.

8. Educate staff with respect to compliance with the applicable laws, rules and standards and act as advisor on compliance queries from staff members.
9. Coordinate with relevant external bodies and regulators on compliance matters; exercise any specific legal responsibilities such as reporting suspicious transactions related to money laundering and the fight against terrorism financing.

6 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.

7 Credit Review Officer

1. Monitors the line-driven grading system by reviewing both loan requests and re-grade memos; validates the accuracy of risk ratings.
2. Provides advisory assistance regarding risk identification, underwriting and risk management practices.
3. Develops strategic credit risk assessments that determine the risk review plans.
4. Participates in new product development initiatives to ensure that appropriate credit risk issues are adequately addressed.
5. Identifies and communicates potential policy and/or operational improvements that will enhance credit quality.
6. Monitors and evaluates problem loan statistics to ensure that appropriate reporting of activity is occurring.
7. Understands pertinent regulatory issues and impact on credit risk. Monitors compliance with bank policies/procedures and State laws and regulations.
8. Researches, analyzes and prepares various loan quality information reports for senior management.
9. Determines whether follow-up risk reviews, target reviews, special investigations, or additional communications with examined business units are required based on credit issues identified.

10. Assists in the analysis to determine the adequacy of the reserve for credit losses.
11. Benchmarks “best practices” with peer institutions and makes recommendations to incorporate them into the company’s risk management processes, as appropriate.

8 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

9 Vice President for Operations

1. Reports to the 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.

10 Vice President for Administration

1. Reports to the 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.

11 Vice President for Finance

1. Reports directly to the 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 result in decision making
5. Understands and analyze 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.

12 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

13 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

14 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

15 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.

16 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.

17. 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.
11. Represent the banks together with the Branch Managers in filling legal cases in court against delinquent clients and other cases.

18 Security Officer

The security officer shall be responsible for:

1. The development and administration of a security program acceptable to Bangko Sentral.
2. The conduct of continuing security awareness program among all bank employees to highlight that security is a common concern;
3. Investigation of bank robberies/hold-ups, recommending the filing of appropriate charges in court as the evidence may warrant and assisting in the prosecution of the perpetrator(s) thereof;
4. The establishment of an effective working relationship with the BSP, PNP, and other law enforcement agencies in the prevention of bank crimes and other natural and man-made hazards; and
5. The conduct of continuing research and studies on new techniques, methods and equipment to enhance bank protection measures.

19 CI/Appraisal Head

1. Performs collateral appraisal
2. Re- appraises existing collaterals, collateral for foreclosure and ROPA

20 Branch Manager

1. Reports directly to the President
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 is 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

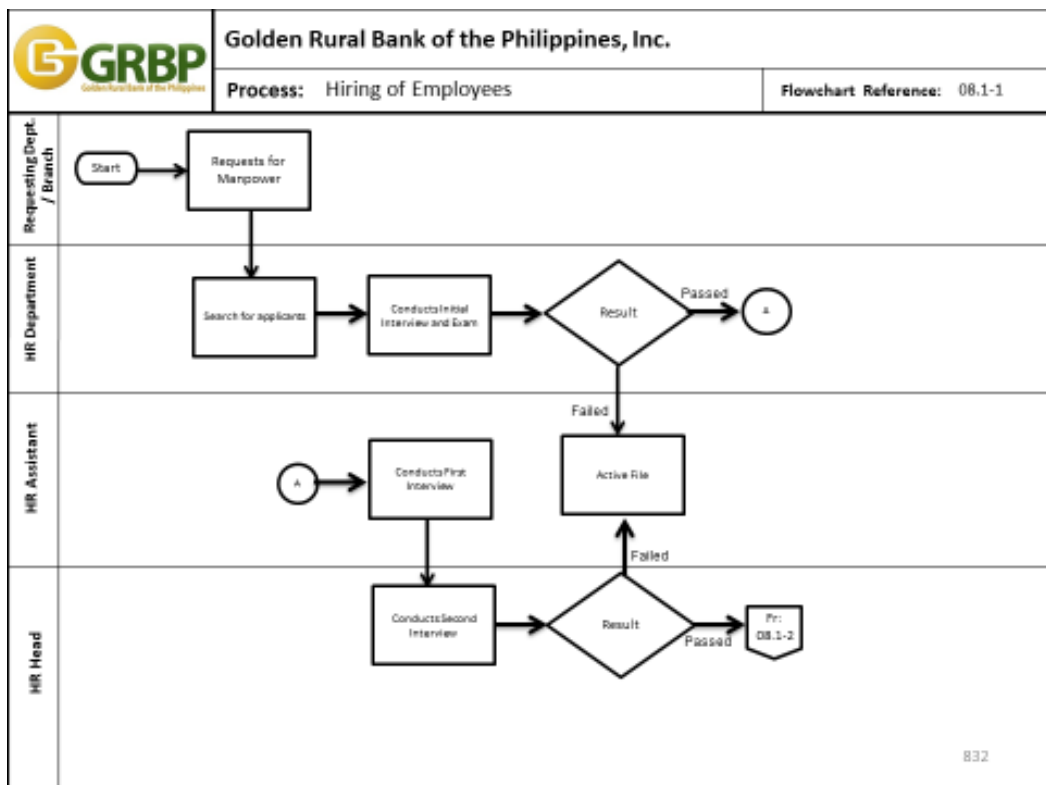
13. Sees to it that all exceptions noted in the audit and examinations of the books and operations of the bank conducted by the BSP examiners are corrected in accordance with the instructions received
14. Oversees that all required reports are prepared and submitted on time to the different agencies and to the Board of Directors

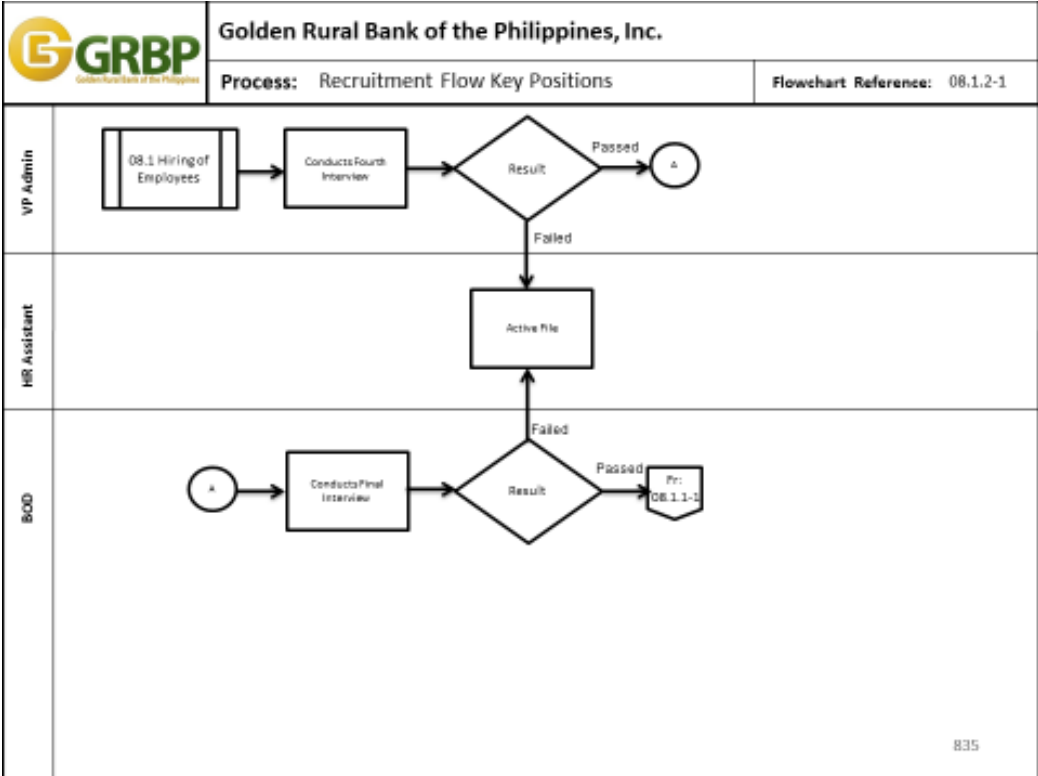
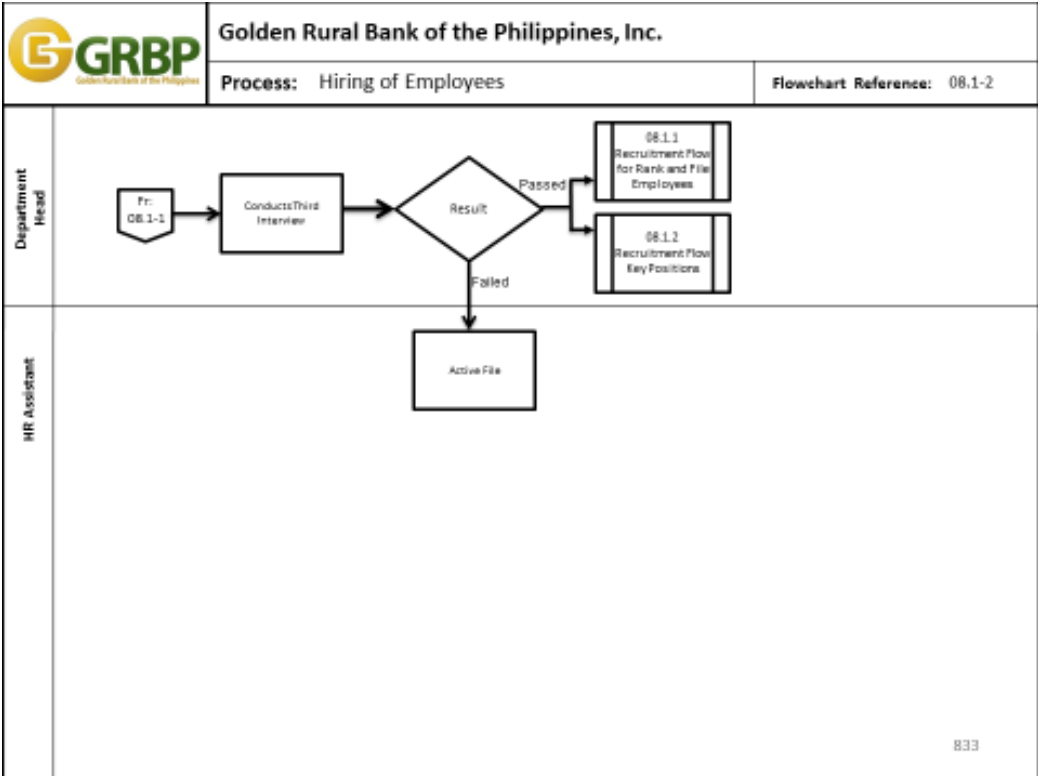
b. Selection process for the Board and Senior Management

