RBSMI
RURAL BANK OF SAN MATEO (ISABELA), INC.
"Ang inyong kabalikat sa pag-unlad"

2025 ANNUAL REPORT

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I. CORPORATE POLICY

Rural Bank of San Mateo (Isabela), Inc. carries on its legacy as one of the most trusted banking institutions in San Mateo and neighboring municipalities within the Cagayan Valley Region. For the past 63 years, the Bank has remained steadfast in its commitment to delivering excellent financial services while fostering meaningful relationships with its clients and communities. Driven by a culture of service, resilience, and care, we remain dedicated to helping our clients achieve their financial goals.

“Ang inyong kabalikat sa pag-unlad”

RBSMI Vision Statement, Mission, and Core Values

RBSMI Vision Statement

" To be a strong, stable, and trusted Rural Bank in the Cagayan Valley Region".

Highlights of the Statement:

The statement highlights the following important concepts:

- **Strong** - A strong bank that has a solid balance sheet, healthy capital reserves, and the ability to manage assets and liabilities effectively.
- **Stable** – A bank that demonstrates reliable profitability and sustainable growth over time.
- **Trusted** – A bank that fosters a sense of confidence among its clients, making it a preferred choice for managing finances. Cagayan Valley region – The bank's area of operation; refers to Cagayan Valley as a geographical area .

RBSMI Mission Statement

To be a partner in the growth and development of agricultural and other rural businesses – "ANG INYONG KABALIKAT SA PAG-UNLAD"

Highlights of the Statement:

The statement highlights the following important concepts:

- **Partner in the growth and development of agricultural and rural businesses** - The bank is committed to actively supporting the success and sustainability of agricultural and other rural businesses, ultimately leading to broader economic benefits for the community.
- **"ANG INYONG KABALIKAT SA PAG-UNLAD"** – RBSMI tag line inspired by the bank's mission statement.

RBSMI Core Values

- **Integrity -** We uphold the highest standards of honesty and transparency in all our actions and decisions.
- **Professionalism -** We are dedicated to building a culture of trust, respect, and accountability across all areas of our banking operations.
- **Commitment to excellence and innovation -** We are steadfast in our dedication to continuous improvement and the pursuit of innovation, enabling us to excel in a rapidly evolving and highly competitive financial environment.
- **Partnership -** We build and nurture strong, sustainable relationships—within our organization and with customers, business partners, regulators, and the communities we serve.

The Bank's Brand and Business Model

"Ang Inyong Kabalikat sa Pag-Unlad"

Rural Bank of San Mateo (Isabela), Inc. is focused on providing high-quality and responsive financial products to its clients within the Cagayan Valley Region and Cordillera Administrative Region. We contribute to the local economy by providing credit facilities to constituents.

The Bank offers various deposit products according to the needs of its clients. The Bank also facilitates real-time transactions. Fund transfers and bills payment, through a partnership with a digital technology platform. To boost the agriculture sector, RBSMI sticks to its mandate of offering several agri-related loan products. In helping the growth of the economy, the Bank also provides commercial loans and consumer loans.

CHAIRPERSON’S REPORT

It is with pride that I present this year’s Chairman’s Report, reflecting on our commitment to the continued growth and sustainability of the Rural Bank of San Mateo, Isabela in 2025. This year has been one of reflection, adaptation, and significant transformation, driven by the ongoing need to ensure that we remain a trusted, resilient, and customer-focused institution.

Aligning Salaries to Retain Talent

At RBSMI, we understand that our success hinges on the dedication and expertise of our staff. As a rural bank, we recognize that attracting and retaining top talent, especially in a competitive job market, is essential to our ability to deliver exceptional service to our customers and communities. In this regard, we have undertaken a comprehensive review of our salary structure across all departments and positions.

This year, we made the strategic decision to align salaries across the board, ensuring that our compensation packages remain competitive and reflective of the market, as well as the performance and expertise of our team members. This adjustment not only helps retain our current talent pool but also positions us as an employer of choice for those looking to contribute to the development of rural banking. We believe that investing in our people is key to achieving our long-term objectives and will provide a solid foundation for continued growth.

Five-Year Capital Build-Up Plan

In line with our strategic growth objectives, we have developed a comprehensive five-year capital build-up plan. This plan is designed to strengthen our financial position, expand our service offerings, and improve our infrastructure to meet the evolving needs of our customers. The capital build-up initiative will focus on key areas of growth and on initiatives to enhance the customer experience.

Furthermore, the plan aims to ensure that we remain adequately capitalized to comply with regulatory requirements while simultaneously positioning ourselves to take advantage of emerging opportunities within the financial services industry. The commitment to this capital strategy underscores our dedication to providing sustainable financial services to rural communities for years to come.

Policy Changes to Encourage Professionalism

As part of our ongoing efforts to enhance the overall efficiency and professionalism of our operations, we have implemented several key policy changes aimed at further strengthening our organizational culture. These changes focus on developing a more professional environment that promotes continuous learning, accountability, and customer-centric service.

Among the initiatives rolled out this year, we introduced updated training programs that emphasize customer service excellence, ethical banking practices, and leadership development. These programs are designed to nurture our staff's skills and foster an environment where professionalism is prioritized. In addition, we have updated our internal policies to include more structured performance evaluations and greater recognition of staff achievements.

These policy changes are part of our broader vision to ensure that RBSMI is seen as a beacon of professionalism in rural banking, and that our employees are equipped with the tools they need to succeed in an increasingly dynamic financial landscape.

Looking Ahead

Looking forward, our path is clear. We are committed to growing our business in a sustainable manner while remaining responsive to the needs of our rural communities. Our focus on aligning staff salaries, building our capital base, and fostering a culture of professionalism will help us achieve our vision of becoming the most trusted and innovative rural bank in the region.

We acknowledge that the challenges ahead are not insignificant, but we are confident in the strength of our team, the support of our stakeholders, and the clear direction we have set for the future.

In closing, I would like to express my sincere appreciation to the entire RBSMI team for their hard work and dedication throughout the year. I would also like to thank our shareholders, customers, and partners for their continued trust and support.

Together, we will continue to build a brighter, more prosperous future for rural banking.

Patricia Rosario Maria Gapud Remijan
Chairman

PRESIDENT'S REPORT

Good morning to all our valued stockholders from here and far, to those who are with us here face-to-face, and everyone joining us via Zoom, to our guests from Alas Oplas Company CPAs, and to our RBSMI family. Welcome to our 63rd Stockholders' Meeting at Rural Bank of San Mateo, Inc. It is with great pride and gratitude and deep sense of purpose that I present to you the RBSMI Corporate Social Responsibility Initiative for 2025.

At Rural Bank of San Mateo, Inc., we firmly believe that banking is not only about financial growth. It is about growing with our community. Our mission extends beyond providing loans and financial services. We are committed to uplifting lives, empowering families, and building a stronger, more inclusive future for the communities we serve. This year, RBSMI continued its tradition of meaningful community engagement through impactful and compassionate CSR programs.

1. **Psychoeducational Assessment for Learners with Special Needs**

Supporting learners with special needs. On February 22, 2025, RBSMI, in partnership with Kiwanis International, conducted a psychoeducational assessment for learners with special needs at San Mateo East Central School.

This initiative was led by Dr. Stachys Neil Espino, Addiction Medicine Specialist and Assistant Department Manager of the Department of Mental Health Region 1 Medical Center, assisted by Mr. Richard Pidamon. Nineteen students underwent a comprehensive assessment. The purpose of this initiative was to reassess learners' ability and skills, recognize their behavioral development and life experiences, and make appropriate adjustments to their educational progress. Physical and mental health evaluations were conducted, and necessary medicines were provided.

On April 5, 2025, we conducted part two of this initiative, once again in partnership with Kiwanis International. This expanded program included play therapy and feeding support for 100 indigent students from grades 1 to 3, distribution of 5 kg of rice to support their families, and donation of 20 wall fans to improve the classroom learning environment.

A symposium for parents and guardians of learners with special needs, conducted by Dr. Jennifer Espino, equips them with knowledge and guidance to better understand their children's development. A comprehensive psycho-educational reassessment was conducted by two psychiatrists and four psychometricians from the Department of Health of Region 1. Forty-three learners received free psychological assessments to ensure that they are placed in appropriate and supportive educational programs. This initiative demonstrates our commitment to inclusive education, mental awareness, and equal opportunities for every child.

2. **Meet and Greet with Farmers: KAALAMANG Pangpinansyal para sa Magsasaka**

On February 26, 2025, RBSMI conducted a financial literacy program entitled Kaalamang Pangpinansyal para sa Magsasaka in Barangay Salay, Echague, Isabela, with 103 farmers in attendance from the barangay and neighboring communities.

The goal was clear and purposeful. To educate farmers on proper financial management, guide them on how and where to avail of low-interest loans, and help them understand the difference between formal banking services and low-interest loans and help them understand the difference between formal banking services and informal money lenders.

Our distinguished speakers included Mr. Richard Bagoyo on Financial Literacy, Ms. Marites Hermosura on our RBSMI Loan Products, Mr. Berheld Taguro of San Miguel Corporation, and Mr. Harrison Tanion on the Benefits of Cacao Farming. The program included interactive games, raffle draws, and fellowship over lunch, fostering both learning and community spirit. Our Lending Division led this initiative under the leadership of Mr. Viensor Valenzuela, and I was personally honored to be present.

In June 2025, we conducted part two of this program in Barangay Kabalitan, San Manuel, Isabela, with 30 farmer participants. Financial education is empowerment. When farmers understand how to manage their finances wisely, they gain confidence, independence, and long-term sustainability.

3. **Brigada Eskwela 2025**

Education remains one of our core advocacies. Through Brigada Eskwela 2025, RBSMI donated 49 pails of paint to various schools in San Mateo, Luna, San Manuel, Ramon, Isabela, and Alfonso Lista, Ifugao. A clean, bright, and welcoming school environment fosters better learning conditions for our children. We are proud to contribute to the preparation of our school for another productive academic year.

4. **Noche Buena Package Distribution**

In the true spirit of Christmas, RBSMI identified 60 indigent individuals from different barangays and 15 garbage collectors from LGU San Mateo to receive Noche Buena packages. We believe that no one should feel forgotten during the holiday season.

As Proverbs 19:17 reminds us, Whoever is kind to the poor lends to the Lord, and he will reward them for what they have done. This verse captured the very heart of our Corporate Social Responsibility. Our giving is not merely charity; it is stewardship. It is a compassion in action. It is a faith lived through service.

In closing, Corporate Social Responsibility is not an obligation for RBSMI. It is part of who we are. We are not only a financial institution. We are partners in education, advocates of mental health, supporters for our farmers, builders of stronger communities, and instruments of hope.

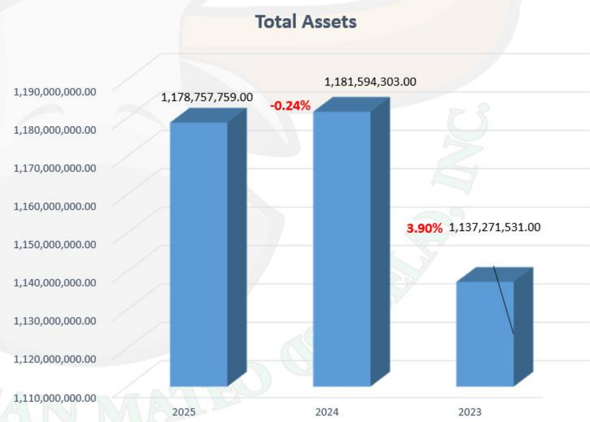
Katrina Marie P. Pilapil
President and Chief Executive Officer

II. FINANCIAL SUMMARY

		2025	2024
Profitability			
	Net Interest Income	86,080,416.00	92,630,651.00
	Total Non-Interest Income	21,357,586.00	23,222,015.00
	Total Non-Interest Expense	66,410,553.00	61,418,134.00
	Pre-Provision Profit	41,027,449.00	54,434,532.00
	Provision for Credit Losses	26,569,623.00	26,597,262.00
	Net Income	10,901,835.00	20,876,203.00
Selected Balance Sheet Data			
	Liquid Assets	459,386,317.00	473,681,103.00
	Gross Loans	684,394,993.00	695,014,699.91
	Total Assets	1,178,757,759.00	1,181,594,303.00
	Deposits	957,792,944.00	962,995,813.00
	Total Equity	201,093,686.00	195,499,632.00
Selected Ratios			
	Return on Equity	5.85%	11.77%
	Return on Assets	0.98%	1.90%
	CAR	17.51%	17.54%