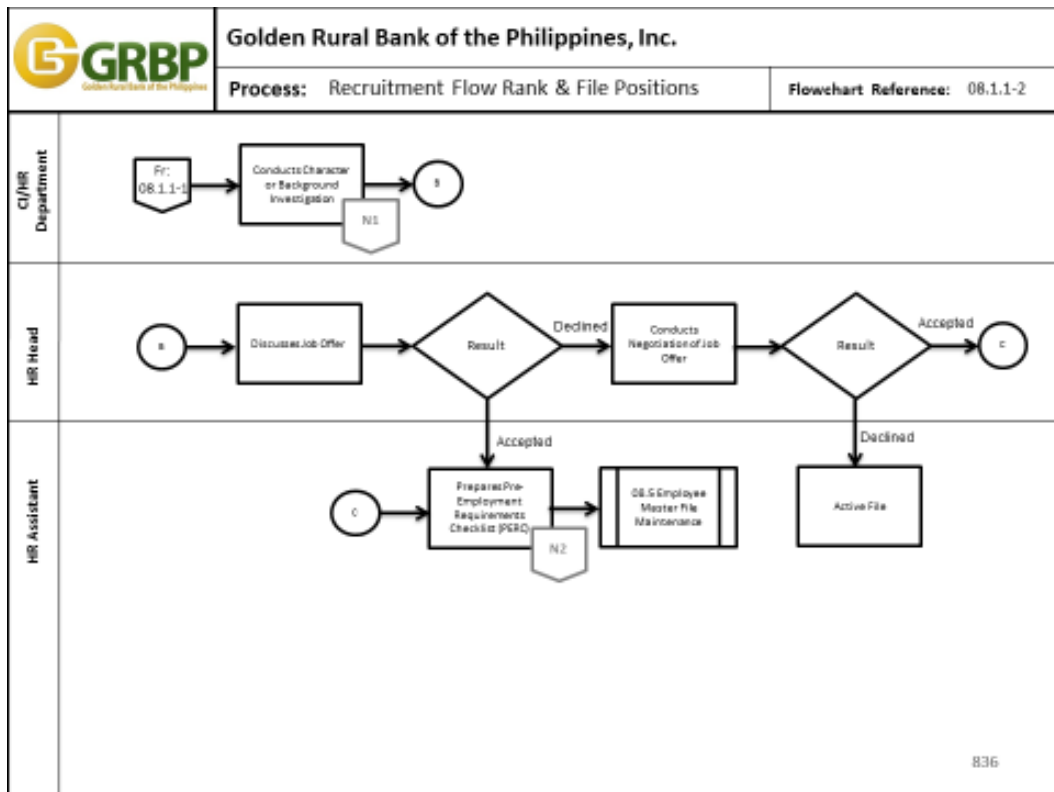
Board of Directors

Selection of Board of Directors happens annually during the annual stockholders’ meeting through election. The Bank’s stockholders elect a new set of Board of Director for the year. In case the elected BOD member resigns from his position/seat, a special BOD meeting will be conducted to elect a new member of the Board. The approval of the election is certified by duly signed Board Resolution.

Senior Management







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 major role and contribution of the chairman of the board

The Chairman of the Board is responsible to:

- (1) Preside over Board Meetings;
- (2) See to it that all policies lay down by the Board and all rules and regulations and orders of the MB of the BSP are carried out.

Corporate power resides in the Board of Directors as a Body. The Chairman of the Board of Directors is vested with authority to:

- (1) To approve and monitor the implementation of strategic objectives.
- (2) To approve and oversee the implementation of policies governing major areas of banking operations.
- (3) To approve and oversee the implementation of risk management policies.
- (4) To oversee selection and performance of senior management.
- (5) To consistently conduct the affairs of the institution with a high degree of integrity.
- (6) To define appropriate governance policies and practices for the bank and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.
- (7) To constitute committees to increase efficiency and allow deeper focus in specific areas.
- (8) To effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors.
- (9) In group structures, the board of directors of the parent company banks shall have the overall responsibility for defining an appropriate corporate

governance framework that shall contribute to the effective oversight over entities in the group.

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>
Carlo Esteban A. Guinto	Chairman	N/A	20	59533	14.1409%
Arturo E. Guinto	Director	N/A	33	121487	28.5868%
Enrico Arturo A. Guinto	Director	N/A	18	59533	14.1409%
Rona Lissa A. Guinto	Director	N/A	9	59533	14.1409%
Julie Ann A. Guinto	Director	N/A	8	59533	14.1409%
Aleli P. Guinto	Director	N/A	1	10	0.0024%
Elimar M. Manabat	Director	N/A	4	1	0.0002%
John M. Foster	Independent Director	N/A	4	3	0.0007%
Danilo R. Castro	Independent Director	N/A	3	3	0.0007%

f. Board qualification

NAME: ARTURO E. GUINTO
 POSITION: DIRECTOR
 AGE: 69y/o
 NATIONALITY: FILIPINO
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
GOLDEN RURAL BANK OF THE PHILIPPINES, INC.	PRESIDENT	1987	Present
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 : 40 y/o
 NATIONALITY: FILIPINO
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines, Inc.	Director	2003	present
Golden Rural Bank of the Philippines, Inc.	Senior Vice-President	2012	March 2019
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

Present Position - Other Private Institution

Golden Trading Shell Station	Director
Ranch Oro Corporation	Director

NAME : CARLO ESTEBAN A. GUINTO
 POSITION : DIRECTOR
 AGE : 41 y/o
 NATIONALITY: FILIPINO
 EXPERIENCES:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines, Inc.	Chairman of the Board	March 2019	Present
Golden Rural Bank of the Philippines, Inc.	Vice President-Admin	2012	March 2019
Golden Rural Bank of the Philippines, Inc.	Officer-In-Charge	2002	2011
San Miguel Corporation	Account Executive	2001	2002

Present Position - Other Private Institution

Ranch Oro Corporation	Director
Guinto Land Development Corporation	Director

NAME : RONA LISSA A. GUINTO
 POSITION : DIRECTOR
 AGE : 35 y/o
 NATIONALITY: FILIPINO
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines, Inc.	OIC-Cauayan Branch	Aug.2019	present
Golden Rural Bank of the Philippines, Inc.	Director	2012	present
Golden Rural Bank of the Philippines, Inc.	Marketing and Planning 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 : 38 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 : 58 y/o
 NATIONALITY: FILIPINO
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines, Inc.	Director	2014	present
Golden Rural Bank of the Philippines Inc.	Independent Director	2009	2012
Golden Trading	Bookkeeper	1991	2008
Equity Machinerics 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 : ALELI P. GUINTO
 POSITION : DIRECTOR
 AGE : 40 y/o
 NATIONALITY: FILIPINO
 EXPERIENCE/S:

NAME OF OFFICE	POSITION	FROM	TO
Golden Rural Bank of the Philippines Inc.	Director	August 2019	present
Golden Rural Bank of the Philippines Inc.	Corporate Secretary	2018	2019
Golden Rural Bank of the Philippines Inc.	Vice President- Finance	2014	March 2019
Golden Rural Bank of the Philippines Inc.	Corporate Accounting Head	2012	2014
Golden Rural Bank of the Philippines Inc.	Director	2004	2018
Chevron Holdings, Inc.	Financial Analyst	2004	2006
Ayala Property Management Corp	Corporate Accountant	2000	2004

NAME : JOHN M. FOSTER
 POSITION : INDEPENDENT DIRECTOR
 AGE : 41 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 : 68 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
Carina's Theater- Solano, Nueva Vizcaya	Operation Staff	1971	1982

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, RISK MANAGEMENT AND COMPLIANCE OVERSIGHT COMMITTEE

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

Functions:

2. Audit, Risk Management and Compliance Oversight Committee

Internal Control

- (1) Evaluate whether Management has established and appropriately maintained processes to assure the reliability and integrity of internal accounting policies and financial reporting and disclosure practices of GRBP.
- (2) Review and recommend to the Board the appointment, reassignment, or dismissal of the general auditor selected to develop and carry out the annual internal audit plan.
- (3) Review the internal audit, risk management and compliance department's budget and staffing levels to ensure that the resources provided are adequate to allow successful completion of the departments' responsibilities.
- (4) Evaluate the scope, effectiveness, and significant findings of the internal audit process for GRBP's operations.
- (5) Review the internal auditor's report on the results of the annual audit plan.
- (6) Evaluate whether recommendations for improved internal controls are effectively implemented by Management.
- (7) Evaluate, annually, the adequacy of the ARMCO Committee Charter and the performance of the Committee thereunder.

Financial Reporting/Disclosure

- (1) Annually review the significant risks GRBP is exposed to and evaluate Management's plan to manage these uncertainties.
- (2) Review and evaluate Management's interpretation and implementation of mandated changes to accounting and reporting requirements.
- (3) Review the annual financial statements for accuracy and completeness.
- (4) Evaluate the accounting treatment of unusual and non-recurring transactions such as restructuring charges and acquisitions.
- (5) Evaluate significant income statement and balance sheet items which require Management judgment.

- (6) Review and approve the process for preparing interim, unaudited (quarterly) financial statements.
- (7) Resolve any differences in financial reporting between management and the external auditors.

Risk Management

- (1) Discuss with Management and Board all risk exposures and the steps Management has taken to monitor and control such exposures, including result of risk assessment and risk management policies.
- (2) Oversee the establishment and maintenance of internal risk management framework throughout the bank.
- (3) Identify, assess and measure risks arising from the firm's activities
- (4) Oversee risk functions

Compliance with Laws, Regulations and Company Policies

- (1) Review the effectiveness of the system for monitoring compliance with laws and regulations.
- (2) Review the effectiveness of compliance risk assessment and the result of compliance testing.
- (3) Recommends appropriate actions to be taken on non-compliance with laws and regulations.
- (4) Establish procedures for the handling of complaints received by GRBP regarding accounting, internal controls, or auditing matters. In addition, such procedures will also protect the confidentiality and anonymity of any individual submitting concerns related to questionable accounting or auditing matters.
- (5) Ensure that GRBP's policy statements are kept up to date and are accessible to and adhered to by the entire organization.
- (6) Engage and determine funding for independent legal counsel, accounting and other advisors as it deems necessary to carry out its duties.

Relationship with External Auditor

- (1) Oversee the external audit coverage – GRBP's Independent Financial Statement Auditor (external auditor) is ultimately accountable to the ARMCO Committee, which has the sole authority to select, evaluate and, when appropriate, replace the external auditors. The external auditor must be an independent public accountant.
- (2) Have sole authority to approve the engagement letter and the fees to be paid to the external auditors.
- (3) Review and approve the scope of the external audit to be performed each fiscal year, including the matters required relating to the conduct of the audit, and pre-approval of all audit services.
- (4) Pre-approve, prior to execution of engagement agreements, all non-audit related engagements with GRBP's external auditors and all engagements with other firms. Approvals can be delegated to the Chairman or any two other members of the Committee with ratification at the next Committee Meeting.
- (5) Meet with the external auditors to review the accuracy, completeness, and overall quality of GRBP's accounting principles and internal controls as applied in its annual financial reporting.
- (6) The Committee Chairman, or any two other members, shall meet with the external auditor to discuss and review significant events, transactions, and changes in accounting estimates deemed by the external auditor to affect

- the quality of GRBP's financial reporting and related internal controls prior to the filing of GRBP's financial statements
- (7) Obtain confirmation and assurance as to the external auditors' independence, including ensuring that they submit on a periodic basis (no less than annually) to the ARMCO Committee a formal written statement delineating all relationships between the external auditors and GRBP. The ARMCO Committee is responsible for actively engaging in a dialogue with the external auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the external accountants and for taking appropriate action in response to the external auditor's report to satisfy itself of their independence.

CREDIT COMMITTEE

Arturo E. Guinto	Chairman
Enrico Arturo A. Guinto	Member
Julie Ann 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 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. Fulfill its statutory, fiduciary and regulatory responsibilities

h. Directors' attendance at Board and committee meetings

NAME OF DIRECTORS	BOARD NUMBER OF MEETINGS		ARMCO COMMITTEE NUMBER OF MEETINGS		CREDIT COMMITTEE NUMBER OF MEETINGS	
	ATTENDED	%	ATTENDED	%	ATTENDED	%
Arturo E. Guinto	12	100%			48	100%
Enrico Arturo A. Guinto	12	100%			48	100%
Carlo Esteban A. Guinto	12	100%	12	100%		
Vanessa Lou A. Guinto	7	87.50%				

Rona Lissa A. Guinto	12	91.67%				
Julie Ann A. Guinto	11	100%			48	100%
Elimar M. Manabat	12	100%				
John M. Foster	12	100%	10	83.33 %		
Danilo R. Castro	12	100%	12	100%		
Aleli P. Guinto	5	100%				
Total Number of Meetings Held During the Year	12	100%	12	100%	48	100%

i. List of Executive Officers/ Senior Management

NAME: ARTURO E. GUINTO
POSITION: DIRECTOR/PRESIDENT
AGE: 69 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.	Vice President for Operation	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 : ALELI P. GUINTO
POSITION : 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 : CHELO L. DUKA
 POSITION : VICE PRESIDENT ADMIN
 AGE : 42 y/o
 NATIONALITY: FILIPINO
 EXPERIENCES:

NAME OF OFFICE	POSITION	FROM	TO
VA TRAINERS & CONSULTANTS, INC	TRAINING ASSISTANT	2000	2003
MIASCOR HOLDINGS INC.	OIC – TRAINING	2003	2016
NATIONAL AVIATION SERVICES	HR & OPERATION CONSULTANT	2016	2016
MEGAWORLD – GLOBAL ESTATE RESORTS INC.	TRAINING MANAGER	2016	2017
CADELINIKS	HR & OPERATION CONSULTANT	2018	APR2019
RANCHO ORO CORPORATION	HR & OPERATION CONSULTANT	2018	AUG2019
GOLDEN RURAL BANK OF THE PHILIPPINES INC	HR & OPERATION CONSULTANT	2018	AUG2019
SIFFU CONSTRUCTION	HR & OPERATION CONSULTANT	JAN2019	MAY2019

NAME : RONA LISSA A. GUINTO
 POSITION : DIRECTOR/STRATEGY & PLANNING HEAD /
 MARKETING HEAD
 AGE : 35 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 and Planning Head	2011	present
Holcim Philippines Inc.	Procurement Analyst	2007	2009
Collins International Trading Corp.	Marketing Assistant	2006	
PLDT, UK	Marketing Executive	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 Human Resource Department is in-charge in conducting orientation and in finding appropriate trainings/seminars for all employees. They are consolidating all trainings of employees per position to easily track the trainings of each employee. This will serve as the basis in identifying competencies prior to identifying the potential successors for critical positions. The training calendar is prepared annually for the training plans for the year to address the training needs of employees and equip them with proper skills set needed on their job functions. The director or senior management can also initiate/recommend attending trainings that they think they needed.

l. Retirement and Succession Policy

Retirement Policy

Golden Rural Bank of the Philippines, follow the Republic Act No.7641 wherein a required retirement in the absence of a retirement plan or agreement providing for retirement benefits of employees in the establishment, states that an employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years which is hereby declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

Succession Policy

Golden Rural Bank of the Philippines plans its manpower needs as far as possible. Thus, the bank will endeavor to maintain a required number of employees, possessing the necessary skills, experience and qualifications, to efficiently carry out its operations.