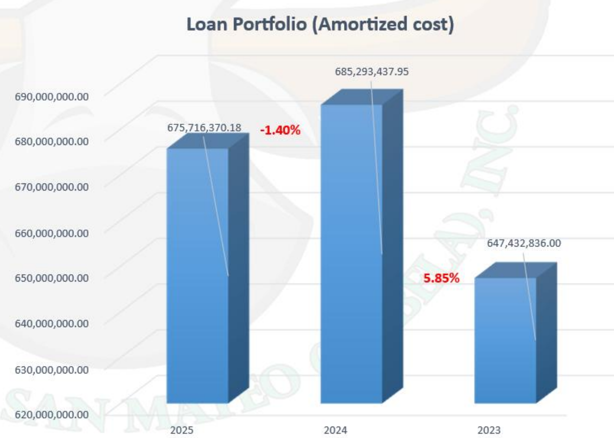
TOTAL ASSETS

2025	1,178,757,759
2024	1,181,594,303
2023	1,137,271,531



LOAN PORTFOLIO

2025	685,293,437
2024	685,293,437
2023	647,432,836

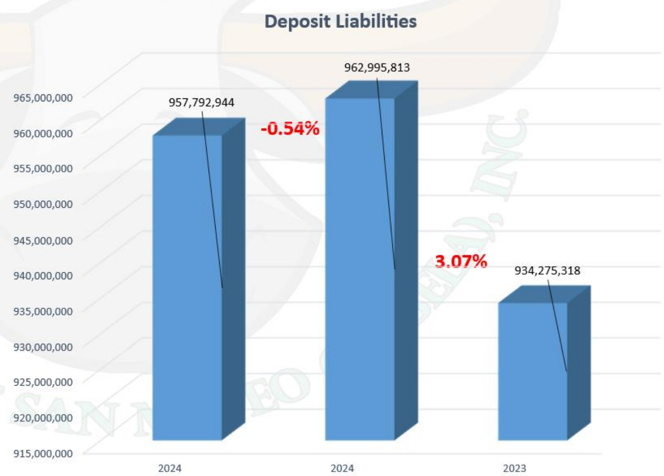


TOTAL LIABILITIES

2025	977,664,073
2024	986,094,671
2023	957,830,999

DEPOSIT LIABILITIES

2025	957,792,944
2024	962,995,813
2023	934,275,318

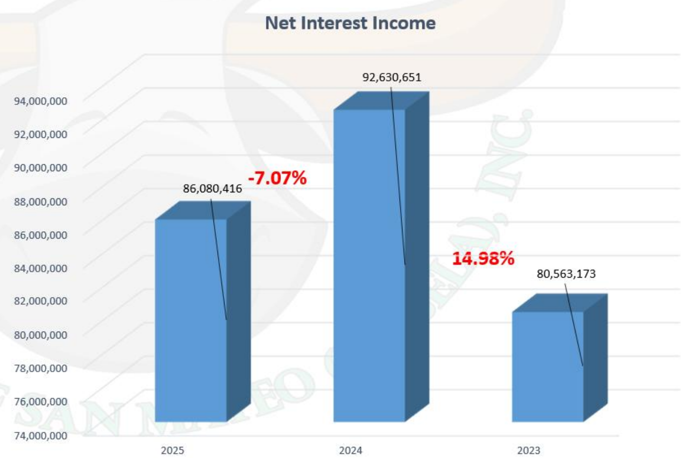


EQUITY

2025	201,093,686
2024	195,499,632
2023	179,427,868

NET INTEREST INCOME

2025	86,080,416
2024	92,630,651
2023	80,563,173

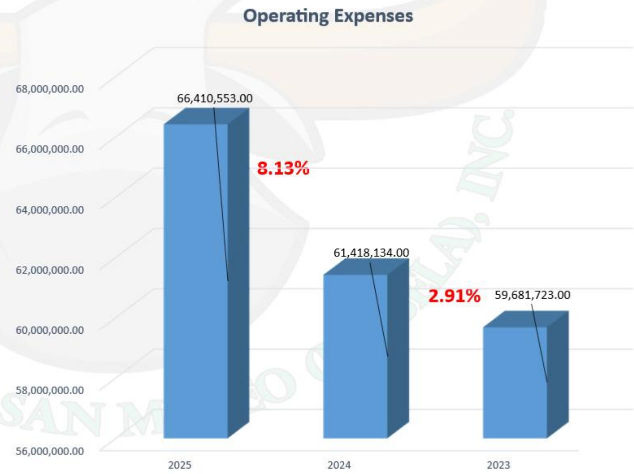


OTHER INCOME

2025	21,357,586
2024	23,222,015
2023	22,621,898

OPERATING EXPENSE

2025	66,410,553
2024	61,418,134
2023	59,681,723

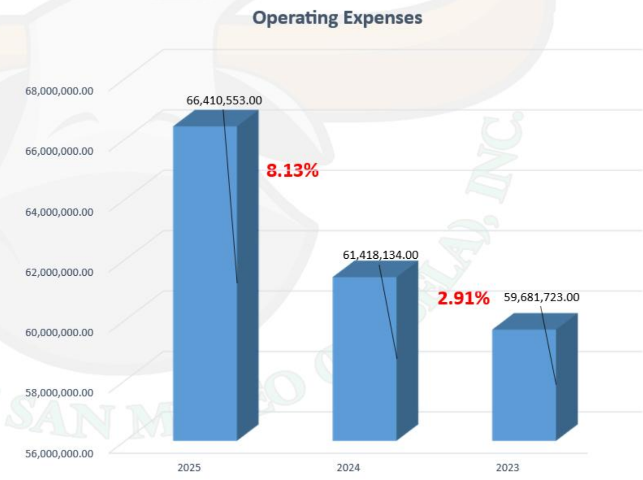


OPERATING EXPENSE

2025 66,410,553

2024 61,418,134

2023 59,681,723



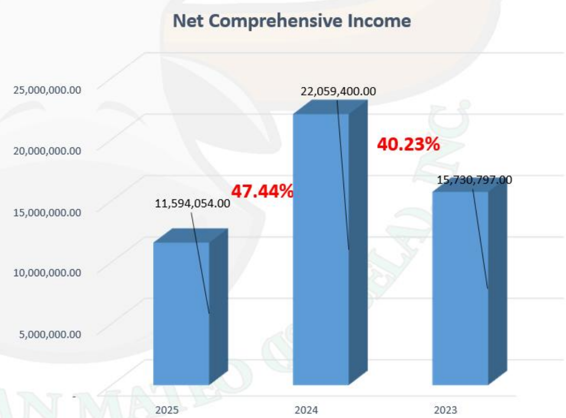
NET COMPREHENSIVE INCOME

2025 11,594,054

2024 22,059,400

2023 15,730,797

Note: with Actuarial Gain on Retirement Benefit Obligation



III. FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. Review of the bank's operations and results of operations for the financial year, including details and explanation for any significant change during the year

The year 2025 presented a challenging operating environment for the Bank as it continued to pursue sustainable growth while maintaining prudent risk management and financial stability. Despite pressures on earnings and increasing operating costs, the Bank remained financially sound, supported by a stable deposit base, adequate capitalization, and a resilient loan portfolio.

Financial Position

As of December 31, 2025, the Bank reported total assets of ₱1.179 billion, a slight decrease of 0.24% from ₱1.182 billion in 2024. The decline was primarily attributable to lower levels of certain earning assets and a more conservative asset allocation strategy adopted during the year. Despite the marginal decrease, total assets remained above the ₱1.1 billion level, reflecting the Bank's continued market presence and financial strength.

The Bank's loan portfolio amounted to ₱675.72 million, representing a decrease of 1.40% from ₱685.29 million in 2024. The reduction was mainly due to cautious lending activities and intensified credit risk management measures amid prevailing economic uncertainties. The Bank continued to focus on maintaining asset quality while serving the credit needs of its clients.

Total liabilities decreased by 0.85% to ₱977.66 million from ₱986.09 million in the previous year. Deposit liabilities, which remain the Bank's primary funding source, likewise declined slightly by 0.54% to ₱957.79 million from ₱963.00 million in 2024. The modest decline reflects normal fluctuations in customer deposits while maintaining a stable funding base.

The Bank's total equity increased by 2.86% to ₱201.09 million from ₱195.50 million in 2024. The increase was primarily driven by retained earnings and demonstrates the Bank's ability to strengthen its capital position despite lower profitability during the year.

Results of Operations

Net interest income amounted to ₱86.08 million in 2025, a decrease of 7.07% from ₱92.63 million in 2024. The decline was mainly attributable to lower yields on earning assets, increased funding costs, and the contraction in the loan portfolio. Nevertheless, net interest income remained the Bank's primary source of revenue and continued to contribute significantly to overall earnings.

Other income decreased by 8.03% to ₱21.36 million from ₱23.22 million in the previous year. The reduction was primarily due to lower service charges, fees, and other non-interest income sources compared with the prior year.

Operating expenses increased by 8.13% to ₱66.41 million from ₱61.42 million in 2024. The increase was driven by higher personnel costs, technology-related expenditures, regulatory compliance requirements, and general administrative expenses necessary to support the Bank's operations and strategic initiatives.

As a result of lower revenues and higher operating expenses, net income declined significantly by 47.78% to ₱10.90 million from ₱20.88 million in 2024. The decrease reflects the combined effects of lower net interest income, reduced non-interest income, and increased operating costs during the year.

Net comprehensive income likewise decreased to ₱11.59 million from ₱22.06 million in 2024, representing a decline of 47.44%. The reduction was primarily due to lower net earnings, allowance for credit losses, and partially offset by actuarial gains recognized on the Bank's retirement benefit obligation.

Outlook

While profitability was adversely affected during the year, the Bank maintained a strong capital base, adequate liquidity, and stable operations. Management remains focused on enhancing operational efficiency, improving asset quality, expanding lending opportunities, strengthening deposit generation efforts, and leveraging technology to improve customer service and overall financial performance. These initiatives are expected to support the Bank's long-term growth and sustainability while continuing to serve the financial needs of its clients and communities.

B. Highlights of major activities during the year that impact operations

A significant milestone achieved by Rural Bank of San Mateo (Isabela), Inc. during the year was the celebration of its 63rd Anniversary on June 11, 2025, marking over six decades of dedicated service to the people of San Mateo and neighboring communities in the Cagayan Valley Region. This milestone served not only as a commemoration of the Bank's rich history and accomplishments but also as a reaffirmation of its enduring commitment to financial inclusion, community development, and sustainable growth.

C. Major strategic initiatives of the bank

<u>The Strategic Goal</u>

The Goal Statement:

“To achieve a net income of 20 million by 2025 and above 10% increment every year after”.

Highlights of the Goal Statement

This goal reflects the Bank’s commitment to strengthening its financial position, enhancing shareholder value, and ensuring long-term sustainability.

Throughout the year, the Bank remained focused on initiatives that support profitable growth, including expanding its loan portfolio, improving asset quality, increasing operational efficiency, and strengthening customer relationships. Continuous efforts were also directed toward prudent risk management, cost optimization, and the development of innovative products and services tailored to the needs of its clients.

The pursuit of this profitability target serves as a guiding framework for management and employees, encouraging performance excellence and accountability across all levels of the organization. Achieving this milestone will further strengthen the Bank’s capital base, enhance its capacity to support community development, and position the institution for sustained growth in the years ahead.

The Bank’s overarching goal is supported by a set of key performance objectives designed to guide its strategic direction and measure its progress over the five-year planning period from 2025 to 2029. These supporting goals serve as critical benchmarks in evaluating Rural Bank of San Mateo (Isabela), Inc.’s operational, financial, and organizational accomplishments.

The following supporting goals form the foundation of the Bank’s strategic plan for 2025–2029:

Supporting Goal #1: Increase Profitability

	Budget 2025	Budget 2026	Budget 2027	Budget 2028	Budget 2029
Interest Income	**111,519,108.96**	**122,676,619.90**	**132,403,507.19**	**142,582,182.35**	**153,566,754.97**
Due from Banks	2,359,945.93	2,477,943.23	2,601,840.39	2,731,932.41	2,868,529.03
Held to Maturity (HTM) Financial Assets	7,663,739.40	8,046,926.37	8,449,272.69	9,294,199.96	10,223,619.96
Loans and Receivables	97,765,538.22	108,101,557.92	117,020,331.60	125,919,567.73	135,427,157.08
Sales Contract Receivable	526,815.71	526,815.71	526,815.71	526,815.71	526,815.71
Others-Penalty	3,203,069.70	3,523,376.67	3,805,246.80	4,109,666.55	4,520,633.20
Interest Expense	**8,281,510.64**	**8,695,586.17**	**9,130,365.48**	**9,586,883.76**	**10,066,227.95**
Deposits	8,108,342.68	8,513,759.82	8,939,447.81	9,386,420.20	9,855,741.21
Bills Payable					
Finance Lease	173,167.96	181,826.36	190,917.68	200,463.56	210,486.74
Others					
Net interest Income	**103,237,598.32**	**113,981,033.72**	**123,273,141.70**	**132,995,298.59**	**143,500,527.03**
Non-interest Income	**10,489,058.26**	**8,224,255.24**	**7,056,328.97**	**6,166,223.10**	**5,502,415.13**
Fees and Commissions Income	771,680.94	834,487.79	917,459.16	1,009,205.08	1,110,125.58
Gain from Sale of ROPA	60,000.00	-	-	-	-
Other Income	746,218.66	820,840.53	883,728.27	952,904.79	1,028,998.96
Recovery on Charged-Off Assets	8,911,158.65	6,568,926.92	5,255,141.54	4,204,113.23	3,363,290.58
Non-Interest Expense	**74,549,747.15**	**80,420,082.64**	**85,384,613.90**	**90,759,478.97**	**96,653,218.65**
Compensation/Fringe Benefits	40,608,496.61	43,936,663.84	47,561,013.66	51,509,332.65	55,812,094.41
Taxes and Licenses	7,083,322.97	8,503,889.32	9,074,301.81	9,629,669.74	10,249,281.93
Other Administrative Expenses	22,197,131.08	23,784,812.63	24,974,053.27	26,222,755.93	27,533,893.73
Depreciation/Amortization	4,660,796.49	4,194,716.84	3,775,245.16	3,397,720.64	3,057,948.58
Net Operating Income before provisions	**39,176,909.42**	**41,785,206.33**	**44,944,856.78**	**48,402,042.73**	**52,349,723.51**
Provision for Credit and Impairment Losses	9,134,079.13	8,634,079.13	8,334,079.13	7,834,079.13	7,334,079.13
Profit before Tax	**30,042,830.29**	**33,151,127.19**	**36,610,777.65**	**40,567,963.59**	**45,015,644.37**
Income Tax expense	9,357,808.06	10,293,588.87	11,322,947.76	12,455,242.53	13,700,766.78
Net Income	**20,685,022.23**	**22,857,538.33**	**25,287,829.89**	**28,112,721.06**	**31,314,877.59**
Annual amount of increment		2,172,516.10	2,430,291.57	2,824,891.17	3,202,156.53
Annual percentage of increment		10.50%	10.63%	11.17%	11.39%

a) Loan Portfolio Development

The Bank shall strengthen its profitability by developing and maintaining a diversified and high-quality loan portfolio, aligned with prudent risk management practices. The following targets are set to guide loan release and portfolio growth:

- New and Additional Loans: ₱262 million
- Loan Re-availments: ₱218 million
- Loan Renewals: ₱110 million
- Projected Loan Portfolio Growth: 9.85% increase in total loan portfolio level

These targets shall be achieved through effective credit strategies, enhanced client engagement, and continuous improvement of lending processes.

Loan Product	2025	2026	2027	2028	2029
AGRICULTURAL LOAN	85,409,818.91	136,655,710.26	191,317,994.37	248,713,392.68	323,327,410.48
AUTO-FINANCING	859,067.36	-	-	-	-
BACK TO BACK LOAN	27,805,000.00	20,000,000.00	20,000,000.00	20,000,000.00	20,000,000.00
BUILDING CONST.	9,247,641.87	10,172,406.06	10,172,406.06	11,189,646.66	11,749,129.00
COMMERCIAL LOAN	339,593,800.12	390,532,870.14	390,532,870.14	402,248,856.25	406,271,344.81
CONSUMER LOAN	19,441,637.10	21,385,800.81	21,385,800.81	23,524,380.89	24,700,599.93
EDUCATION	1,311.64	-	-	-	-
FINANCIAL BACK UP	37,749,489.30	38,881,973.98	38,126,984.19	39,270,793.71	40,448,917.53
FRINGE BENEFIT LOAN	13,093,436.76	14,402,780.44	14,402,780.44	15,843,058.48	16,635,211.40
FARM EQUIP LOAN	7,569,624.11	3,784,812.06	5,294,000.00	3,176,400.00	1,905,840.00
FARMERS LOAN	66,414,456.69	46,490,119.68	46,490,119.68	32,543,083.78	16,271,541.89
LIVESTOCK & POULTRY	18,519,303.09	14,815,442.47	14,815,442.47	11,852,353.98	7,111,412.39
MOTORCYCLE FINANCING	5,445,220.82	5,717,481.86	6,003,355.95	6,303,523.75	6,618,699.93
PABAHAY LOAN	52,509,889.77	55,135,384.26	56,238,091.94	57,362,853.78	58,510,110.86
REAL EST. PRO ACQUI	24,921,130.42	2,492,113.04	249,211.30	24,921.13	2,492.11
SELFIE LOAN	505,474.55	454,927.10	409,434.39	368,490.95	294,792.76
SALARY LOAN	7,134,083.84	7,847,492.22	8,082,916.99	8,325,404.50	8,575,166.64
MAGSASAKA LOAN	15,698,491.80	17,268,340.98	18,131,758.03	19,038,345.93	19,990,263.23
TRUCK&EQUIP	31,576,219.41	28,418,597.47	25,576,737.72	23,019,063.95	18,415,251.16
TOTAL	763,495,097.56	814,456,252.81	867,229,904.48	922,804,570.41	980,828,184.11
Amount of annual increment		**50,961,155.26**	**52,773,651.66**	**55,574,665.93**	**58,023,613.70**

b) Deposit Liabilities Management

The Bank shall maximize the efficient utilization of funds sourced through deposit mobilization to support revenue-generating and strategic initiatives.