Corporate

Name of Employee	Position	1 to 2 years readiness	3 to 5 years readiness	Training Needs
Arturo E. Guinto	President	Rona Lisa A. Guinto		
Carlo E. Guinto	Chairman of the Board	Rona Lisa A. Guinto		
Enrico A. Guinto	Board of Director	Rona Lisa A. Guinto		
Aleli P. Guinto	Corporate Secretary	Raffele Dane Guinto		
Rona Lisa A. Guinto	Planning Head/Marketing	Chelo L. Duka	Divirly Domingcil/	

	Head/ Board Member		Julie Anne Domingo	
Jacinto, Rafelle R	Corporate Accounting Head	Lovely Balanay	Jayson Ordonez	Leadership Training
Enok, Baby Jane R.	HR Head	Eugene Visaya	Diana Rose Limon	<ul style="list-style-type: none"> • Strategic HR Training • Communication Skill Training • Leadership Training • Self-Learning Development • Decision Making Skill Training. • People Handling Skill Training • Succession Planning
Domingo, Julie Ann M.	Treasury Head	Jhoemer Ariola	N/A	<ul style="list-style-type: none"> • Customer Service, Problem Solving Analysis • Communication Skill
Domingcil, Divirly	Compliance Head	Diana Pascua	Ria Gumaru	<ul style="list-style-type: none"> • Leadership Training
Bersamira, Reynold A.	Foreclosure Head	Bernard Calacien	N/A	<ul style="list-style-type: none"> • Self Learning Development
Guinto, Aleli P	Corporate Secretary	Divirly Pascua	Rafelle Jacinto	<ul style="list-style-type: none"> • Leadership Training
Figueroa, Paul John	I.T Head	Princess May Subia	Hexson Agcaoili	<ul style="list-style-type: none"> • Management Training(I.T) • Basic Accounting • Decision Making, Customer Relation

Agcaoili, Heherson A.	Audit Head	Victoria Jean Bucayu	Joel Llarenas	
Guinto, Rona Lisa A.	Marketing Head			
Mamuric, Richie	RMO			
Eugene, Torre	C.I Head	Richard Daquiz	Christian Garduque	<ul style="list-style-type: none"> • Leadership Training • Customer Service Training
Branches				
Cauayan	Position	2 years ready	5 years ready	Training Needs
Antonio, Alvin	Branch OIC	Jhiezal Britos	N/A	<ul style="list-style-type: none"> • Customer Service • Self-Learning Development
Cabagan				
Guingab, Maricel	Branch Manager	Rocky Domingo	N/A	<ul style="list-style-type: none"> • Customer Focus • Self-Learning Development • Functional Competency • Communication skill training • Planning and Organizing • Judgment and Decision-making Training • Result Orientation
San Mariano				
Mariano, Angelito	Branch O.I.C	Percival, Alcalde	Mylene Dumlao	<ul style="list-style-type: none"> • Personality Development

				<ul style="list-style-type: none"> • Decision Making Training • Leadership Training
Diffun				
Padilla, Gaudencio Jr.	Branch O.I.C	Mary Jane Trinidad	N/A	<ul style="list-style-type: none"> • Planning and Organizing • Judgment and Decision making Training • Result Orientation
Roxas				
Dallego, Fedelino	Branch Manager	Jonel Gabriel	N/A	<ul style="list-style-type: none"> • Customer Focus • Self-Learning Development • Functional Competency • Communication skill training • Planning and Organizing
Ramon				
Donelo, Joven	Branch Manager	Danlie Del Rosario	N/A	<ul style="list-style-type: none"> • Personality Development • Leadership Training
Alicia	Paggao, Royce	Jimlyn Arconcil	N/A	<ul style="list-style-type: none"> • Customer Focus • Self-Learning Development • Functional Competency • Communication skill training

				<ul style="list-style-type: none"> • Planning and Organizing
Tuguegarao	Jefferson Jacinto	Mary Joy Lutan	Rona Trinidad	<ul style="list-style-type: none"> • Decision Making Training • Leadership Training
Echague	Duerme,Zandro	Beejay Tuquero	Bianca Juan	<ul style="list-style-type: none"> • Personality Development • Decision Making Training • Leadership Training
San Mateo	Ragual, Evelyn			

m. Remuneration policy

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

REMUNERATION POLICY

Golden Rural Bank of the Philippines Inc. endeavors to come up and implement its Remuneration Policy as fair, competitive consistent program of financial compensation for all employees of the company together with the responsibilities that have been undertaken.

Scope

This Policy embraces all managers and employees at all levels within Golden Rural Bank of the Philippines Inc.

Policy

The salaries that are to be paid to managers and employees at all levels of the company shall be compatible with internal balances, strategic targets and market conditions.

A general increase in salaries is to be implemented twice a year. A two stage process is followed in the determination of the rate of yearly wage increase: first, the general corporate wage increase rate shall be determined, and then personal wage increase rates shall be specified.

Determination of wages in duty changes and recruitments and yearly general wage increases are arranged through Remuneration Management Procedures and announced to all employees.

Performance-based Incentives

Performance-based incentive payments are determined in order to have a positive effect on employee work results according to objective work conditions, taking into account the company's performance without a predetermined, guaranteed amount. Incentives are correlated with the duties employees perform as well as high performance. The performance factors for yearly premiums are designed in order to harmonize the interests and benefits of employees and shareholders and to promote high performance.

The upper limit of premiums and the total yearly premium budget is determined by the Board of Directors in line with the company's financial performance and budget.

Benefit	Concern Employees	Before	Now
Car Allowance, Gas Allowance	VP's, BM/OIC's, Foreclosure Head	Yes	None. BUT will be given Php. 4,000 every month to cover car allowance and gas. (NO more P.O for gas). In the event that BM/OIC exceeds the gas allowance provided justified it will be consider. (Attachment will be necessary)
Per Diem	All Employees	Yes	None. BUT Snacks and Lunch Meals will be provided every meeting. Exceptions: Training outside Isabela, Quirino and Cagayan.
Car Rental	BM/OIC's	Yes	None. Car allowance is already provided to cover Transportation for BM/OIC.
Relocation Allowance	All Employees	Yes	Yes. Provided that the employees will be designated at least two (2) towns away from home and to stay to the said area for elongated time required for his job function.
Boarding Allowance	All Employees	Yes	Yes. Provided that attachment (O.R) will be submitted for review and future reference.

Corresponding allowance will be granted depending on the frequency of fieldworks activities. This is in replacement of P.O for gasoline. In the event that Marketing Specialist/ Account Officer/C.I/I.T exceeds the gas allowance, provided justified and with complete attachments it will be reviewed for approval.

Concern Employees	Before(Motor Rental)	Now (Motor Rental)	Before (Gas Allowance)	Now (Gas Allowance)	Liters
C.I	800	Php. 1,500	P.O	Php 1,500.00 month	30 Liters/Month
Marketing Specialist	800	Php. 1,500	P.O	Php 1,500.00 month	30 Liters/Month

Account Representative	800	Php 1,000	P.O	Php.750.00(if with motorcycle)	14 Liters/ Month
Account Officer	1,500	Php 1500	P.O	Php 1,500.00	30 Liters/Month
I.T	800	Php 500	P.O	Php 750.00	14 Liters/ Month

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 relation 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.

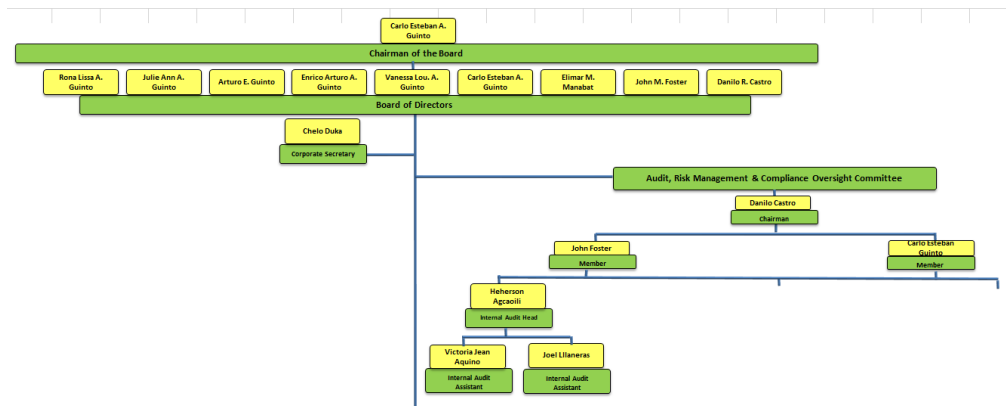
9. Review of the Policy

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.

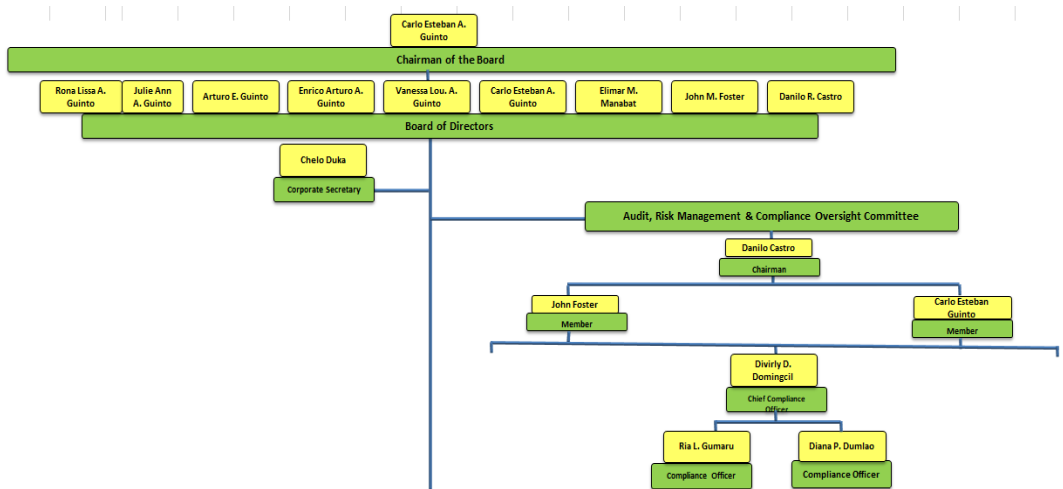
Internal Auditor

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
12. Conducts a periodic formal review of the effectiveness of the Bank's system and internal controls governing RPT'S to asses consistency with the board approved policies and procedures. The resulting audit reports, including expectations or breaches in limits, shall be communicated directly to the audit committee.

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/ARMCO	2. Receive and read Final Audit Report	BOD/Audit com will receive the final audit report on the fifth (5 th) 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’s dividend policy is underway. The HR Department is tasked to establish a dividend policy.

q. Corporate Social Responsibility Initiative

TREE PLANTING 2019





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 ascertains 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 discusses 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 allows 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;

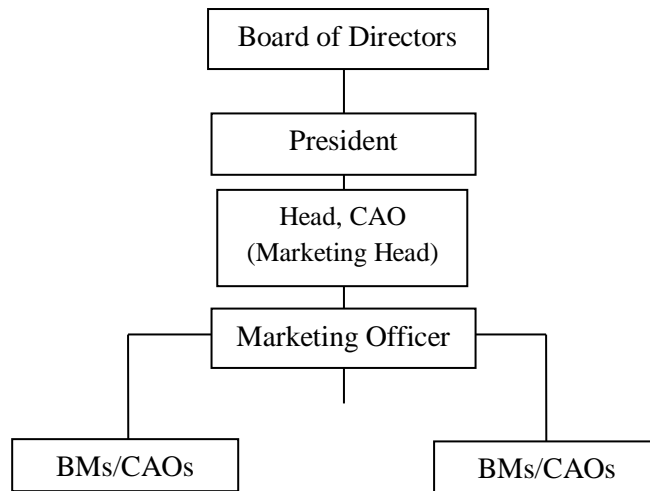
Test the process of Branch's complaint mechanism and system;

- 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> CAO	<i>Noted By:</i> HEAD, CAO
<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 the branch)

D. CORDS eForm for Frontliner–

Form for new complaints encountered by the Branch Manager

E. SQI Index

DATE Customer Complaint/Problem	Weighting Factor	Frequency	Total	Target
Slow Loan Process	10	0	10	0
Loan Interest Too High	5	0	5	5
More Requirements Needed	5	0	0	0
High Penalty Rate	5	0	5	5

Unclaimed Notices	1	0	1	0
Total			21	10

NOVEMBER 20 SUMMARY	NOV 07	NOV 14	NOV 21	NOV 28	Target
Slow Loan Process	0	0	0	0	0
Loan Interest Too High	0	0	0	0	0
More Requirements Needed	0	0	0	0	0
High Penalty Rate	0	0	0	0	0
Unclaimed Notices	0	0	0	0	0
Total	0	0	0	0	0

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.

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
---	--------------------------------	--	--	--

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.					

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 the Complaint	30 minutes	Branch Manager/Frontliner	CORDS Matrix 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	%
Company			
1			
2			
Sub-total			
Customer			
1			
2			
Sub-total			
Third Party			
1			
2			
Sub-total			
Nature			
1			
2			
Sub-total			
Total			

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

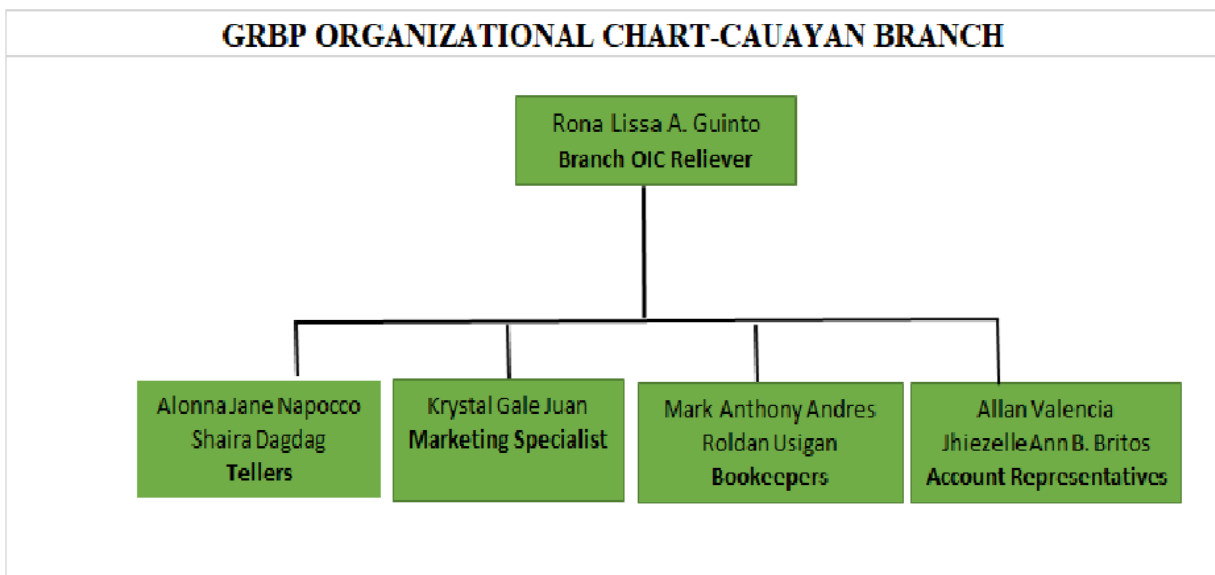
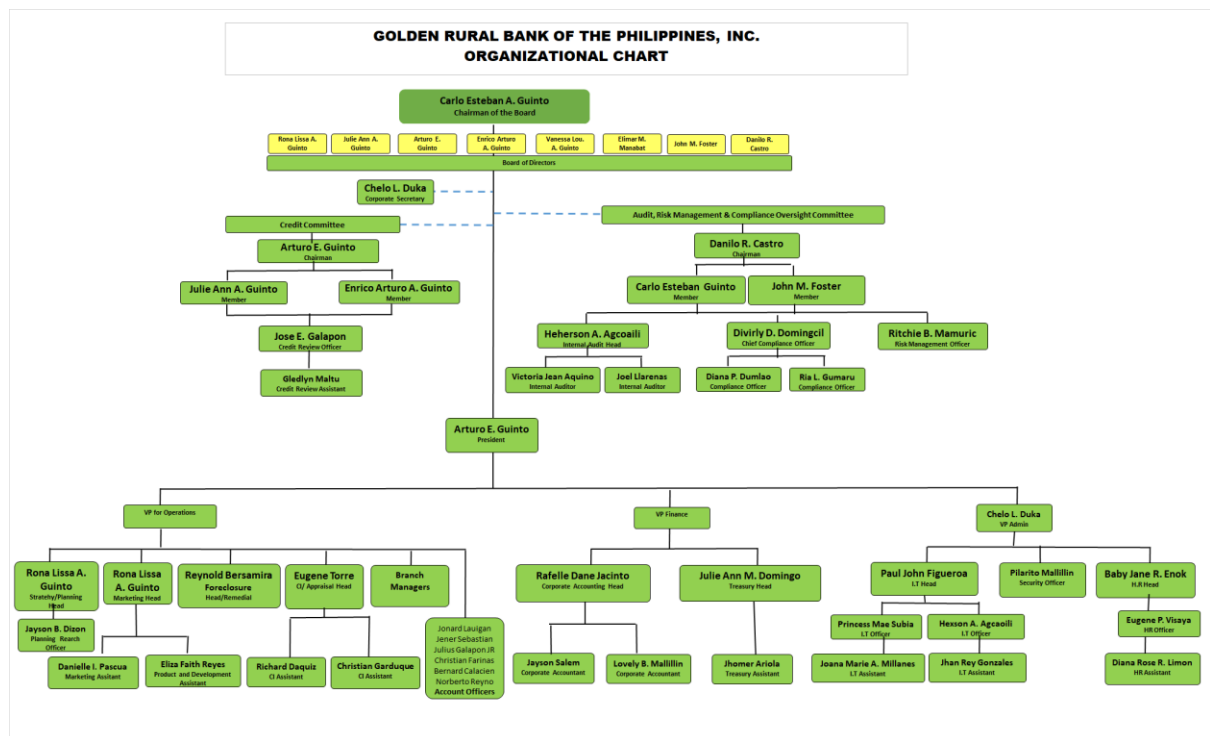
The Bank provides remedies by:

- 1) Analyzing complaints/requests data;
- 2) Analyzing causes of complaints/requests;

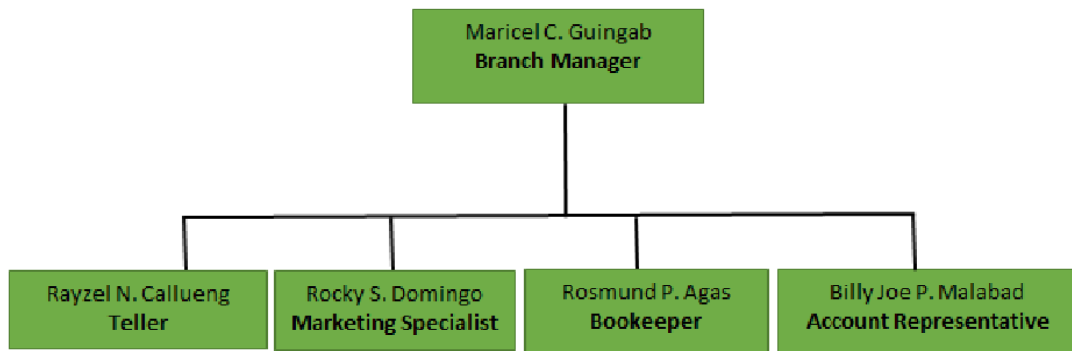
- 3) Considering whether such identified weaknesses may also affect other processes or products including not directly complained or requested;
- 4) Correcting whether reasonable to do so, such causes taking into consideration the concomitant costs and other resources.