- Projected Deposit Liabilities Balance: ₱979 million
- Planned Allocation of Funds:
    - ✓ Lending Activities: 78%
    - ✓ Investing Activities: 22%

This strategic allocation ensures that the majority of mobilized deposits are directed toward high-yield lending operations, while maintaining a prudent portion for investment activities to enhance liquidity and long-term returns.

Deposit Products	2025	2026	2027	2028	2029
Demand Deposit	164,204,642.55	165,025,665.76	165,850,794.09	172,484,825.86	179,384,218.89
Regular Savings Deposit	611,794,864.85	614,853,839.18	617,928,108.37	619,163,964.59	620,402,292.52
Special Savings Deposit	180,093,583.97	181,894,519.81	185,532,410.21	187,387,734.31	189,261,611.65
Junior Savers Club	18,515,946.33	18,701,105.79	18,794,611.32	18,982,557.44	19,077,470.22
Basic Deposit Account	343,562.75	350,434.00	357,442.68	364,591.54	371,883.37
ATM	4,519,653.25	2,259,826.63			
TOTAL	979,472,253.71	983,085,391.18	988,463,366.68	998,383,673.73	1,008,497,476.65
Annual amount of increment		3,613,137.47	5,377,975.50	9,920,307.05	10,113,802.92

c) **Investment Strategy**

The Bank shall ensure the effective utilization of funds by pursuing high-yield, risk-aligned investment opportunities that support both liquidity and long-term financial sustainability.

- Projected Investment Allocation:
  - ✓ Short-Term Investments: 60%
  - ✓ Long-Term Investments: 40%

This balanced approach aims to optimize returns while maintaining sufficient flexibility to meet liquidity requirements and future operational needs.

d) **Past Due Collection Strategy**

The Bank shall actively promote and expand its portfolio of non-interest income-generating services to diversify revenue streams and enhance overall profitability.

- Key Initiative: Ongoing marketing and promotion of fee-based services.
- Project Growth: Minimum 10% increase in fee-based income.

This strategy supports sustainable financial growth by leveraging service offerings beyond traditional lending activities.

e) **Overhead Cost Management**

The Bank shall implement targeted strategies to optimize and reduce overhead costs while maintaining operational efficiency, effectiveness, and the capacity to support sustainable growth.

This approach ensures prudent financial management without compromising the quality of services or institutional performance.

<u>Supporting Goal #2: Reinforce Capital Adequacy</u>

a) **Capital Adequacy Ratio**

To maintain a strong capital position that supports the bank's strategic growth and risk management objectives by achieving a Capital Adequacy Ratio (CAR) of more than 16% by 2025 and 18% by 2029, in alignment with regulatory standards and best banking practices.

(1) Monitoring of Risk Assets

The bank shall ensure constant and rigorous monitoring of risk assets, with a particular focus on identifying, managing, and mitigating non-performing loan (NPL) accounts. This includes:

- ✓ Regular risk assessment and classification of loan portfolios
- ✓ Timely implementation of remedial actions for delinquent accounts
- ✓ Strengthening of credit evaluation and loan review processes

(2) Utilization of Credit Guarantee Facilities

To enhance loan portfolio quality and mitigate credit risk, the bank shall maximize credit guarantee lines from AGFP (Agricultural Guarantee Fund Pool) and PhilGuarantee through the strategic deployment of the following loan products:

- ✓ Magsasaka Loan
- ✓ Commercial Loan Products

These guarantees shall be used to reduce credit risk exposure and improve capital efficiency.

(3) Promotion of Low Risk-Weighted Assets

To support CAR targets, the bank will prioritize the promotion and growth of low risk-weighted loan products, including:

- ✓ Back-to-back Loans with a 0% risk weight
- ✓ Pabahay Loans (First Mortgage) with a 50% risk weight

b) Capital Build-Up Plan

(1) The Bank shall pursue an increase in its authorized capital stock to ₱100 million by the year 2030, in support of long-term growth, financial stability, and regulatory compliance.

(2) Schedule of Stocks Subscription and Stock Dividends distribution

Year	Stocks Subscription	Stocks Dividends
2026	2,250,000.00	4,750,000.00
2027	2,250,000.00	4,750,000.00
2028	2,250,000.00	4,750,000.00
2029	2,250,000.00	4,750,000.00
20230	2,250,000.00	4,750,000.00

Supporting Goal #3: Strengthen Risk Management

a) Credit Risk Management

The Bank shall ensure the effective implementation of its Credit Risk Management Framework to safeguard asset quality, promote sound lending practices, and mitigate potential credit losses.

This includes adherence to credit policies, rigorous risk assessment, and continuous monitoring of credit exposures in alignment with regulatory standards and best practices.

b) Operational Risk Management

The Bank shall implement robust controls and procedures to mitigate risks arising from fraud, human error, system failures, and process inefficiencies. This includes ensuring the Bank's ability to consistently deliver products and services, safeguard information, and maintain its competitive position in the market.

c) Strategic Risk Management

The Bank shall ensure the effective identification, implementation, and monitoring of strategic goals and objectives to mitigate risks that may arise from poor planning, execution failures, or changing market conditions. This approach supports long-term sustainability and alignment with the Bank's overall mission and vision.

d) Compliance Risk Management

The Bank shall implement and uphold a robust Compliance Management Framework to ensure full adherence to applicable laws, regulations, and internal policies. This framework is essential to mitigate legal and regulatory risks and to promote a culture of ethical and responsible banking.

e) IT Risk Management

The Bank shall establish and implement a comprehensive IT Risk Management Framework to effectively identify, assess, and mitigate technology-related risks. This framework will support the secure, reliable, and resilient operation of the Bank's information systems and safeguard data integrity and availability.

Supporting Goal #4: Transform Bank Organization

a) Strengthening the Internal Control System

The Bank is committed to reinforcing the implementation of a comprehensive Internal Control System to effectively mitigate risks, ensure regulatory compliance, and enhance operational efficiency across all levels of the organization.

This commitment includes consistently upholding the roles and responsibilities of the Board of Directors, Senior Management, and Staff, and ensuring robust oversight and accountability through adherence to the following key principles:

- **Segregation of Duties -** Maintain a clear separation of roles and responsibilities to minimize the risk of errors, fraud, and conflicts of interest.

- **Control Activities -** Enforce and monitor the execution of Standard Operating Procedures (SOPs), approval hierarchies, account reconciliations, and system access controls to ensure process integrity.
- **Monitoring and Review -** Conduct regular evaluations of internal controls through the Internal Audit and Compliance Units to assess effectiveness and recommend timely corrective actions where necessary.
- **Documentation and Record-Keeping -** Ensure that all financial and operational transactions are accurately recorded, securely stored, and easily retrievable to support transparency, audit readiness, and regulatory compliance.
- **Training and Awareness -** Promote a strong control culture through continuous education and training programs on internal controls, regulatory compliance, and risk management for all employees.

This structured approach to internal control reinforces the Bank's commitment to good governance, financial soundness, and organizational integrity.

b) **Enhance Performance Monitoring**

The Bank shall continuously improve its performance monitoring system to promote operational efficiency, mitigate risks, and drive long-term profitability. This includes the establishment of clear performance indicators, regular evaluations, and timely feedback mechanisms to support informed decision-making and strategic alignment across all levels of the organization.

c) **Establishment of In-House Training Program**

The Bank shall establish a comprehensive in-house training program designed to enhance employee competencies, ensure regulatory compliance, improve customer service delivery, and support the professional and career development of all staff. This initiative aims to build a highly skilled, knowledgeable, and adaptable workforce aligned with the Bank's strategic goals and evolving industry standards.

Supporting Goal #5: Enhance Bank Image

a) Implementation of a Corporate Social Responsibility (CSR) Program

The Bank shall implement a structured and impactful Corporate Social Responsibility (CSR) Program to actively contribute to the socio-economic development of local communities. This includes engagement in initiatives that support education, healthcare, environmental sustainability, and charitable causes. Through meaningful community involvement, the Bank aims to strengthen public trust, foster goodwill, and reinforce its commitment to inclusive growth and nation-building.

b) Leveraging Social Media and Digital Presence

The Bank shall strategically leverage social media and digital platforms to enhance visibility, promote its products and services, and strengthen stakeholder engagement.

This includes the regular publication of relevant and engaging content, such as financial literacy tips, customer success stories, and updates on corporate social responsibility (CSR) activities. A strong and consistent digital presence will support brand awareness, customer trust, and market competitiveness.

c) **Fostering Strong Leadership and Ethical Practices**

The Bank shall promote a culture of transparency, integrity, and ethical conduct across all levels of the organization. Strong leadership will be guided by a steadfast commitment to ethical business practices and compliance with all applicable laws and regulations. By consistently upholding the highest standards of corporate governance and accountability, the Bank aims to build trust with stakeholders and reinforce its reputation for principled leadership.

d) **Delivering Exceptional Customer Service**

The Bank is committed to providing exceptional customer service by ensuring that all client inquiries, requests, and complaints are addressed with promptness, professionalism, and efficiency. Through a customer-centric approach, the Bank aims to enhance satisfaction, build lasting relationships, and uphold service excellence across all channels.

e) **Enhancing Customer Security, Safety, and Convenience in Office Facilities**

The Bank shall strengthen the implementation of security, safety, and convenience measures within all office facilities to ensure a safe, secure, welcoming, and user-friendly environment for clients. This includes the consistent application of physical and operational safeguards, accessibility features, and service enhancements that promote customer confidence and comfort while transacting within the Bank's premises.

Supporting Goal #6: Strengthening Information Technology

a) **Modernizing IT Infrastructure**

The Bank shall pursue the modernization of its IT infrastructure by adopting cloud-based solutions to enhance scalability, reduce hardware and maintenance costs, and improve collaboration and operational flexibility. This digital transformation initiative is aimed at strengthening system resilience, ensuring data security, and supporting the Bank's long-term innovation and growth objectives.

b) **Digitizing Manual Processes**

The Bank shall identify and prioritize manual processes for digitization to improve operational efficiency, reduce human error, and enhance service delivery. This includes the strategic selection and implementation of appropriate digital tools and technologies to automate routine tasks, streamline workflows, and support data-driven decision-making across departments.

c) **Strengthening Business Continuity Planning**

The Bank shall regularly test and update its Business Continuity Plan (BCP) to ensure the swift recovery of critical systems and data in the event of cyberattacks, natural disasters, or other unforeseen disruptions. These proactive measures are designed to minimize operational downtime, safeguard information integrity, and maintain uninterrupted service delivery to customers.

d) **Enhancing the IT Risk Management Framework**

The Bank shall enhance its IT Risk Management Framework to effectively identify, assess, monitor, and mitigate technology-related risks. This includes strengthening policies, controls, and oversight mechanisms to address emerging threats such as cybersecurity breaches, system failures, data loss, and third-party risks. A robust framework will ensure the security, reliability, and resilience of the Bank's IT infrastructure in alignment with regulatory and industry standards.

D. Challenges, opportunities, and responses during the year

Challenges:

One of the significant challenges faced by the Bank in 2025 was the increase in loan loss provisioning arising from the financial difficulties experienced by two of its major borrowers. The higher provisioning requirements adversely affected the Bank's earnings, resulting in a lower net income compared to the previous year.

The agricultural sector, which constitutes a substantial portion of the Bank's loan portfolio, also encountered significant challenges during the year. Palay prices declined considerably, reaching levels as low as ₱7.00 per kilogram in certain areas. This sharp decrease in farm-gate prices reduced farmers' income and weakened their repayment capacity. Consequently, several agricultural borrowers experienced financial strain, leading to delays in loan repayments and an increase in accounts migrating to past-due status.

Opportunities:

To promote financial inclusion and strengthen community engagement, the Bank launched a Financial Literacy Program for farmers, microentrepreneurs, and small business owners within its area of operation. The program aims to enhance participants' understanding of basic financial management, including budgeting, saving, responsible borrowing, and fraud prevention, thereby helping them make informed financial decisions and protect themselves from financial scams.

Beyond its educational objectives, the initiative provides the Bank with opportunities to deepen its relationship with the local community and introduce appropriate deposit and loan products that can support the financial needs of participants. Through this program, the Bank seeks to empower individuals and businesses to achieve greater financial stability while expanding access to formal banking services within the communities it serves.

Responses:

Despite these challenges, the Bank remained committed to supporting its borrowers through proactive loan monitoring, regular client engagement, and appropriate remedial measures aimed at preserving asset quality while assisting clients in managing their financial obligations.

In addition to its educational objectives, the program creates opportunities for the Bank to deepen client relationships, better understand the evolving financial needs of the community, and introduce suitable deposit and credit products that support economic growth and livelihood development. Through this initiative, the Bank reinforces its commitment to inclusive banking while contributing to the financial empowerment and long-term stability of the communities it serves.

Moving forward, the Bank remains optimistic that continued engagement with its clients, coupled with sound risk management practices and community-focused programs, will strengthen its market position and support sustainable growth in the years ahead.

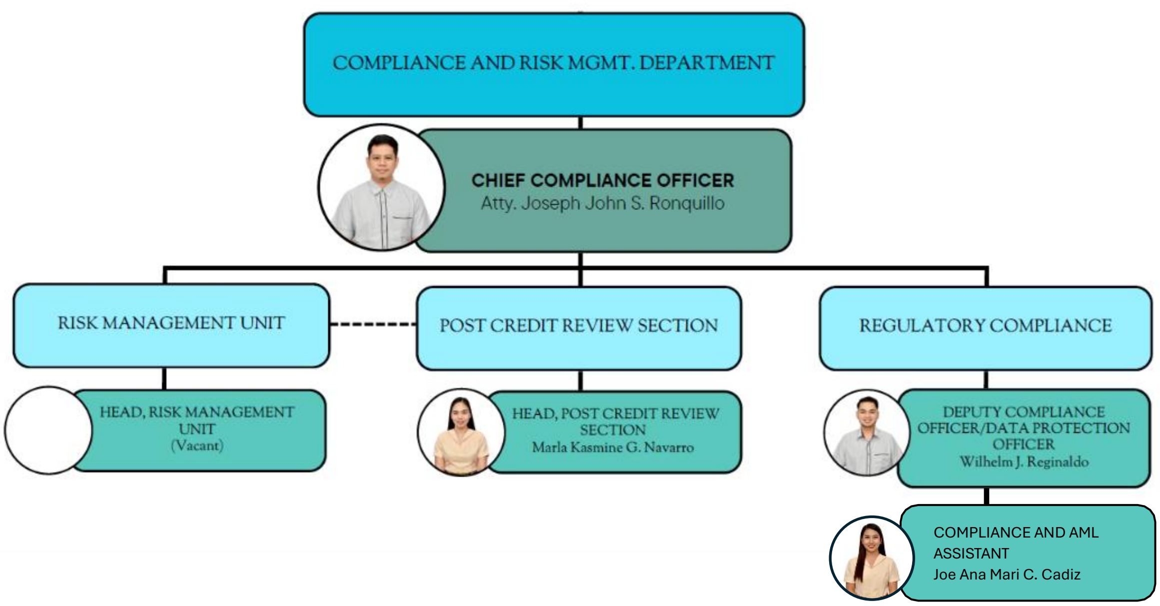
IV. RISK MANAGEMENT FRAMEWORK

A. Overall risk management culture and philosophy

In compliance with BSP Circular 971 on Risk Governance issued on August 22, 2017, the bank sets forth the creation of the Risk Management Unit with the following functions:

1) Overseeing the risk-taking activities across the bank, as well as evaluating whether these remain consistent with the bank's risk appetite and strategic directions;
2) Responsible for identifying, measuring, monitoring, and reporting risk on a bank-wide basis as part of the second line of defense;
3) Maintains the bank's overall risk exposure within the parameters set by the Board;
4) Assess adequacy of loan loss provisioning and credit review function;
5) Risk management policy development; and
6) Directly report to the Board of Directors on the different risk exposures of the bank.