7 Corporate Information

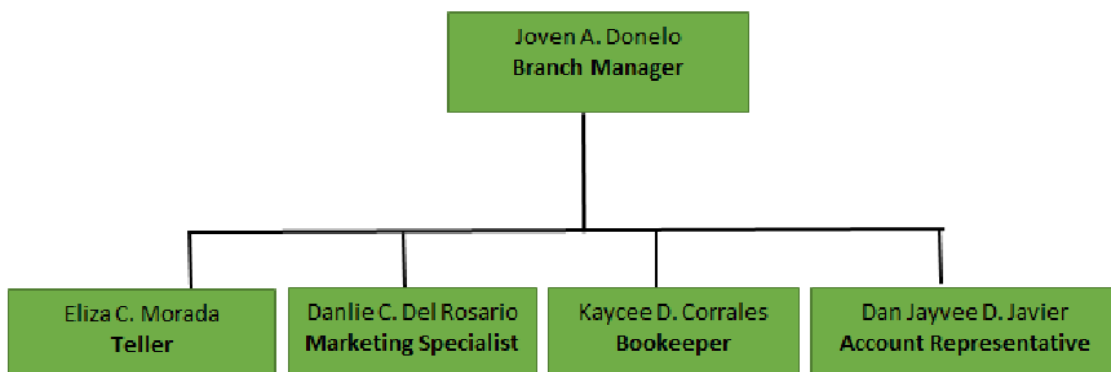
- a. Organizational structure, including the name and position of key officers



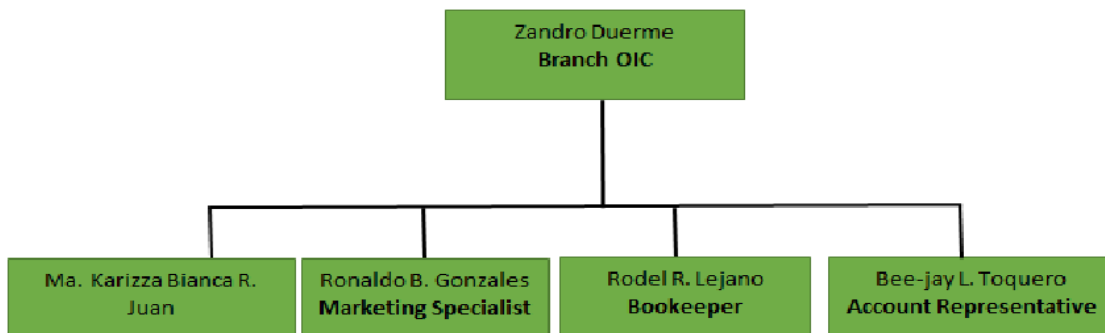
GRBP ORGANIZATIONAL CHART-CABAGAN BRANCH



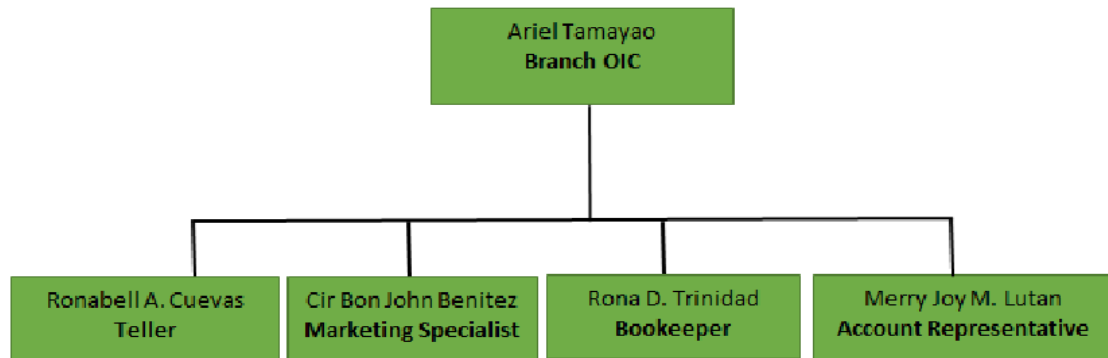
GRBP ORGANIZATIONAL CHART-RAMON BRANCH



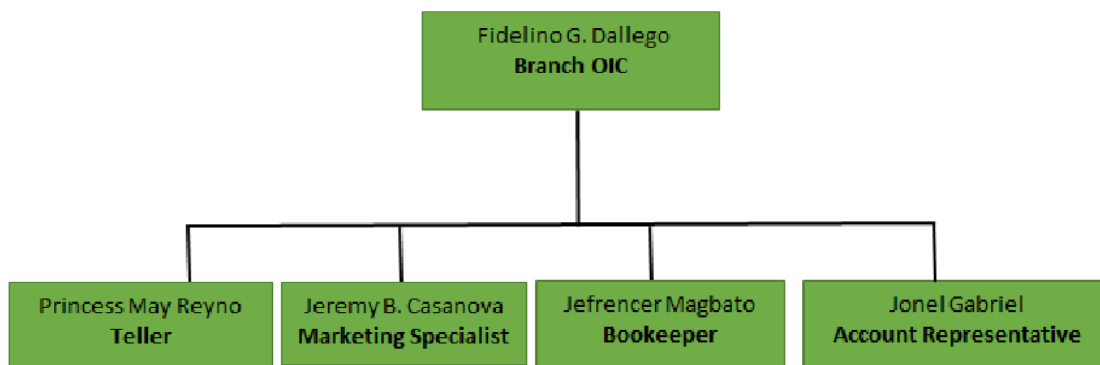
GRBP ORGANIZATIONAL CHART-ECHAGUE BRANCH



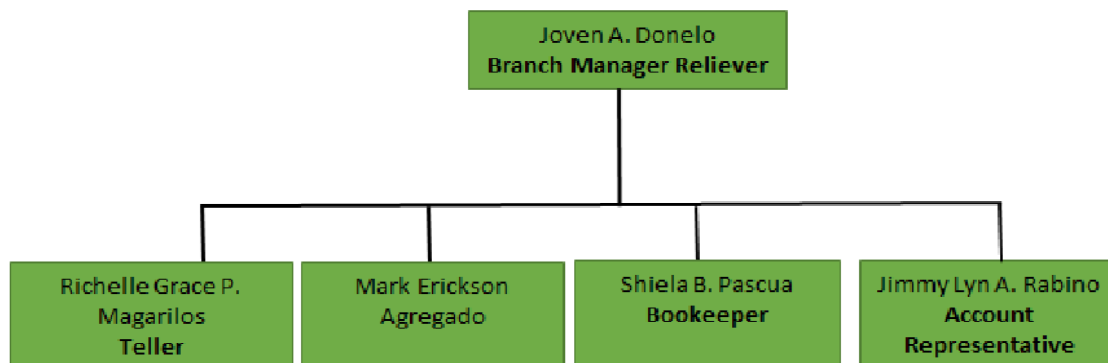
GRBP ORGANIZATIONAL CHART-TUGUEGARAO BRANCH