The Bank's Risk Management Unit is now attached to the Compliance Department and further merged as the Compliance and Risk Management Department (CRMD). The overall CRMD is now manned by four (4) personnel.



CREDIT RISK

The Bank's overall lending strategy is anchored on a risk-based system process. From the loan application until loan remediation, the Bank has in place adequate lending policies compiled under the Credit Manual System.

The Bank continues its risk-based lending mechanism in order to strengthen credit risk. The Bank continually adheres to the concepts of separate risk rating on the borrower (Borrower's Risk Rating) and facility (Facility Risk Rating). Loan pricing methodology has been adopted to a more complex and detailed formula integrating the cost of funds, the credit risk percentage, plus the spread set by the board. Loan limits have been regularly monitored and reported to the Board of Directors. The Bank also adopted an internal SBL, lower than the regulatory limit, as a prudent process. Policy on Related Party Transactions was enhanced. Credit Stress Testing was consistently exercised quarterly, capturing highly concentrated industries and exposures, and reported to the Board. The Bank also makes sure that there is an adequate allowance for credit losses.

LIQUIDITY RISK

Liquidity position and gap reporting policy were put into place to mitigate liquidity risk arising from mismatches in the timing at which assets and liabilities mature. This is made possible through the combined effort of the Controllership Department, which is tasked mainly with the monitoring of the day-to-day funds management, together with the Credit Administration Department, Marketing Department, and Branch Managers. Liquidity Stress Testing was conducted on a quarterly basis. The Bank's Contingency Funding Plan is currently being reviewed to adapt new recovery plans and funding options.

OPERATIONS RISK

The creation of the three major divisions within the Bank allowed risk to be easily identified, assessed, and controlled. Incident reports and breaches to operational procedures are systematically reported through the Bank's Core Banking System. The Bank's Business Continuity Plan (BCP) was enhanced, and BCP testing was consistently implemented annually. The Bank's Succession Plan was consistently reviewed and updated annually. Several manuals on branch operations. Deposit operations and accounting manuals were developed and enhanced in order to have a stronger internal control.

ENVIRONMENTAL AND SOCIAL RISK

The bank aims to develop a comprehensive environmental and social risk management system by 2026. Currently, the Bank is aligning its loan portfolio and policies relating to ESRMS.

B. Risk appetite and strategy

2025 General Risk Appetite Statement

Rural Bank of San Mateo (Isabela), Inc., having been mandated to make needed credit available and readily accessible in the rural areas by virtue of the Rural Banking Act (R.A. 7353) shall provide loans primarily for countryside development, as also embodied by the institution's mission and vision statement.

The bank shall have a high-risk appetite for credit facilities primarily for the purpose of meeting the normal credit needs of farmers, fishermen, or farm families owning or cultivating land dedicated to agricultural production, as well as those in the agri-business sector.

RISK APPETITE – INDUSTRY CLASS

The bank has high risk tolerance for growing and high-performing industries and low risk tolerance to industries with adverse historical background.

Risk Classification Legend:

- *High Risk: Past Due Ratio of 10% and above*
- *Medium Risk: more than 5% but below 10%*
- *Low Risk: 5% and below*

RISK APPETITE –SBL/LARGE EXPOSURE LOAN/ ECONOMICALLY INTERDEPENDENT BORROWERS

The bank's limit to economically interdependent borrowers is consistent with the internal Single Borrower's Limit of Twenty-Three (23%) of the qualifying capital of the Bank.

RISK APPETITE – OUT-OF-TERRITORY BORROWERS

The bank is not aggressive in extending credit facilities to out-of-territory (Region 2 and CAR) borrowers, which includes loans whose collateral is outside of the bank's business operations, and shall set a determined loan limit on a group scale. Out-of-territory borrowers – should not exceed 15% of the loan portfolio (group-wide), but not exceeding the SBL.

RISK APPETITE – TYPE OF COLLATERAL/SECURITY

The bank recognizes diverse types of collateral that can be offered by borrowers, ranging from those secured by Real Estate Mortgage, Chattel Mortgage, Hold-out of deposit, and even those loans that are unsecured in nature. The bank has a high-risk appetite for loans that are fully secured and a low-risk appetite for those that are not.

- *Real Estate Mortgage – no defined limit*
- *Chattel Mortgage – 20% of the Loan Portfolio*
- *Unsecured loan – 10% of the Loan Portfolio*

RISK APPETITE – LOAN CLASSIFICATION

The bank shall adhere to the following minimum percentage of compliance with the standard set by the Bangko Sentral ng Pilipinas (BSP), as follows;

- Agriculture, Fisheries and Rural Development Financing – 60%
- Micro and Small Scale Enterprise loan – 18%
- Medium Scale Enterprise Loan – 70%

RISK APPETITE – LOAN PRODUCT

2025 – The bank has high risk tolerance for high-performing products and low risk tolerance for products with adverse historical backgrounds.

C. Bank-wide risk governance structure and risk management process

The Board of Directors sets the tone at the top. They periodically review risk limits and thresholds. The Management Team ensures that those limits and appetites set were not breached.

The Bank's risk management policies cover the following:

1) Structure of limits and guidelines to govern risk-taking. These shall include actions that shall be taken when risk limits are breached, including notification and escalation to a higher level of Management and corresponding sanctions for excessive risk taking;
2) Clearly delineated responsibilities for managing risk based on the three (3) lines of defense;
3) System for measuring risk;
4) Checks and balances system; and
5) Framework for risk data aggregation and risk reporting.

The degree of sophistication of the risk management and internal control processes and infrastructure shall keep pace with developments in the bank such as balance sheet and revenue growth; increasing complexity of the business; risk configuration or operating structure; geographical expansion; mergers and acquisitions; or the introduction of new products or business lines, as well as with the external risk landscape; business environment; and industry practice. This should enable a dynamic, comprehensive, and accurate risk reporting.

In this respect, the bank shall ensure that the risk data aggregation capabilities meet the following principles:

1) *Accuracy and integrity* - this refers to the capability to generate accurate and reliable risk data to meet normal and stress reporting accuracy requirements.
2) *Completeness* - this refers to the capability to capture and aggregate all material risk data across the banking group. Data should be available by business line, legal entity,

asset type, industry, as relevant for the risk in question, and should permit the identification and reporting of risk exposures, concentrations, and any emerging risks.

3) *Timeliness* - this refers to the capability to generate aggregate and up-to-date risk data promptly while also meeting the principles relating to accuracy and integrity, completeness, and adaptability. Timing shall depend upon the nature and potential volatility of the risk being measured, as well as its criticality to the overall risk profile of the bank. Timing shall also depend on the bank-specific frequency requirements for risk management reporting, under both normal and stress/crisis situations, set based on the characteristics and overall risk profile of the bank.
4) *Adaptability* - this refers to the capability to generate aggregate risk data to meet a broad range of on- demand, ad hoc risk management reporting requests, including requests during stress/crisis

D. AML measurement systems, 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

In conformity with the Bangko Sentral ng Pilipinas' policy on Anti-Money Laundering, Rural Bank of San Mateo (Isabela), Inc. has adopted the Money Laundering and Terrorist Financing Prevention Program Manual.

This is a compilation of the policies and procedures adopted to:

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

The Bank's Board of Directors sets out the AML policies of the Bank, and this was enforced by the Chief Compliance Officer and the AML Assistant by making sure that these policies were properly carried out. Compliance Bulletins are published within the Bank for reference of the Branch Operations for any updates and enhancements to the Bank's MTPP. The Bank ensures that all personnel dealing with deposits and other reportable transactions are equipped with the proper knowledge and training to carry out the mandate of the AMLA. At least every two (2) years, a refresher training is conducted by the Compliance Department.

RBSMI has an established AML Risk Profiling System for all its clients, which is used to identify the degree of diligence that should be imposed depending on the resulting risk level. Such a profiling system is incorporated in the Bank's core banking system. The Risk Profiling covers the client's sources of funds, address, occupation, volume of transactions, inclusions in negative media reports, and sanctions, among others.

The Bank also adheres to the Covered Transaction Reporting thresholds as well as the parameters set out in the law for determining and reporting suspicious transactions.

Every time there is an amendment to the AML laws, rules, and regulations, the Compliance Department is proactive in enhancing its MTPP in order that the Bank remains abreast with any developments. UNSCs, Targeted Financial Sanctions, and AML Advisories are timely and regularly circulated to all the branches and concerned departments of the Bank.

The Bank's MTPP further incorporates measures for the prevention of OSEC – Online Sexual Exploitation of Children and measures to monitor and address Proliferation Financing and Terrorism Financing.

V. CORPORATE GOVERNANCE

A. Overall corporate governance structure and practices

The Board of Directors and the Management of the RURAL Bank OF SAN MATEO (ISABELA), INC. (RBSMI) commit themselves to the principles and best practices contained in the bank's Manual on Corporate Governance – even as they acknowledge that the conscientious and strict adherence to the provisions of this Manual will positively guide the attainment of the bank's corporate goals, mission, and vision.

The provisions of the Corporate Governance Manual institutionalize the general and special principles and tenets of good corporate governance of the Rural Bank of San Mateo (Isabela), Inc., and all layers of the organization, including the Board of Directors and the various levels of Management.

B. Selection process for the board and senior management

The Board of Directors shall consist of seven (7) members, two (2) of whom are independent directors.

All directors shall be elected by and from among the stockholders (owning at least one (1) share of corporate stock of the bank). For independent directors, their nomination and election must comply with the requirements set forth under the Manual of Regulations for Banks (MORB) of the BSP.

Annual election of directors is done during the annual stockholders' meeting every 13th of February. Directors are selected from a pool of candidates who possess the qualifications as stated in the bank's by-laws. Seven directors are elected based on the number of votes obtained from the election held. Members of the Board of Directors undergo performance appraisal and self-assessment annually using the format set by the Bank.

The Board of Directors select senior management based on factors such as performance and length of service. Annual performance appraisal is conducted to assess each senior management's accomplishments for the year. Promotion and/or any movement of senior management is subject to Board approval. The Head of the Internal Audit Department is selected by the Audit Committee.

C. Board's overall responsibility

The Board of directors is primarily responsible for defining the Bank vision and mission. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. The board of directors shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance.

The board of directors shall define the Bank's corporate culture and values. It shall establish a code of conduct and ethical standards in the Bank and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the board of directors shall:

1) Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions, and behavior that could result or potentially result in conflict of interest, personal gain at the expense of the Bank, as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that directors, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence, in addition to complying with laws, regulations, and company policies.
2) Consistently conduct the affairs of the bank with a high degree of integrity and play a lead role in establishing the Bank's corporate culture and values. The board of directors shall establish, actively promote, and communicate a culture of strong governance in the Bank's, through adopted policies and displayed practices. The board of directors shall ensure that the CEO and executive team champion the desired values and conduct, and that they face material consequences if there are persistent or high-profile conduct and value breaches.
3) Oversee the integrity, independence, and effectiveness of Bank's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the board of directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the board of directors itself. It shall prevent the use of the facilities of the Bank's in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.

The board of directors shall be responsible for approving the Bank's objectives and strategies and in overseeing management's implementation thereof. In this regard, the board of directors shall:

1) Ensure that the Bank's has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.
2) Approve the Bank's strategic objectives and business plans. These shall take into account the Bank's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the board of directors shall establish a system for measuring performance against plans.
3) Actively engage in the affairs of the Bank's and keep up with material changes in the Bank's business and regulatory environment as well as act in a timely manner to protect the long term interests of the Bank.
4) Approve and oversee the implementation of policies governing major areas of the Bank's operations. The board of directors shall regularly review these policies, as well as evaluate control functions with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.

The board of directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel. in this regard, the board of directors shall:

1) Oversee selection of the CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Bank's business, either current or planned, shall be the key considerations n the selection process. Moreover, since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the Bank.
2) Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy.
3) Oversee the performance of senior management and heads of control functions:
   - ✓ The board of directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards. The Board of Directors as a body assess the Compliance Function while the Audit Committee assess the Internal Audit Function.
   - ✓ (b) The board of directors shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the board of directors' performance expectations. These expectations shall include adherence to the Bank's values, risk appetite and risk culture, under all circumstances.
   - ✓ (c) The board of directors shall regularly meet with senior management to engage in discussions, question, and critically review the reports and information provided by the latter.
   - ✓ (d) The Bank's Audit Committee conducts its quarterly meeting together with the Internal Audit Department and whenever the circumstances warrant a special meeting.
4) Engage in succession planning for the CEO and other critical positions, as appropriate. In this respect, the board of directors shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the CEO and other critical positions.
5) Ensure that personnel's expertise and knowledge remain relevant. The board of directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.
6) Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times, and that all transactions involving the pension fund are conducted at arm's length terms.

The board of directors shall be responsible for approving and overseeing the implementation of the Bank's corporate governance framework. In this regard, the board of directors shall:

1) Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed.
2) Develop a remuneration and other incentives policy for directors that shall be submitted for approval by the stockholders. The board of directors shall ensure that the policy is consistent with the long-term interest of the Bank, does not encourage excessive risk-taking, and is not in conflict with the directors' fiduciary responsibilities.
3) Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.
4) Conduct and maintain the affairs of the Bank within the scope of its authority as prescribed in its charter and in existing laws, rules, and regulations.
5) Maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities, and key activities.
6) Oversee the development, approve, and monitor the implementation of corporate governance policies. The board of directors shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.
7) Approve the 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.
8) Define an appropriate corporate governance framework for group structures, which shall facilitate effective oversight over entities in the group. The board of directors of the parent company shall ensure consistent adoption of corporate governance policies and systems across the group.

The board of directors shall be responsible for approving the Bank’s risk governance framework and overseeing management's implementation thereof.

The Board of Directors, through its Audit Committee, ensures the effectiveness and adequacy of the internal control system of the Bank through the approval of the annual audit plan. The Internal Audit Department shall prepare an accomplishment report quarterly vis-à-vis the approved Internal Audit Plan for the year and report its progress and percentage of accomplishment to the Audit Committee.

D. Description of the role and contribution of executive, non-executive, and independent directors, and of the chairman of the board

Role and Major Contribution of the Chairperson of the Board of Directors

The Chairperson of the board of directors shall provide leadership in the board of directors. He shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors. He shall:

1) Ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
2) Ensure a sound decision making process;
3) Encourage and promote critical discussion;
4) Ensure that dissenting views can be expressed and discussed within the decision-making process;

5) Ensure that members of the board of directors receive accurate, timely, and relevant information;
6) Ensure the conduct of proper orientation for first-time directors and provide training opportunities for all directors; and
7) Ensure the conduct of performance evaluation of the board of directors at least once a year.

For 2025, the Chairperson of the Board, in partnership with President Katrina Pilapil and the management team, the Chairperson initiated and updated several of the bank's policies to improve efficiency and the delivery of our banking services. She also streamlined the workings of the board by introducing house rules that bring more order to the board meetings.

Role and Contribution of Executive Directors:

1) Board Governance. Works with the board to fulfill the organization's mission.
2) Financial Performance and Viability. Develops resources sufficient to ensure the financial health of the organization.
3) Mission and Strategy. Works with board and staff to ensure that the mission is fulfilled through programs, strategic planning, and community outreach.
4) Operations. Oversees and implements appropriate resources to ensure that the operations of the organization are appropriate.

Director-President Katrina Marie Pilapil ensures that the Board’s directives are carried out by the Management Team. Director Paolo Petines, as Head of the Branch Operations, sees to it that the Branches adhere to the Bank’s Policies and Operation Manual System.

Role and Contribution of Non-Executive Directors:

1) Strategy. Non-Executive Directors should constructively challenge and help develop proposals on strategy.
2) Performance. Non-Executive Directors should scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
3) Risk. Non-Executive Directors should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.
4) People. Non-Executive Directors are responsible for determining appropriate levels of remuneration of executive directors, and have a prime role in appointing, and where necessary removing, executive directors, and in succession planning.

Role and Contribution of Independent Directors:

Independent directors have an important role to play in the progress of the Bank. They are considered as both a safeguard and a significant source of competitive advantage.

The role of independent directors broadly includes improving corporate credibility and governance standards, functioning as watchdog, maintaining balance in a promoter dominated scenario, play vital role in risk management. Their main role in the company is to protect the interests of the minority shareholders vis-à-vis the promoters.

The main role of independent directors is to improve corporate governance standards. Independent directors help in the proper functioning of the corporate because of the fact that they do not have any pecuniary interest in the company and will represent the interest of the shareholders.

The independent directors on corporate board lies takes an independent decision on a given subject without being influenced in any manner. They provide transparency in respect of the disclosures in the working of the company as well as providing balance towards resolving conflict areas. They have a significant role in protecting the stakeholders' interests.

The independent directors also play a key role as a member of the audit committee of the company. The chairman of the audit committee is an independent director.

Independent Director Judge Raul Babaran and Independent Director Jonathan De Veyra lead the revision of the Bank's Audit Committee Charter in conformity with the MORB and the bank's current practice. They also lead in the selection of the External Auditor and the selection of the OIC Head of the Internal Audit Department.

E. Board Composition

NAME	TYPE OF DIRECTORSHIP	NUMBER OF YEARS SERVED AS DIRECTOR	# OF SHARES HELD	PERCENTAGE OF SHARES HELD TO TOTAL OUTSTANDING SHARES
Patricia Rosario Maria G. Remijan	Non-executive	7	10,289	1.7148%
Katrina Marie P. Pilapil	Executive	20	32,020	5.3367%
Michelle Christine P. Arcenal	Non-executive	6	18,082	3.0137%
Paolo N. Petines	Executive	5	18,870	3.1450%
Ronald Melchor D. Silverio	Non-executive	15	2,724	0.4540%
Raul V. Babaran	Non-executive	4	1	0.0002%
Jonathan B. De Veyra	Non-executive	5	2	0.0003%

BOARD OF DIRECTORS 2025

PATRICIA ROSARIO MARIA G. REMIJAN
CHAIRPERSON OF THE BOARD

Age & Nationality: 60 / Filipino
Board Position:
- Chairperson of the Board since 2021
- Vice Chairperson for 2020-2021
- Non-executive Director since February 2019

Education: BS Economics, Massachusetts Institute of Technology

BS Mathematics, Wellesley College

ACCT. JONATHAN B. DE VEYRA
VICE CHAIRPERSON OF THE BOARD

Age & Nationality: 54 / Filipino
Board Position:
-Vice Chairperson- Board of Directors-2024
-Chairperson - Audit Committee-2021-2023
-Member of the Audit Committee – 2024 to present
-Independent Director – 2021-present

Education:
-B.S. In Business Administration /
-Commerce major in Accounting,
-Northeastern College
-Masters in Business Administration
-Northeastern College
-Certified Internal Control Auditor

Affiliations:
-Proprietor – J. B. DE VEYRA Accounting & Consultancy Services
-Dean – University of Perpetual Help
-System – College of Business & Accountancy
-Chairman of the Board- Jones Atin to Credit Coop
-Review Director- Arts CPA Review

8 KATRINA MARIE P. PILAPIL

Age & Nationality: 55/ Filipino

Board Position:

-Executive Director since 2005

-President since 2014

-Chief Executive Officer since 2020

-Chief Operating Officer since 2005-2020

-Asst. General Manager since 1997-2004

Education: BSC Accounting - De La Salle University

ARCH. MICHELLE CHRISTINE P. ARCENAL
DIRECTOR

Age & Nationality: 54 / Filipino

Board Position: Non-executive Director since February 2020

Education: BS Architecture – *Magna Cum Laude*
University of the Philippines – Diliman

Affiliations: President – Arkigrafix Corporation
President – Arkiprint Corporation
Treasurer – Arkiprintshop Corporation

PAOLO N. PETINES
EXECUTIVE DIRECTOR

Age & Nationality: 45/ Filipino
Board Position: Executive Director 2019 -2020, 2023-2025

Education: BS in Marketing Management
University of La Salette, Inc.

Affiliations: Rural Bank of San Mateo (Isabela), Inc.
Head, Branch Banking Unit

RONALD MELCHOR D. SILVERIO
DIRECTOR

Age & Nationality: 56 / Filipino
Board Position:
- -Vice Chairperson of the Board - 2021
- -Independent Director 2009-2021
- -Audit Committee – Chairperson 2019-2021
- -Audit Committee Member

Education: BSC Accounting, University of Santo Tomas
Bachelor of Laws and Letters, University of Santo Tomas, undergrad

Affiliations: Proprietor – Bankers Printing Press

JUDGE RAUL V. BABARAN (RET.)
INDEPENDENT DIRECTOR

Age & Nationality: 67 / Filipino

Board Position:
- -Independent Director – 2022-present
- -Audit Committee Chairperson

Education: Bachelor of Arts and Bachelor of Philosophy
University of Santo Tomas
Bachelor of Laws
Ateneo de Manila University

Affiliations: Dean – Isabela State University College of Law

Former Gov't Positions: Executive Judge – RTC Cauayan City

F. Board qualification

To qualify for directorship on the Board of Directors of RBSMI, the following qualifications are considered:

1) Integrity and Probity:
   - ✓ Have strong moral principles;
   - ✓ Must have a record of integrity in his/her personal and professional dealings, a good reputation and willingness to place the interests of the Bank above any conflicting self-interest;
   - ✓ Must not have any relationship or potential conflict of interests that the candidate or any of his or her related interests has with the bank or its affiliate; and
   - ✓ Honesty and decency.

2) Physical/Mental Fitness:
   - ✓ Must be physically and mentally fit; and
   - ✓ Must have a firm commitment to regularly attend and be prepared for Board and committee meetings.

3) Relevant Education:
   - ✓ Must be a Graduate of any 4-year course; and
   - ✓ Have basic knowledge of the banking Industry, financial regulatory system, and laws and regulations that govern bank operations.

4) Financial Literacy/training:
   - ✓ Must have attended Corporate Governance Training and Seminar;
   - ✓ Must have financial and business acumen; and
   - ✓ Must have training in financial analysis and basic accounting or any related course.

MINIMUM QUALIFICATIONS OF INDEPENDENT DIRECTOR

1) is not or was not a director, officer or employee of the BANK, its subsidiaries, affiliates or related interests during the past three (3) years counted from the date of his election/appointment;
2) is not or was not a director, officer, or employee of the BANK's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
3) is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
4) is not a close family member of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of directors of the BANK or any of its related companies or of any of its substantial stockholders. Close family members shall refer to persons related to the BSFI'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 BSFI's DOS;3

5) is not acting as a nominee or representative of any director or substantial shareholder of the BANK, any of its related companies or any of its substantial shareholders;
6) is not or was not retained as professional adviser, consultant, agent or counsel of the BANK, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election;
7) is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the BANK or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
8) was not appointed in the BANK, its subsidiaries, affiliates or related interests as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment;
9) is not affiliated with any non-profit organization that receives significant funding from the BANK or any of its related companies or substantial shareholders; and
10) is not employed as an executive officer of another company where any of the BANK's executives serve as directors.

G. List of Board-level committees including membership and function

Audit Committee - The audit committee shall be composed of at least three (3) members of the board of directors, who shall all be non-executive directors, majority of whom shall be independent directors, including the Chairperson: Provided, that the Chairperson of the audit committee shall not be the Chairperson of the board of directors or of any other board-level committees. The audit committee shall have accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank.

Duties of the Audit Committee – The audit committee shall oversee the financial reporting framework, monitor and evaluate the adequacy of internal control system, oversee the internal audit and external audit function, oversee the implementation of corrective actions, investigate significant issues/concerns raised and establish whistle blowing mechanism.
The Audit Committee shall assist the Board of Directors in fulfilling its oversight responsibilities for:

1) The integrity of the financial statements of the Company;
2) The systems of internal controls over the Company's financial reporting, audit process, compliance with legal and regulatory requirements, and code of ethics that

management and the Board of Directors have established as well as the conduct of the regular review of the internal control system, at least annually;

3) The qualifications and independence of the Company's registered public accounting firm (the "External Auditor"); and
4) The performance of the internal audit function and the external auditor.

The Board of Directors, through its Audit Committee, ensures the effectiveness and adequacy of the internal control system of the Bank through the approval of the annual audit plan. The Internal Audit Department shall prepare an accomplishment report quarterly vis-à-vis the approved Internal Audit Plan for the year and reports its progress and percentage of accomplishment to the Audit Committee.

RBSMI Audit Committee

Chairperson: Independent Director Judge Raul V. Babaran (Ret.)
Members: Independent Director Jonathan B. De Veyra
Director Michelle Christine P. Arcenal

H. Directors' attendance at Board and Committee meetings

	NAME	POSITION	BOARD MEETINGS	AUDITT COMMITTEE MEETINGS
1	Remijan, Patricia Rosario Maria	Chairperson of the Board	12/12	
2	De Veyra, Jonathan B.	Vice Chairperson of the Board	12/12	6/6
3	Pilapil, Katrina Marie P.	Executive Director/ President/ CEO	11/12	
4	Arcenal, Michelle Christine P.	Director	12/12	
5	Petines, Paolo N.	Director	12/12	
6	Silverio, Ronald D.	Director	12/12	6/6
7	Babaran, Raul V.	Independent Director	12/12	6/6

Note: The MORB requires the President not to be present for one meeting annually.

I. Executive Officers / Senior Managers

Katrina Marie P. Pilapil
Chief Executive Officer

Age and Nationality: 55 yrs. old, Filipino
Rank: President

Ms. Pilapil is a graduate of BSC Accounting at De La Salle University. She has over 27 years of banking experience since 1997. She first joined RBSMI as Assistant General Manager to General Manager, and Chief Operating Officer. In 2014, she was appointed as the new Bank's President and by 2020, the Bank's Chief Executive Officer.

Relita P. Cruz
Chief Operating Officer

Age and Nationality: 44 yrs. old, Filipino
Rank: Vice President

Ms. Relita Cruz is a graduate of Bachelor of Science in Accountancy. She has been with the Bank since 2003 and held various positions as Secretary to the President, Accounting Clerk, Budget Officer, and Head of Controllership Department. She was appointed as the Chief Operating Officer effective October 01, 2023.

Atty. Joseph John S. Ronquillo
Chief Compliance Officer

Age and Nationality: 32 yrs. old, Filipino
Rank: Assistant Vice President

Atty. Joseph John S. Ronquillo has more than one decade of banking experience since May 2013. Prior to his appointment as the Bank's Chief Compliance Officer, he is the Head of Risk Management Unit from June 2018 – October 2020. He is also the Compliance Assistant from October 2017 – May 2018. A Licensed Professional Teacher and admitted to the Philippine Bar on December 2023.

Viensor D. Valenzuela
Lending Division Head

Age and Nationality: 47 yrs. Old, Filipino
Rank: Assistant Vice President

Mr. Viensor D. Valenzuela is a graduate of Bachelor of Science in Commerce major in Management. He has more than two decades of banking experience since 1998 and held various positions such as loan clerk, loan officer and Chief Appraiser. Prior to his appointment as the Lending Division Head, he served as the Head of the Remedial Management Department.

Maritess C. Hermosura
Marketing Department Head

Age and Nationality: 52 yrs. old, Filipino
Rank: Senior Manager

Ms. Maritess C. Hermosura is a graduate of BSBA Major in Marketing Management. She has been with the Bank since 2007 and held various positions as Teller, Loan Officer, Head of Credit Administration Department and currently as Head of Marketing Department.

Paolo N. Petines
Head, Branch Banking Unit

Age and Nationality: 45 yrs. old, Filipino
Rank: Senior Manager

Mr. Paolo Petines is a graduate of BS Marketing Management. He has been in continuous service with the Bank for over 10 years. Mr. Petines was the Bank's Corporate Secretary before he was elected a Director in 2020. He held various positions such as Security Officer, Head of Marketing Support, and Head of the IT Department of RBSMI.

J. Performance Assessment Program

The Bank conducts performance assessments of its officers and employees on an annual basis and quarterly, as needed. Evaluation is done using the performance appraisal module on the Core Banking System. Department Heads evaluate their subordinates and measure their performance. The Department Heads are evaluated by the Division Heads, and the Division Heads are evaluated by the President. The Head of the Compliance and Risk Management Department is evaluated by the Board of Directors as a body, and the Head of the Internal Audit Department is evaluated by the Board Audit Committee.

The Bank employs the following criteria for performance appraisal:

1) Performance based on Key Results Area as outlined in the Bank's Strategic Plan, which is assessed per employee;
2) Core competencies;
3) Compliance Rating; and
4) Internal Audit Rating

Performance Appraisal Management

Policy Statement

The Rural Bank of San Mateo (Isa.), Inc. maintains a system for the appraisal, development and documentation of the work performance of all employees.

Objectives

1) To manage and improve employee performance.
2) To provide a fair and objective measure of an employee's performance.
3) To provide supporting documentation for regularization, pay decisions, promotions, transfers, etc.

Procedure

1) *Probationary Evaluation*
    a. A new employee shall go through a probationary period of employment which shall not exceed six(6) consecutive months from the employee's date of hire.
    b. At the third month and before the probationary period ends, which shall not go beyond five(5) months from the new employee's date of hire, the Manager/Supervisor of the new employee shall conduct an evaluation of the new employee's work performance.
    c. The Manager/Supervisor of the new employee or HR shall discuss the result of the evaluation with the employee. After discussion, both must sign the evaluation.
    d. The Probationary Evaluation Sheet (Annex A) shall be submitted to the HRD. It shall be the responsibility of the HRD to do the following:
        - ✓ Have the evaluation sheet noted by the President-COO.