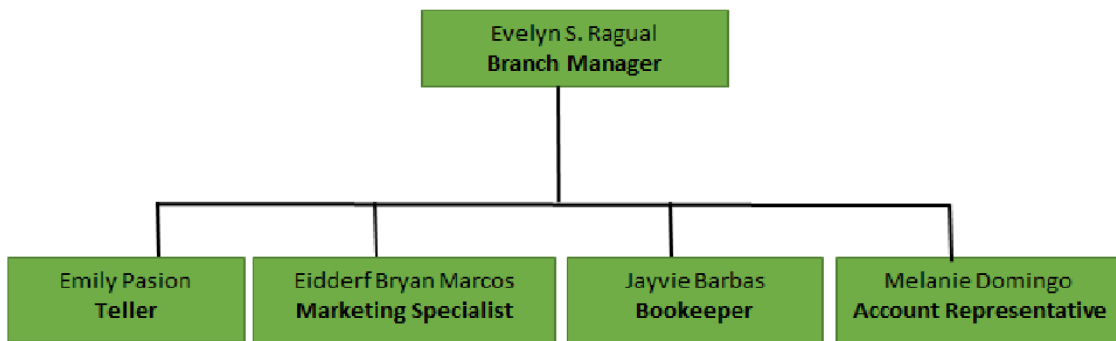
GRBP ORGANIZATIONAL CHART-ROXAS BRANCH



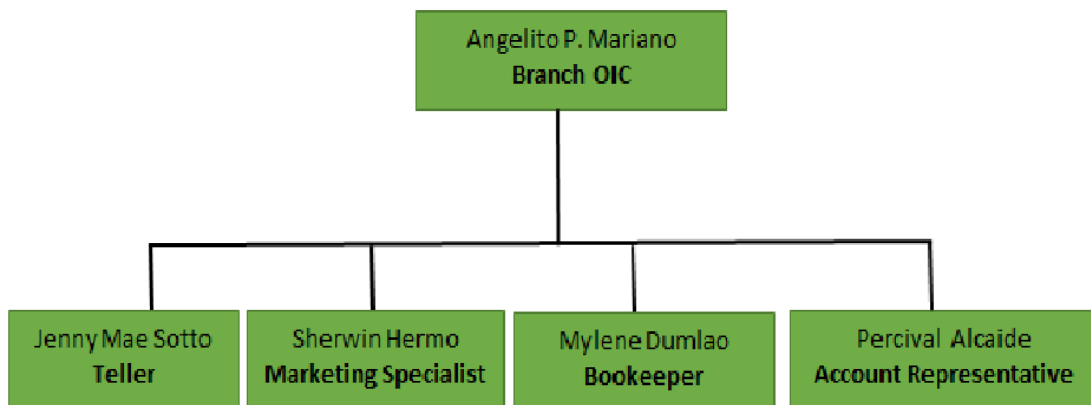
GRBP ORGANIZATIONAL CHART-ALICIA BRANCH



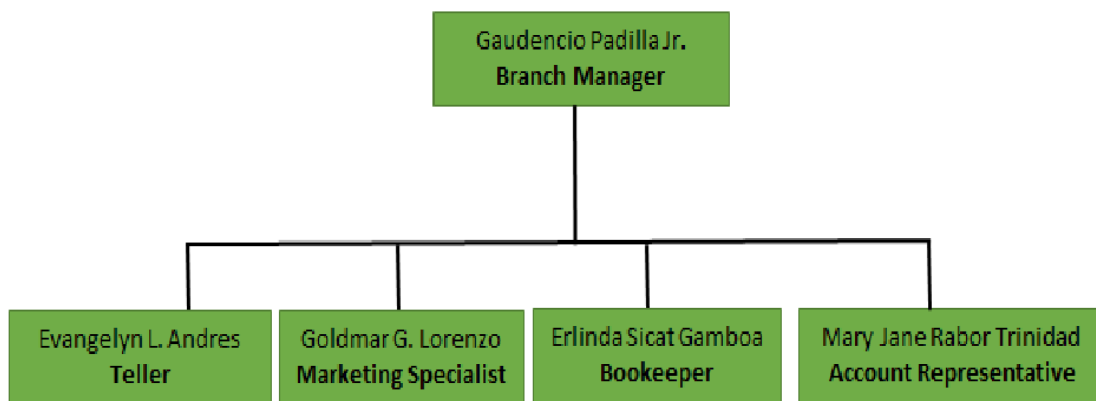
GRBP ORGANIZATIONAL CHART-SAN MATEO BRANCH



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
Francisca G. Cabauatan	Filipino	0.0340%	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 college students who are not more than 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.

d. Abot Kaya Savings Passbook Account

No maintaining balance and no dormancy charges. With maximum account capacity of 50,000 pesos. Minimum initial deposit of P25 and no maintaining balance. 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 P20, 000. The term of deposit is from 3 months to 5 years. Deposit can also be

used as collateral in borrowing the bank. It is also insured under PDIC up to P500, 000.

b. Golden Money Maximizer Special Savings Account

For individuals looking for a medium-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. 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. Western Union Remittance (International)
- b. Cebuana Lhuillier Pera Padala (Domestic)
- c. Bayad Center- Alicia, Roxas and Tuguegarao Branch

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. 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.

e. 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*

Alas Oplas & Co., CPAs

8/F Richmond Plaza, San Miguel Avenue
corner Lourdes Drive, Ortigas Center,
Pasig City Philippines 1605
Phone No: (02) 8535-5029
Email: aocortigasbranch@alasoascpas.com

23/F Philippine AXA Life Centre
1286 Sen. Gil Puyat Avenue
Makati City, Philippines 1200
Phone No: (632) 7759-5090 | (632) 8889-1861
Email: aocheadoffice@alasoascpas.com
www.alasoascpas.com

Independent Member of

BKR International

**INDEPENDENT AUDITORS' REPORT
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
BUREAU OF INTERNAL REVENUE**

To the Stockholders and the Board of Directors
GOLDEN RURAL BANK OF THE PHILIPPINES, INC.
Brgy. San Fermin, Cauayan City, Isabela

We have examined the financial statements of **GOLDEN RURAL BANK OF THE PHILIPPINES, INC.** for the years ended December 31, 2019 and 2018, on which we have rendered the attached report dated May 8, 2020.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Bank.

ALAS, OPLAS & CO., CPAs

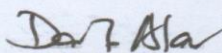
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022

SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022

TIN 002-013-406-000

BIR A.N. 08-001026-000-2018, issued on January 25, 2018; effective until January 24, 2021

By:



DANILO T. ALAS

Partner

CPA License No. 0027120

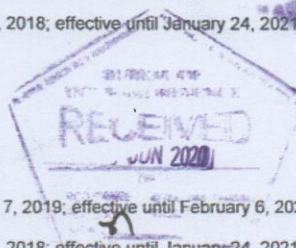
SEC A.N. (Individual) 1529-AR-1, issued on February 7, 2019; effective until February 6, 2022

TIN 132-466-021-000

BIR A.N. 08-001026-001-2018, issued on January 25, 2018; effective until January 24, 2021

PTR No. 8117109, issued on January 2, 2020, Makati City

May 8, 2020
Makati City, Philippines



Alas Oplas & Co., CPAs

8/F Richmond Plaza, San Miguel Avenue
corner Lourdes Drive, Ortigas Center,
Pasig City Philippines 1605
Phone No.: (02) 8535-5029
Email: aocortigasbranch@alasooplascpas.com

INDEPENDENT AUDITORS' REPORT

To the Stockholders and the Board of Directors
GOLDEN RURAL BANK OF THE PHILIPPINES, INC.
Brgy. San Fermin, Cauayan City, Isabela

23/F Philippine AXA Life Centre
1286 Sen. Gil Puyat Avenue
Makati City, Philippines 1200
Phone No.: (632) 7759-5090 | (632) 8889-8861
Email: aochheadoffice@alasooplascpas.com
www.alasooplascpas.com

Independent Member of
BKR International

Qualified Opinion

We have audited the financial statements of **GOLDEN RURAL BANK OF THE PHILIPPINES, INC.** (the "Bank") which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect on the financial statements of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standard.

Basis for Qualified Opinion

As discussed in Note 3 to the financial statements, the Bank adopted PFRS 9, Financial Instruments on January 1, 2018, except for the impairment requirements of the new standard. PFRS 9 introduces a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts.

Following the guidance of Circular 1011 and Appendix 100 of the Manual of Regulations for Banks (MORB) of the Bangko Sentral ng Pilipinas in adopting PFRS 9 impairment requirements, the Bank adopted Appendix 15 of the MORB in assessing and measuring impairment for its credit exposures. Appendix 15 of the MORB provides arbitrary rates for provisioning which is inconsistent with PFRS 9 and thus constitutes a departure from PFRS. As of December 31, 2019 and 2018, the Bank's total allowance on credit losses amounted to P10.89 million and P13.93 million.

As the Bank has not implemented the ECL requirements of PFRS 9, any adjustments to the amounts of allowance for credit losses and related deferred tax assets as at January 1, 2018, December 31, 2018 and 2019 and surplus as at January 1, 2018 have not been determined.

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

RECEIVED
23 JUN 2020

Alas Oplas & Co., CPAs

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Alas Oplas & Co., CPAs

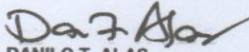
The Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations Nos. 15-2010 and 19-2011

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 33 and Revenue Regulations Nos. 15-2010 and 19-2011 on taxes, duties and license fees paid or accrued during the taxable year, taxable income, and deductions in Notes 31 and 32 are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of **GOLDEN RURAL BANK OF THE PHILIPPINES, INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALAS, OPLAS & CO., CPAs

BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2018, issued on January 25, 2018; effective until January 24, 2021

By:



DANILO T. ALAS

Partner

CPA License No. 0027120

SEC A.N. (Individual) 1529-AR-1, issued on February 7, 2019; effective until February 6, 2022

TIN 132-466-021-000

BIR A.N. 08-001026-001-2018, issued on January 25, 2018; effective until January 24, 2021

PTR No. 8117109, issued on January 2, 2020, Makati City

May 8, 2020

Makati City, Philippines

GOLDEN RURAL BANK OF THE PHILIPPINES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
In Philippine Peso

	Notes	2019	2018
ASSETS			
Cash and other cash items	8	4,536,916	5,337,320
Due from Bangko Sentral ng Pilipinas	8	5,994,651	6,073,337
Due from other banks	8	52,137,136	55,482,473
Investment securities at amortized cost	9	10,549,076	8,933,582
Loans and other receivables – net	10	230,469,817	257,802,432
Bank premises, furniture, fixtures and equipment – net	11	14,028,859	10,694,996
Investment properties – net	12	44,362,596	25,525,128
Non-current assets held for sale	13	1,808,965	1,652,065
Deferred tax assets	25	1,279,060	790,583
Other assets	14	7,044,224	6,221,714
TOTAL ASSETS		372,211,300	378,513,630
LIABILITIES AND EQUITY			
LIABILITIES			
Deposit liabilities	15	175,802,959	168,595,209
Bills payable	16	110,392,754	130,232,237
Accrued and other liabilities	17	16,616,119	10,429,723
Retirement benefit obligation	18	2,482,345	2,482,345
Income tax payable		–	881,502
Total Liabilities		305,294,177	312,621,016
EQUITY			
Capital stock – common	19	42,100,000	42,100,000
Surplus reserve	20	120,000	120,000
Surplus free	20	25,558,464	24,533,955
Actuarial loss on defined benefit obligation – net of tax	18	(861,341)	(861,341)
Total Equity		66,917,123	65,892,614
TOTAL LIABILITIES AND EQUITY		372,211,300	378,513,630

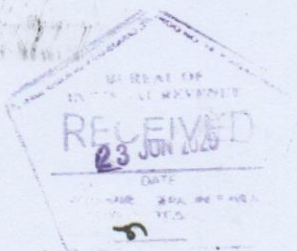
See Notes to Financial Statements.