- ✓ Retain the evaluation form in the personnel file of the employee.
- ✓ Notify the new employee of the result of his evaluation.

e. A satisfactory performance or a score with an average of three (3) shall be the passing mark.

f. A new employee who passed the probationary evaluation shall become a regular employee on the date as indicated in his appointment letter or upon six(6) months reckoned from the new employee's date of hire, whichever comes first.

g. In case the new employee fails to pass the probationary evaluation, a memo shall be sent to him stating that he did not become a regular employee. The memo shall also indicate the last day of the employee which must be at least fifteen(15) days before the date of the employee's regularization.

2) *Annual Performance Appraisal*

a. Annual performance appraisals (Annex B) shall be completed and reviewed with all regular employees who have completed at least one(1) year of employment in January of each year.

b. Annual performance appraisals shall also be completed and reviewed per operating unit in January of each year.

c. The Manager/Department Head shall consolidate the annual performance of his branch or department.

d. Each objective will have a corresponding weighted rate* as follows:

- ✓ Operational Plan (KRA) - 65%
- ✓ Compliance Rating - 7.5%
- ✓ Audit Rating - 7.5%
- ✓ Competencies - 20%
- ✓ **Total - 100%**

e. Each Operating unit will be appraised annually by a Division Head that is not their direct supervisor.

f. The results of the annual performance appraisal for each operating unit shall be discussed with the respective branch manager or department head together with the Chief Operating Officer.

g. Submit the results of the annual performance appraisal to the HRD for filing and future reference.

h. The Manager, Department Head, Division Head or Direct Supervisor shall take the following steps in evaluating the employee's performance:

i. Set performance objectives in the RBSoftech Performance Evaluation Module. Performance objectives are the key result areas or KRA's of an employee. A KRA is the primary responsibility of an employee and for which he is accountable. This KRA is called Operational Plan in the RBSoftech Module. The Operational Plan has Performance Indicators with Performance Indicator Units. Each Performance Indicator shall have equivalent points with an overall total of one hundred points(100 pts.) with a weighted score of sixty five (65)* percent.

j. Set Compliance Rating objective. Compliance rating objective refers to the individual's adherence to established rules, policies, and regulations within the bank. The Compliance Rating has a total of one hundred points (100pts.) with a weighted score of seven point five (7.5)* percent.

k. Set developmental objectives. The developmental objectives are called Competencies in the RBSoftech Module. These developmental objectives reflects the skills, abilities and knowledge that needs improving at. The Competencies has a total of one hundred points (100pts.) with a weighted score of twenty (20) *percent.

l. Set scorecard weight per position in the RBSoftech Module.

m. The Operational Plan(KRAs) is equivalent to sixty five (65) percent, Compliance Rating is equivalent to seven point five (7.5) percent, Audit Rating is equivalent to seven point five (7.5) percent and the Competencies (developmental objectives) are equivalent to twenty (20) percent with a total of one hundred(100) percent score.

n. Upon computation of the sum of the four criteria, any merit or demerit earned or incurred within the appraisal period shall be added or deducted to comprise the total performance appraisal score.

Definition of Terms

- ✓ Merits - In a performance evaluation, merits are the positive attributes, achievements, strengths, or areas where the individual has excelled. These could include skills, contributions, accomplishments, or efforts that have made a positive impact on the work or organization. This will be an addition to the total score of the employee.
- ✓ Demerits - In a performance evaluation, demerits refer to the negative aspects of an individual's performance. These might include areas where the person has not met expectations, weaknesses, mistakes, or behaviors that need improvement. This will be a deduction to the total score of the employee.

Sample Computation:

Criteria	Weight	Score	Total
Operational Plan	65%	90	58.50
Compliance Rating	7.5%	85	6.38
Audit Rating	7.5%	85	6.38
Competencies	20%	80	16.00
TOTAL SCORE	**100%**		**87.26**

Sample Merits = 5pts
Final Score = 86 pts + 5 pts = 91pts

Sample Demerits = 5pts
Final Score = 86 pts – 5pts = 81pts

o. The Manager, Department Head, Division Head or Direct Supervisor should give attention to the following equivalent qualitative description for each score:

Outstanding:	96-100
Exceeds Expectations:	91-95
Meets Expectations:	80-90
Needs Improvement:	79 and below

p. Provide Remarks/Observation/Recommendation to the employee's performance through the Comment box designated for the rater.
q. Discuss the performance evaluation result with the ratee. The ratee will give his/her feedback through the Comment box designated for the ratee and input his/her Commitment for the next evaluation period.
r. To complete the appraisal procedure, the rater and the ratee will take a photo together in the RBSoft system. The ratee will then enter his/her password to save the evaluation in RBSoft.
s. The rater shall perform this procedure to all the employees under his/her department, division or branch and inform the HRD when done. The HRD in turn shall:
   - ✓ Create a file folder and save all the Performance Appraisal Report in pdf format.
   - ✓ Retain the Performance Appraisal Report in the personnel file and provide a copy to the employee.
   - ✓ Update the President about the status of the performance evaluation.
t. The Performance Appraisal should be uploaded to the RBSoft System. In case this is not possible a temporary excel file shall be provided by the HRD. As soon as possible, results should be uploaded to the RBSoft System.

3) *A score of 79 and below (Needs Improvement) means the employee did not perform well in the performance evaluation year. Consequently, the employee will not be entitled to any salary increase, promotion, transfer, etc.*

4) *Procedures*
   a. Each rater shall bear in mind that there are four areas in accomplishing the Performance Evaluation for each employee:
      - ✓ The Operational Plan (KRAs)
      - ✓ The Compliance Rating
      - ✓ The Audit Rating
      - ✓ The Competencies(Skills Profile)
   b. At the beginning of each year, Immediate Supervisors must rate each employee under their Department/Branch using the RBSoftech Module as mentioned in Section 2 of this policy.
   c. The Department Heads/Branch Managers/OIC should conduct a feedback session with individuals to discuss the final decision on the Performance Evaluation results.
   d. The HRD shall present to the Board of Directors the final result of the Performance Evaluation Results and recommend merit increases for their approval.

e. HRD shall issue a memo taken from the Board Resolution regarding merit increases granted to each individual personnel through the Department Head/Branch Manager/OIC.
f. Performance Evaluation for Managers/Department Heads.
g. A Performance Evaluation for Managers/Department Heads (Annex C) shall be conducted annually by rank and file to evaluate the managerial/leadership skills of their superiors.
h. The Performance Evaluation for Managers/Department Heads need not be signed by the Rank and File employee to ensure that no retaliatory acts shall ensue in case the scores are not favorable to the ratee.
i. The Performance Evaluation Form shall be filled up by Rank and File employees and submitted to HRD every January of each year.
j. The Final Result of each Performance Evaluation shall be discussed by the HR officer to each individual Manager/Department Head to ensure that he/she shall be aware of his strengths and weaknesses for improvements and training if applicable.
   The following is the rating scale for this evaluation:
   1 – Unacceptable
   2 – Needs Improvement
   3 – Meets Standard
   4 – Exceeds Standard
   5 – Outstanding
   6 – Have not Experienced or Observed
   A rating scale of 6 has the equivalent score of zero (0) in the rating sheet since it was not experienced or observed by the rater.
k. Annex A is the Performance Evaluation Form for Probationary Employees. Annex B is the Annual Appraisal Form for all employees, regardless of rank, which is conducted using the RBSoftech System Performance Evaluation Module. The Annex C is the performance evaluation for all department heads/branch managers to evaluate the managerial/leadership skills.

5) *6. Three consecutive annual ratings of below satisfactory or below 75% shall be tantamount to negligence under Article 282 of the Labor Code and may lead to the employee's termination upon review of the Management following the administrative hearing procedures.*

6) *7. Effectivity. This policy takes effect on April 22, 2025. Previous memo, pronouncements, procedures and rules which are not in conformity with the foregoing shall be deemed revoked and nullified by this policy upon its effectivity.*

Annex A
RURAL BANK OF SAN MATEO (ISABELA), INC.
PROBATIONARY EMPLOYEE EVALUATION

EMPLOYEE NAME: ________________________________ POSITION: __________________
DEPARTMENT: __________________________________ DATE OF HIRE: _______________

LEGEND: (1) UNSATISFACTORY, (2) FAIR, (3) SATISFACTORY, (4) VERY GOOD, (5) EXCEPTIONAL

1. QUANTITY OF WORK - **Amount, volume for individual assignments and job as a whole**

Exceptional	-	Extraordinary speed and volume.	☐
Very Good	-	Output more than meet requirements.	☐
Satisfactory	-	Output fully satisfies job requirements.	☐
Fair	-	Output is below expected in some respects.	☐
Unsatisfactory	-	Output too low to retain without improvement.	☐

2. QUALITY OF WORK - **Accuracy, neatness, absence of errors and mistakes**

Exceptional	-	Extraordinary accuracy, neatness and thoroughness.	☐
Very Good	-	Quality is high. Work is very well done.	☐
Satisfactory	-	Neatness and accuracy meets job standards.	☐
Fair	-	Neatness and accuracy is erratic.	☐
Unsatisfactory	-	Neatness and accuracy is below standard; frequent errors and mistakes.	☐

3. JOB KNOWLEDGE – **Has information and understanding of all facets of the job**

Exceptional	-	Extraordinary. Beyond that needed for this job.	☐
Very Good	-	Very well-informed on all phases of work.	☐
Satisfactory	-	Know-how fully meets job requirements.	☐
Fair	-	Lacks some required knowledge.	☐
Unsatisfactory	-	Knowledge is far too sketchy.	☐

4. ATTENDANCE AND PUNCTUALITY – **Frequency of absence and lateness**

Exceptional	-	Only absent or late under unusual circumstances.	☐
Very Good	-	Rarely absent or late.	☐
Satisfactory	-	Occasionally absent or late.	☐
Fair	-	Frequently absent or late, but record is improving.	☐
Unsatisfactory	-	Undependable. Absent or late frequently, rarely an acceptable excuse.	☐

5. JUDGEMENT – **Ability to choose correct or sensible course of action**

Exceptional	-	Extraordinary. Beyond that which this job can utilize.	☐
Very Good	-	Superior judgment in handling job.	☐
Satisfactory	-	Makes good decisions consistently.	☐

Fair	-	Judgment is not always sound.	☐
Unsatisfactory	-	Judgment too poor to retain.	☐

6. JOB ATTITUDES – **Interest, enthusiasm, and cooperation**

Exceptional	-	Extraordinary in every way.	☐
Very Good	-	High degree of enthusiasm and interest. Very cooperative.	☐
Satisfactory	-	Favorable attitudes.	☐
Fair	-	Somewhat of a drag. Must improve to be satisfactory.	☐
Unsatisfactory	-	Attitude too poor to retain without improvement.	☐

7. PERSONAL CHARACTERISTICS – **Appearance, manner, integrity, "housekeeping" commensurate with needs of job**

Exceptional	-	Exceeds standards for job in every way.	☐
Very Good	-	Exceeds standards for job in some respects.	☐
Satisfactory	-	Meets standards for the job.	☐
Fair	-	Needs improvement in some areas.	☐
Unsatisfactory	-	So poor as to warrant employee's termination.	☐

TOTAL POINTS

General Comments:

____
____
____
____

Signature of Evaluator: _____________________ Date:_____________

Annex B
RURAL BANK OF SAN MATEO (ISABELA), INC.
ANNUAL APPRAISAL FORM

ANNEX B

RURAL BANK OF SAN MATEO (ISABELA), INC.
SAN MATEO, ISABELA

PERFORMANCE EVALUATION
BALANCED SCORE CARD

EMPLOYEE DETAILS

Employee :		Evaluation Period :	
Position :		Appraiser :	
Department :		Overall Rating :	

OPERATIONAL PERFORMANCE

KRA	PERFORMANCE INDICATOR	Target	Actual	Score	Weight	Grade
				TOTAL	0%	-

COMPETENCIES

CATEGORY	COMPETENCY	Score	Rate	Weight	Grade
Functional Competencies					-
					-
					-
					-
					-
					-
					-
					-
Others					-
					-
			TOTAL	0%	-

SCORE GUIDE

Score	Equivalent
5	95.00
4	90.00
3	85.00
2	80.00
1	75.00

OVERALL RATING

EVALUATION AREA	GRADE	WEIGHT	RATE
Operational Performance	-	65.0%	-
Competencies	-	20.0%	-
Compliance Rating	-	7.5%	-
Internal Audit Rating	-	7.5%	-
OVERALL RATING		**100%**	**-**

OVERALL PERFORMANCE

Needs Improvement	>0 ~ 79.00	
Meets Expectations	>80 ~ 90.00	
Exceeds Expectations	>91 ~ 95.00	✓
Outstanding	>96 ~ 100.00	

COMMENTS / RECOMMENDATIONS

Appraiser:	
Ratee:	
Ratee's Commitment:	

(Insert image here.)

Annex C

RURAL BANK OF SAN MATEO (ISABELA), INC.

Performance Evaluation
(For Manager)

Introduction

In keeping with the bank's goal to continuously improve, we are asking for your candid feedback on the performance of your manager this past year. A summary of all feedback received will be prepared for each individual manager so that he or she can use the feedback to learn and develop as a manager. Your individual feedback will be averaged into all the responses received in order to protect your anonymity and ensure that the results each manager receives are completely confidential. HR will also prepare an overall summary to assess areas for additional company-provided management training.

Thank you for your contribution to this very important process.

Name of Manager/Section Head/Dept. Head:____

Completed by (optional):____

Date: _________________

Instructions

Using the following rating scale, please circle the number that best reflects your rating of your manager's performance during the past year.

Rating Scale	
1	Unacceptable
2	Needs improvement
3	Meets standard
4	Exceeds standard

5	Outstanding
6	Have not experienced or observed

6 is equivalent to zero(0) in the rating sheet **Valuing Behaviors**	
Seeks input from all team members	1 2 3 4 5 6
Measures results instead of individual styles	1 2 3 4 5 6
Maintains a balance between "people" issues and "business" issues	1 2 3 4 5 6
Shows genuine concern for team members	1 2 3 4 5 6
Keeps the focus on fixing problems rather than finding someone to blame	1 2 3 4 5 6
Treats people fairly, without showing favouritism	1 2 3 4 5 6
Cares about me	1 2 3 4 5 6
Protects confidentiality	1 2 3 4 5 6
Recognizes and rewards my individual contributions in a manner meaningful to me	1 2 3 4 5 6

Interdependent Behaviors

Supports a team environment by recognizing and rewarding collaboration, cooperation and activities contributing to others' success	1 2 3 4 5 6
Recognizes and rewards team-supportive actions and behaviors	1 2 3 4 5 6
Doesn't criticize those who are not present	1 2 3 4 5 6
Considers the impact of actions and decisions on other departments before implementing	1 2 3 4 5 6
Recognizes and supports the work of other departments	1 2 3 4 5 6

Communication Behaviors	
Encourages others to express different ideas and perspectives	1 2 3 4 5 6
Is open to other perspectives and is willing to change his or her position when presented with compelling information	1 2 3 4 5 6
Is open to negative and/or constructive feedback	1 2 3 4 5 6
Keeps me informed on the status of my work and updates in the organization	1 2 3 4 5 6
Gives open and constructive feedback	1 2 3 4 5 6
Effectively deals with conflict	1 2 3 4 5 6
Lets me know how I am doing	1 2 3 4 5 6

Involves me in decision-making when appropriate	1 2 3 4 5 6
Sets a clear direction for our department	1 2 3 4 5 6

Valuing Diversity Behaviors	
Ensures that department activities are inclusive by verifying scheduling needs	1 2 3 4 5 6
Seeks input/feedback from diverse individuals and groups, including internal and external customers	1 2 3 4 5 6
Treats everyone with respect and fairness	1 2 3 4 5 6

Leadership Behaviors	
Encourages and embraces change by challenging the status quo	1 2 3 4 5 6
Provides cross-functional development opportunities for team members	1 2 3 4 5 6
Encourages and supports my involvement in training and development activities and events	1 2 3 4 5 6
Encourages and supports my involvement in community activities and events	1 2 3 4 5 6
Encourages and supports my involvement in company activities and events	1 2 3 4 5 6

Uses actions and behaviors that are consistent with his or her words	1 2 3 4 5 6
Is trustworthy	1 2 3 4 5 6
Is a role model for continuous improvement	1 2 3 4 5 6
Uses a coaching management style, rather than an authoritarian boss management style	1 2 3 4 5 6
Supports me and helps me achieve results	1 2 3 4 5 6
Supports a customer service approach for both internal and external customers	1 2 3 4 5 6
Deals with issues that need to be addressed	1 2 3 4 5 6
Provides a clear sense of purpose and direction, roles and responsibilities, for me individually and for our group team members	1 2 3 4 5 6

General Feedback

Optional: Type or print your answers; add additional pages if needed. Please be as specific as possible by including examples.

1. What activities, behavior, feedback or coaching would you like your manager to stop doing? Please explain.

2. List and briefly describe examples of the behavior, activities, feedback or coaching your manager has provided that makes your job and work environment more enjoyable and meaningful to you.

3. Please provide comments that you feel will be meaningful for your manager to sustain or improve his or her effectiveness.

K. Orientation and Education Program

Orientation Program for New Employees

Rural Bank of San Mateo (Isabela) aims to provide the new employee the guidelines to start right in the Company, and to bridge the gap between the selection process and the day-to-day working relationships of the new employee in his job.

The Bank follows certain procedures in the New Employee Orientation. It sets out the guidelines in the preparation before a new employee arrives, on his first day of work, and in the succeeding period of time until he becomes a regular employee of the bank.

RBSMI has recently updated its orientation program by providing a structured employee onboarding process depending on the function of the new employee.

Education Program

The Bank encourages officers and employees to attend seminars and training to further enhance their capabilities and to broaden their knowledge in the banking industry. Seminars and trainings conducted by the Rural Bankers Association of the Philippines (RBAP) and other groups/training providers are essential to the officers and staff. AML training is conducted regularly, and all employees should have a refresher training every two years.

Cost of seminars and trainings is shouldered by the Bank and budgeted annually per department.

RURAL BANK OF SAN MATEO (ISABELA), INC.
LIST OF IN-HOUSE TRAININGS ATTENDED FOR ALL EMPLOYEES
FOR THE YEAR 2025

NO.	DATE	TITLE OF SEMINAR/TRAINING	PROVIDER	ATTENDEES
1	01/18/2025	Basic Banking Practices on Cash Operations and Basic Rural Banking Course	RURAL BANK OF SAN MATEO (ISABELA), INC - Branch Operation Division & COO	Service Officer-Luna Branch
				Paying/Receiving Teller-Main Branch
				Internal Audit Assistant
				Paying/Receiving Teller-Main Branch
				Service Officer-Alfonso Lista Branch
				Paying/Receiving Teller-Main Branch
				Compliance Assistant
				OIC Paying/Receiving Teller-San Manuel Branch
				Manager-Luna Branch
				Sundries Teller-Alfonso Lista Branch
				Chief Operating Officer
				Sundries Teller-Main Branch
				Senior Savings Bookkeeper/Customer Assistance Officer
				OIC Manager-Ramon Branch
				Sundries Teller-Alfonso Lista Branch
				Service Officer-Ramon Branch
				Manager-San Manuel Branch
				OIC Service Officer-San Manuel Branch
				Paying/Receiving Teller-Luna Branch
				OIC Paying/Receiving Teller-Alfonso Lista Branch
				Paying/Receiving Teller-Ramon Branch
				Sundries Teller-Main Branch
				Head, Branch Banking Unit/Manager,Main Branch/Security Officer
				Service Officer-Main Branch
				Internal Audit Officer
				Manager-Alfonso Lista Branch
				Sundries Teller-Main Branch
2	02/28/2025	Process of Credit Flow and Basic Rural Banking Course	RURAL BANK OF SAN MATEO (ISABELA), INC - COO & Marketing	Marketing Assistant
				Account Officer
				Account Officer
				Senior Account Officer
				Marketing Assistant
				Account Officer
				Senior Marketing Assistant
				OIC Supervisor, Loans Marketing
				Account Officer
				Marketing Assistant
				Marketing Assistant
				Marketing Assistant
				Marketing Assistant
				Senior Account Officer
				Account Officer

2	02/28/2025	Process of Credit Flow and Basic Rural Banking Course	RURAL BANK OF SAN MATEO (ISABELA), INC - COO & Marketing	Marketing Assistant
				Account Officer
				Account Officer
				Senior Account Officer
				Marketing Assistant
				Account Officer
				Senior Marketing Assistant
				OIC Supervisor, Loans Marketing
				Account Officer
				Marketing Assistant
				Marketing Assistant
				Marketing Assistant
				Marketing Assistant
				Senior Account Officer
				Account Officer
3	03/262026	Basic Rural Banking Operations	RURAL BANK OF SAN MATEO (ISABELA), INC - COO	Accounting Assistant
				Record Assistant
				OIC Account Officer
				Loan Servicing Assistant
				Account Officer
				Accounting Assistant
				Accounting Assistant
				Accounting Assistant
				Comprensation and Benefit Assistant
				OIC Head, Post Credit Review
				Head, Central Accounting and Bookkeeping Section
				Loan Servicing Assistant
				Account Officer
				Internal Audit Assistant
4	07/23/2025	Basic Rural Banking Operations	RURAL BANK OF SAN MATEO (ISABELA), INC - COO	Accounting Assistant
				Internal Audit Assistant
				Senior Appraiser
				Supervisor, Loan Servicing Assistant
				Senior Marketing Assistant
				Marketing Assistant
				Senior Credit Investigator
				Account Officer
				Sundries Teller
				Senior Credit Investigator
				Credit Investigator/Collector
				Senior Appraiser
				Head, Budget/MIS Section
				Technical Support Assistant
5	09/25/2025	Echo-seminar on ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING (AML/CTF) FUNDAMENTAL COURSE	RURAL BANK OF SAN MATEO (ISABELA), INC - COMPLIANCE DEPARTMENT	Service Officer-Luna Branch
				Accounting Assistant
				Accounting Assistant
				Sundries Teller
				Record Assistant
				Marketing Assistant
				Compliance Assistant
				Account Officer
				Account Officer - Main Branch
				Senior Savings Bookkeeper/Customer Assistance Officer
				Head, Post Credit Review Section
				Collection Assistant
				Deputy Compliance Officer/Data Protection Officer
				Chief Compliance Officer
				Loan Servicing Assistant
				Account Officer - Main Branch

6	09/26/2025	Echo-seminar on AMLC REGISTRATION AND REPORTING GUIDELINES (ARRG) COURSE	RURAL BANK OF SAN MATEO (ISABELA), INC - COMPLIANCE DEPARTMENT	Compliance Assistant
				P/R Teller
				Loan Servicing Assistant
				Senior Savings Bookkeeper/Customer Assistance Officer
				Sundries Teller
				Head, Post Credit Review Section
				Loan Servicing Assistant
				Deputy Compliance Officer/Data Protection Officer
				Loan Servicing Assistant
7	10/20/2025	Teller's Validation, FRP Account Code, Account Name and Description	RURAL BANK OF SAN MATEO (ISABELA), INC - COO & CONTROLLER	Paying/Receiving Teller
				P/R Teller-San Manuel Branch
				Manager-San Manuel Branch
				OIC Paying/Receiving Teller
				Sundries Teller
				Manager-A.Lista Branch
				Paying/Receiving Teller
				Manager-Ramon Branch
				Manager-Luna Branch
				Service Officer/Fund Manager
8	10/22-24/2025	Financial Education	RURAL BANK OF SAN MATEO (ISABELA), INC - COO & COMPLIANCE DEPARTMENT	Paying/Receiving Teller
				Account Officer
				Senior Account Officer
				Accounting Assistant
				OIC Supervisor, Loans Marketing
				Senior Credit Investigator
				Account Officer
				OIC Senior Account Officer-Luna Branch
				Service Officer-Ramon Branch
				Controller
				Service Officer-San Manuel Branch
				Accounting Assistant
				OIC Account Officer
				Head, Post Credit Review Section
				Collection Assistant
				Technical Support Assistant
				Loan Servicing Assistant
				OIC Head, Internal Audit Department
				Manager-Luna Branch
9	10/27 & 29/2025	Financial Education	RURAL BANK OF SAN MATEO (ISABELA), INC - COO & COMPLIANCE DEPARTMENT	Marketing Assistant
				OIC Service Officer-A.Lista Brach
				OIC Head, IT Department
				Senior Appraiser
				Account Officer
				Senior Credit Investigator
				Head, Marketing Department
				Credit Investigator/Collection Assistant
				Senior Paying/Receiving Teller
				Account Officer
				Service Officer-Luna Branch
				Head, Collection Unit
				OIC Paying/Receiving Teller
				Accounting Assistant
				Head, Budget/MIS Section
				Senior Savings Bookkeeper/Customer Assistance Officer
				Senior Appraiser
				Head, Central Accounting and Bookkeeping Section
				Head, Credit Administration & Loan Operation
				Loan Servicing Assistant
				Head, Corporate Services Department
				Manager-San Manuel Branch
				Account Officer
				Manager-Ramon Branch
				Loan Servicing Assistant
				Head, HR Management Department

10	11/03 & 05/2025	Financial Education	RURAL BANK OF SAN MATEO (ISABELA), INC - COO & COMPLIANCE DEPARTMENT	Paying/Receiving Teller
				Marketing Assistant
				Paying/Receiving Teller
				Record Assistant
				Sundries Teller
				Internal Audit Assistant
				Internal Audit Officer
				P/R Teller-San Manuel Branch
				Account Officer
				Loan Servicing Assistant
				Marketing Assistant
				Senior Marketing Assistant
				OIC Paying/Receiving Teller
				OIC Branch Manager-Main Branch/Fund Manager
				Head, Lending Division/Head, Remedial Department
				Accounting Assistant
				Marketing Assistant
				President & CEO
				Compliance and AML Assistant
				Compensation and Benefit Assistant

RURAL BANK OF SAN MATEO (ISABELA), INC.
LIST OF EXTERNAL TRAININGS ATTENDED FOR ALL EMPLOYEES
FOR THE YEAR 2025

NO.	DATE	TITLE OF SEMINAR/TRAINING	PROVIDER	ATTENDEES
1	01/08/2025	Mastering Sales & Customer Service	Rural Bankers Association of the Philippines	Senior Marketing Asst.
				Loan Servicing Asst.
2	03/29/2025	RBAP Lift Life Webinar	Rural Bankers Association of the Philippines	Head, HR Mgmt. Dept.
				Internal Audit Assistant
				Accounting Assistant
				Accounting Assistant
				Loan Servicing Assistant
				Marketing Assistant
				Marketing Assistant
				Manager-San Manuel Branch
				OIC P/R Teller-San Manuel Branch
				OIC Service Officer-San Manuel Branch
				Marketing Assistant
				Loan Servicing Assistant
				Controller
				Service Officer-Luna Branch
3	04/11/2025	Human Resource Management	Rural Bankers Association of the Philippines	Head, HR Management Department
4	07/18/2025	The Intricacies of AFASA and Its Implementing Circulars, Explained	Bankers Institute of the Philippines, Inc. (BAIPHIL)	Deputy Compliance Officer/Data Protection Officer

5	07/31/2025 to 08/01/2025	Branch Banking: Governance, Risk Management, Controls, and System	Bankers Institute of the Philippines, Inc. (BAIPHIL)	Internal Audit Officer
6	08/18/2025	Enhanced Comprehensive Credit and Equity Exposure Report (COCREE)	Rural Bankers Association of the Philippines	Deputy Compliance Officer/Data Protection Officer Manager-San Manuel Branch
7	08/26-27/2025	Bank-Branch Management in the Digital Age	Rural Bankers Association of the Philippines	Manager-San Manuel Branch
8	08/27-28/2025	Corporate Governance-Governing Rural Banks with CLASS (Culture, Leadership, Alignment, Systems and Structure)	Rural Bankers Association of the Philippines	Chief Operating Officer Head, Marketing Department Deputy Compliance Officer/Data Protection Officer
		Securing our Digital Future: The Role of Risk Management Practices in the Payment Space		Chief Operating Officer Head, Marketing Department Deputy Compliance Officer/Data Protection Officer
		Human Resource Management-Understanding Labor Force of Today and Professionalizing Operations effectively for Decision Maker		Chief Operating Officer Head, Marketing Department Deputy Compliance Officer/Data Protection Officer
		Strategic Marketing-How do we grow our business thru Lift Life?		Chief Operating Officer Head, Marketing Department Deputy Compliance Officer/Data Protection Officer
		Empowering Directors: Enhancing Governance through Self-Assessment Functions sans the Lens of Regulators		Chief Operating Officer Head, Marketing Department Deputy Compliance Officer/Data Protection Officer
9	09/19/2025	2025 Peso Real-Time Gross Settlement Payment System Forum	Zoom	Service Officer/Fund Manager
10	09/17-19/2025	Financial Education Training of Trainers for the participants of RBAP-member banks	BSP Head Office	Chief Operating Officer Deputy Compliance Officer/Data Protection Officer
11	09/26/2025	Credit Investigation in an E&S Risk Environment	Dreams Bank Governance Institute Training Center	Credit Investigator/Collection Assistant
12	10/13/2025	Transforming Readiness into Resilience Mapping Rural Bank's Transition Journey through the SAQ	RBAP	Deputy Compliance Officer/Data Protection Officer Chief Compliance Officer
13	10/2-25/2026	Executive Development Program for Rural Bank Decision Makers	Hotel Benilde Maison DeLa Salle, Malate, Manila	Head, Branch Banking Unit/Manager,Main Branch/Security Officer
14	11/12/2025	Invaluable Contribution to the development of the Calamity Playbook	RBAP	Head, Branch Banking Unit
15	11/12,13, & 14/2025	Best Practices in Corporate Housekeeping	Ceneter for Global Best Practices (SEC Provider Accreditation Number CG2024-001)	Chief Operating Officer/Head, Corporate Resources Division

L. Retirement and Succession Policy

Retirement and Succession Policy for Directors

Policy Statement

It is the objective of the Company to establish a policy on retirement and remuneration for directors in order to give due recognition to the valuable contributions of the retiring members of the Board.