GOLDEN RURAL BANK OF THE PHILIPPINES, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
In Philippine Peso

	Notes	2019	2018
INTEREST INCOME			
Due from other banks	8	219,610	702,564
Investment securities at amortized cost	9	377,291	256,408
Loans and other receivables	10	46,512,000	47,326,030
		47,108,901	48,285,002
INTEREST EXPENSE			
Deposit liabilities	15	(5,831,239)	(6,231,292)
Bills payable	16	(10,302,928)	(6,288,242)
		(16,134,167)	(12,519,534)
NET INTEREST INCOME		30,974,734	35,765,468
OTHER INCOME	21	17,598,878	11,263,487
TOTAL OPERATING INCOME		48,573,612	47,028,955
OPERATING EXPENSES	22	(44,847,697)	(42,224,033)
NET OPERATING INCOME BEFORE PROVISION		3,725,915	4,804,922
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	23	(2,423,541)	(928,448)
PROFIT BEFORE TAX		1,302,374	3,876,474
INCOME TAX EXPENSE	25	(277,865)	(993,923)
PROFIT		1,024,509	2,882,551
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		1,024,509	2,882,551

See Notes to Financial Statements.



GOLDEN RURAL BANK OF THE PHILIPPINES, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
In Philippine Peso

	Capital Stock (Note 19)	Surplus Reserve (Note 20)	Surplus Free (Note 20)	Other Comprehensive Loss (Note 18)	Total
Balance at December 31, 2017	42,100,000	120,000	21,651,404	(861,341)	63,010,063
Profit	-	-	2,882,551	-	2,882,551
Balance at December 31, 2018	42,100,000	120,000	24,533,955	(861,341)	65,892,614
Profit	-	-	1,024,509	-	1,024,509
Balance at December 31, 2019	42,100,000	120,000	25,558,464	(861,341)	66,917,123

See Notes to Financial Statements.



GOLDEN RURAL BANK OF THE PHILIPPINES, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
 In Philippine Peso

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,302,374	3,876,474
Adjustments for:			
Interest income	8.9	(596,901)	(958,972)
Interest expense – lease liabilities	17.22	414,903	–
Gain on sale of non-financial assets	21	(7,478,654)	(2,373,708)
Provision for credit and impairment losses	23	2,423,541	928,448
Depreciation	24	5,060,332	4,082,408
Operating profit before working capital changes		1,125,195	5,534,650
Decrease (increase) in operating assets:			
Loans and other receivables		163,937	(35,477,878)
Other assets		3,404,486	(5,982,913)
Increase in operating liabilities:			
Deposit liabilities		7,207,750	3,325,644
Accrued and other liabilities		211,216	156,625
Cash generated from (used in) operations		12,112,584	(32,423,872)
Income tax paid		(1,779,204)	(1,041,820)
Interest received	8.9	596,901	958,972
Net cash generated from (used in) operating activities		10,930,281	(32,506,720)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities at amortized cost	9	(6,577,494)	(915,990)
Proceeds from redemption of investment securities at amortized cost	9	4,962,000	5,865
Acquisition of bank premises, furnitures, fixtures and equipment	11	(1,438,461)	(3,962,063)
Collection from sale of investment properties	12	8,798,233	5,741,132
Collection from sale of non-current asset held for sale	13	260,000	–
Net cash generated from investing activities		6,904,278	868,944
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of bills payable	16	285,291,654	313,945,178
Payments of bills payable	16	(285,131,137)	(291,158,631)
Payment of lease liabilities – principal and interest	17	(1,319,603)	–
Net cash generated from (used in) financing activities		(21,158,986)	22,786,547
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,224,427)	(8,851,229)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
Cash and other cash items		5,337,320	4,193,712
Due from Bangko Sentral ng Pilipinas		6,073,337	5,602,197
Due from other banks		55,482,473	65,948,450
		66,893,130	75,744,359
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Cash and other cash items	8	4,536,916	5,337,320
Due from Bangko Sentral ng Pilipinas	8	5,994,651	6,073,337
Due from other banks	8	52,137,136	55,482,473
		62,668,703	66,893,130

See Notes to Financial Statements.



II. Compliance with Appendix 62 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;

Tier 1 (Core plus Hybrid) Capital			
Core Tier 1 Capital			
Paid up common stock	305050000000000000		42,100,000.00
Deposit for common stock subscription	305250500000000000		0.00
Paid-up perpetual and non-cumulative preferred stock	305100000000000000		0.00
Deposit for perpetual and non-cumulative preferred stock subscription	305251000000000000		0.00
Additional paid-in capital	305200000000000000		0.00
Retained earnings	315000000000000000		24,653,953.53
Undivided profits	315150000000000000		663,074.30
Net gains on fair value adjustment of hedging instruments in a cash flow hedge of available for sale equity securities	320101000500000000		0.00
Cumulative foreign currency translation	320150000000000000		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) ^{1/}	325150000000000000		0.00
Sub-total [Sum of A.1 (1) to A.1 (10)]	300000000000711000		67,417,027.83
Deductions from Core Tier 1 Capital			
Common stock treasury shares (for consolidated basis)	365050500000711000	0.00	
Perpetual and non-cumulative preferred stock treasury shares (for consolidated basis)	365051000000711000	0.00	
Net unrealized losses on available for sale equity securities purchased	365051500000711000	0.00	
Unbooked valuation reserves and other capital adjustments based on the latest ROE as approved by the Monetary Board	365052000000711000	0.00	
Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance for credit losses	365052500000711000	12,512.83	
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates, net of allowance for credit losses	365053000000711000	0.00	
Deferred tax asset, net of deferred tax liability ^{2/}	365053500000711000	790,582.80	
Goodwill, net of allowance for losses ^{3/}	365054000000711000	0.00	
Total Deductions [Sum of A.2 (1) to A.2 (8)]	365050000000711000		803,095.63
Total Core Tier 1 Capital [A.1 (11) minus A.2 (9)]	395000000000711000		66,613,932.20
Hybrid Tier 1 Capital			
Perpetual preferred stock	310030500000000000		
Perpetual unsecured subordinated debt	310031000000000000		
Total Hybrid Tier 1 Capital [Sum of A.4 (1) and A.4 (2)]	300000000000712000		0.00
Eligible Hybrid Tier 1 Capital [limited to 17.65% of Total Core Tier 1 Capital (Item A.3)]	396000000000712000		0.00
Total Tier 1 Capital [Sum of A.3 and A.4 (4)]	300000000000710000		66,613,932.20

2. Tier 2 capital and a breakdown of its components

Tier 2 (Supplementary) Capital		
Upper Tier 2 Capital		
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) [A.4 (3) minus A.4 (4)]		0.00
Sub-total [Sum of B.1 (1) to B.1 (9)]		2,006,503.03
Deductions from Upper Tier 2		
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 [Sum of B.2 (1) to B.2 (4)]		0.00
Total Upper Tier 2 Capital [B.1 (10) minus B.2 (5)]		2,006,503.03
Lower Tier 2 Capital		
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 [Sum of B.4 (1) to B.4 (3)]		0.00
Deductions from Lower Tier 2		
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 [Sum of B.5 (1) and B.5 (2)]		0.00
Total Lower Tier 2 Capital [B.4 (4) minus B.5 (3)]		0.00
Eligible Amount of Lower Tier 2 Capital (limited to 50% of total Tier 1 capital per Item A.5)		0.00
Total Tier 2 Capital [Sum of B.3 and B.7]		2,006,503.03
Eligible Amount of Tier 2 Capital (limited to 100% of total Tier 1 capital per Item A.5)		2,006,503.03

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

Gross Qualifying Capital (Sum of A.5 and B.9)		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	
Deductions from Tier 1 and Tier 2 Capital		
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 <i>[Sum of D (1) to D (5)]</i>		0.00

4. Total qualifying capital;

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

5. Capital requirements for credit risk;

Capital requirements for credit risk		36,183,144.14
---	--	----------------------

6. Capital requirements for market risk;

Capital requirements for market risk		0
---	--	----------

7. Capital requirements for operational risk; and

Capital requirements for operational risk		5,934,782.96
--	--	---------------------

8. Total and Tier 1 capital adequacy ratio on both solo and consolidated bases.

Net Tier 1 Capital		66,613,932.20
RISK-BASED CAPITAL ADEQUACY RATIO <i>[A.3 divided by B.4 multiply by 100]</i>		16.44