Terms and Conditions

2) *Age* - the bank recognizes the importance of experience and expertise of its directors and with it comes long years of practice and exposure in the business. Hence, the bank sets the age limit of retirement to eighty(80) years old but the Board may opt to waive depending on the following conditions:
    a. Result of the Annual Self/Peer Evaluation of the Board and effective "fit and proper" assessment for more effective board refreshment.
    b. The Board shall also evaluate all facts and circumstances when considering a director's tenure in accordance with good governance practices, including (without limitation) to accommodate the transition of a new Chairman or new directors or to provide continuity to further strategic objectives or address external factors affecting the bank.
3) *Only the Executive Director is entitled to receive regular retirement benefits as an employee of the bank. An Executive Director is one who is involved in the day-to-day operations of the bank. Non-Executive Directors shall not receive any retirement benefits.*
4) *Retirement of Officers is done with the requisite succession planning and in accordance with the bank's policies and implementing guidelines of its retirement plan for all employees, the bank's amended By-Laws, Labor Code and the Corporation Code of the Philippines.*
5) *Only Independent Directors has a term limit of nine (9) years reckoned from year 2012.*

Procedures

The replacement of any Board of Director shall be governed by the Constitution and By-Laws of the Bank.

Qualifications for Board of Directors:

Fit and Proper for the Position of Director must have:
1) *Integrity and Probity:*
    a. Have Strong Moral Principles
    b. Must have a record of integrity in his/her personal and professional dealings, a good reputation and willingness to place the interests of the Bank above any conflicting self-interest.

   c. Must not have any relationship or potential conflict of interests that the candidate or any of his or her related interests has with the bank or its affiliate.
   d. Honesty and Decency
2) *Physical/Mental Fitness:*
   a. Must be Physically and Mentally Fit
   b. Must have firm commitment to regularly attend and be prepared for Board and committee meetings.
3) *Relevant Education:*
   a. Must be a Graduate of any 4 yrs. course
   b. Have basic knowledge of the Banking Industry, Financial regulatory system, and laws and regulations that Governs Bank Operation
4) *Financial Literacy/training:*
   a. Must have Corporate Governance Training and Seminar
   b. Must have a Financial and Business Acumen
   c. Must have Training on Financial Analysis, Basic Accounting
5) *Competencies relevant to the Job;*
   a. Must know the existing Laws and Regulations of BSP
   b. Must have Basic financial knowledge including how to read Balance Sheet and Income Statement.
   c. Previous Employment with the Bank is an advantage or any similar Industry
6) *Knowledge & Experience, skills, diligence and independent mind*
   a. Must have Previously Managed a Business, or from a banking or similar industry or a Lawyer or Accountant
   b. Must have a basic understanding of Banking, regulatory systems, laws and regulations
   c. Possess a skill set that complements those of the other directors
   d. Has skills that support banks long range Vision
7) *Sufficiency of time to carry out responsibilities*
   a. Learn the Business
   b. Commit to Board Activities:
      - ✓ Prepare for and Attend Meetings
      - ✓ Review Examination and Audit Reports and Ensure responsiveness
      - ✓ Keep up with the affairs of the Bank;
      - ✓ Pursue professional development opportunities

Assessing Directors:
1) Integrity/probity, consideration shall be given to the director’s market reputation
2) Observe conduct and Behavior
3) His/her ability to continuously comply with company policies and applicable laws
   a. The Director shall submit to BSP the required certification and other documentary proof within 20 banking days from the date of the election.
   b. Non-submission of complete documentary requirements shall be construed as his failure to establish his qualification and result in his removal from the Board of Directors.

Retirement Policy for Employee

Retirement

The Company respects the security of tenure of its employees and recognizes their continual contribution to the Company's mission and objectives.

An employee who has reached the age of 60 years and has rendered at least ten (10) years of service in the Company may avail of the retirement benefit of 200% of current monthly basic pay x no. of years of service.

The proceeds of this retirement pay shall not be taxable provided that the bank has a BIR approved retirement plan.

The BOD has the discretion, upon proper evaluation, to give additional benefit or rewards, financial or otherwise, to any employee or officer of the RBSMI based on his/her exemplary work, outstanding performance and proven loyalty to the Bank that contributed greatly to its growth and development.

Succession Plan

Purpose and Use

Succession Plan is being published by Rural Bank of San Mateo (Isabela), Inc. (RBSMI) because of its desire to ensure that all critical positions of the Company should have a backup in case employees leave for whatever reason. This Plan should be read and understood by all members of the Board of Directors (BOD). The Human Resources Development and Management (HR Mgmt. Section Head) Unit shall assist the BOD in implementing the policies and procedures stated herein.

All RBSMI employees are encouraged to be familiar with this Plan and to coordinate with their immediate Superiors regarding Training and Development Plan details to fully understand their career path in the Organization.

The Board of Directors and President positions in the Company are the central elements in the Organization's success. Therefore, ensuring that the functions of the President including Section/Department Heads are well-understood and even shared among Senior Management. It is important to safeguard the organization against unplanned and unexpected change in leadership. This kind of risk management is equally helpful in facilitating a smooth leadership.

This document outlines a leadership development and emergency succession plan for Rural Bank of San Mateo (Isabela), Inc. and reflects the Bank's Succession Plan and its commitment to sustaining a healthy functioning Organization.

The purpose of this plan is to ensure that the Bank's leadership on specific Section/Department in general will have adequate information and strategies to effectively manage the bank in the event that any Board of Director, the President and/or Division/Department/Section Heads are unable to fulfill their duties due to resignation, termination, retirement or incapacity.

Principle

RBSMI shall subscribe to the following principles in connection with Succession Plan:

RBSMI communicates to its employees that they are valuable and that RBSMI shall nurture and develop employees from within RBSMI. Those who have skills, knowledge, qualities, experience and desire can be groomed to move up to fill specific positions.

RBSMI commits to develop employee career paths and acknowledges the fact that communication with employees regarding their career path and plan is being done effectively.

Mentoring and coaching is a continued process and endeavor for RBSMI officers and employees so that there is a continued transfer of learning on all levels of the organization.

RBSMI is an employer that invests in its people and provides opportunities and support for their advancement.

RBSMI shall consider for posting an employee for a certain critical position only if that employee has the necessary skills, knowledge, qualities, experience and full desire to learn the ropes of the job.

Policies

A change in executive leadership is inevitable for Organizations and can be a very challenging time. Therefore, it is the policy of RBSMI to be prepared for an eventual permanent change in leadership either planned or unplanned to ensure the stability of the Bank until such time a new permanent leadership is identified. The BOD shall be responsible for implementing this policy and its related procedures.

It is also the policy of RBSMI that the BOD assesses the permanent leadership needs of RBSMI to help ensure the selection of a qualified and capable leader. There shall be two kinds of Succession Plan for the critical positions in the Bank:

Interim Officer

To ensure that RBSMI operations are not interrupted while the BOD and HR Mgmt. Section Head assess the leadership needs and recruit a permanent officer, the BOD and HR Mgmt. Section Head will appoint an Interim Officer. The Interim Officer ensures that the Organization continue to operate without disruption and that all organizational commitments previously made are adequately executed, including but not limited to, loans approved, reports due, licenses and others.

Pool of Candidates

It is also the policy of RBSMI to develop a diverse pool of candidates and consider at least two (2) finalist candidates for its permanent Officers position. RBSMI shall implement an external recruitment and selection process, while at the same time encouraging the professional development and advancement of current employees. The Interim Officer and any other interested internal candidates are encouraged to submit their qualifications for review and consideration by the search committee according to the guidelines established for the search and recruitment process.

Identification of Critical Position Levels

There shall be three (3) levels in the Organization, based on the to-date Main Table of Organization of RBSMI that Succession Planning meetings be done in coordination with the HR Mgmt. Section Head Unit every year to review and ensure that the critical positions of key officers are covered. There shall be a next in rank in case an Officer is no longer able to serve his position permanently due to any of the following reasons: resignation, termination, retirement or incapacity.

RBSMI Board has identified the three (3) levels of Succession Planning coverage as follows:

Critical Position Level 1

The Critical Position for Level 1 shall be the President.

Critical Position Level 2

The Critical Position Level 2 positions shall be the: COO, Division Heads and Control Functions Head (Head for Lending, Branch Operations Head, Corporate Resources and Head for Internal Audit and Compliance)

Critical Position Level 3

The Critical Position Level 3 positions shall be the: Bank Officers/Office Heads (Branch Banking Head, Credit Administration Head, Remedial Management Head, Controllership Head, Corporate Services Head, IT Head, CorCom and Marketing Support Head, Credit Services Head, Branch Manager, Branch Service Officer, HR Mgmt. Section Head, Loans Servicing Supervisor).

Appointing an Acting President

Based on the anticipated duration of the temporary planned short term or long-term absence, the anticipated return date, and accessibility of the current President, the Board of Directors shall appoint the Acting President as indicated in Succession Plan Matrix.

Standing appointees to the position of Acting President in replacement of the President.

The first priority in line to be the Acting President is the Vice President (1st Priority)

The 2nd priority in line is the Compliance Officer.

The Board of Directors shall see to it that the appointee complies all the requirements and qualifications needed by a President position, including those imposed by the Bangko Sentral Ng Pilipinas and other statutory agencies.

Implementation plan for Divisions and Operation and Oversight Group (Level 2 position)

The President shall be responsible in reviewing every year to ensure that there shall be someone next in rank in case any or both of these two employees cannot serve the organization due to any of the reasons mentioned above. The next in rank for consideration of these positions shall be any qualified Department Heads in Level 3.

Implementation Plan for Bank Officers/Office Heads (Level 3 position)

The Heads of every Division and Operation and Oversight Group shall be responsible in reviewing every year to ensure that there shall be someone to replace the existing positions if in case they cannot serve the organization due to any of the reasons mentioned above.

M. Remuneration Policy

Remuneration Policy and Structure for executive and non-executive directors

Excerpt from the Bank's Remuneration Policy for Directors state:

Remuneration for Directors- upon approval of the majority of its shareholders and Board of Directors as a whole, both shall determine the level of remuneration or benefits for Directors which shall be sufficient to attract and retain directors and compensate them for attendance at meetings of the Board and Board Committees, commitments to time and specific contributions through chairmanship and membership in board committees.

1) Personnel and Compensation Committee- this committee shall be tasked to recommend remuneration of the Board of Directors based on size and scope of the bank, industry standards and set by reference to the numerous responsibilities taken on by directors as well as for undertaking risks as a Board member.
2) Remuneration Framework- to be reviewed annually to ensure that it remains competitive and consistent with the bank's high performance culture, objectives and long-term risk assessment and strategies.
3) Compensation- may be in various forms, fixed by way of resolution of the Board of Directors. The Board may provide that only non-executive directors shall be entitled to such compensation.
4) The Executive Director- receives remuneration as Officer and not as Director of the Company.
5) Non-Executive Directors- shall be entitled to receive from the bank, pursuant to resolution of the Board, fees, and other compensation for his services as director. The Board shall have sole authority to determine the amount, form and structure of the fees and other compensation of the directors.

Remuneration policy for senior management

Remuneration and compensation for all management levels of the Bank follows one policy only, the Bank's Compensation and Remuneration Policy as aligned with the Labor Laws of the Philippines.

The company needs to ensure that their compensation and remuneration policy adheres to employment legislation including elements of compensation and remuneration that are regulated by provincial employment standards.

OBJECTIVES:

1) Establishing salary ranges – Rural Bank of San Mateo (Isabela), Inc. need to determine where they have to pay specific jobs/job categories in relation to the employment market (industry and regional compensation norms, SEC/IC/BSP, DOLE).
2) Criteria for Salary Increases- in order to ensure fair and equitable compensation practices, the company need to clearly establish, communicate and apply decision making criteria for salary increases. Decisions on salary increases can be based on a

number of factors, such as seniority, cost of living increases, or performance (merit) based.

3) Remuneration- theses include fixed remuneration (including fixed salary) – performance-based remuneration (variable salary) – pension schemes, where applicable, other benefits in kind, separation pay-where applicable.

    a. The fixed remuneration is determined on the basis of the role and position of the individual employee, including professional experience, responsibility, job complexity and local market conditions.
    b. The performance-based remuneration motivates and rewards high performers who significantly contribute to sustainable results, perform according to set expectations for the individual in question, strengthen long-term customer relations, and generate income.

PROCEDURES

1) Salary reviews- to be conducted annually vis-à-vis the result of the annual Performance Appraisal by the members of the company's Compensation Committee or BOD.
2) 13th Month Pay- mandatory as per government regulations and policies, to be given annually or semi-annually to employees whether regular or probationary in status
3) Bonus and Incentives Pay- based on performance, financial statement and KRA/target goal attainment, given to regular employees/ Board of Directors only.

Top 4 highest paid employees of the Bank for 2025:

1. Katrina Marie P. Pilapil – President-CEO
2. Relita P. Cruz – VP and COO
3. VIensor D. Valenzuela – AVP and Lending Division Head
4. Maritess C. Hermosura – Head of Marketing Department

N. Policy and procedures on related party transaction

RB SAN MATEO (ISA), INC. shall apply strict and consistent compliance with laws and regulations relating to DOSRI and related party transactions as defined in BSP Circular No. 895. It shall ensure that every Related Party Transaction is conducted in a manner that will protect the Bank from conflict of interest which may arise between the Bank and its Related Parties. Furthermore, proper review, approval and disclosure of Related Party Transactions should be done in compliance with legal and regulatory requirements.

The policy on Related Party Transactions is embodied in the Risk Management System Manual in accordance with Circular No. 895 dated December 14, 2015.

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 DOSRI, and their close family members, as well as corresponding persons in affiliated companies. These 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.

The above definition shall also include direct or indirect linkages to a Bank identified as follows:

1) Ownership, control, or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal shares in the borrowing corporation;
3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Bank and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
4) Permanent proxy or voting trusts in favor of the Bank constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

Related party transactions which are reportable to the BSP are as follows:

1) A related party transaction is reportable to BSP if it meets all the following conditions:

   1.1 The counterparty falls within the definition of related party (refer to #2 below); and
   1.2 The nature of the transaction is among the identified reportable transactions (refer to #3); and
   1.3 The amount is considered "significant'' (refer to #3 and #4).

2) Related Party Shall Cover the following:

   2.1 DOSRI-
   The compliance, monitoring and reporting of DOSRI accounts shall continue to be conducted in accordance with existing regulations internal policies and shall not be

deemed superseded, revised or amended by this policy. Specifically all DOSRI transaction require final approval by the Board of Directors.

2.2 Other Related Parties

2.2.1 RB SAN MATEO (ISA), INC. RELATED Expanded

a. Related Interest (RI) for Directors and Officers (Key Management)

Related interest of	**Under DOSRI**
	Only first degree of consanguinity of affinity; legitimate or common law
a. Directors of RB SAN MATEO(ISA), INC.	Include
b.Officers of RB SAN MATEO(ISA), INC. with rank of SVP	Include

The extent of coverage of related interest of RB SAN MATEO (ISA), INC. Directors whether regular or independent, and RB SAN MATEO (ISA), INC. Officers with a position of Vice President and higher (otherwise known as the Key Management personnel or KMPs), shall be expanded as follows:

b. Entities that are related to RB SAN MATEO (ISA), INC. through common Directors/ Senior Officers but are not classified as DOSRI or affiliate as defined in section a.&b. above.
c. Entities that are owned by the spouses and/ or 1st degree relatives of the RB SAN MATEO (ISA), INC. Director/ senior officer that are not classified as DOSRI provided ownership is at least 10%.
d. Entities that are owned by the 2nd degree relatives of a RB SAN MATEO (ISA), INC. Director / Senior Officer that are not DOSRI provided ownership is more than 50%

3) Others

a. Entity where the performance of its obligation with RB SAN MATEO (ISA), INC. is dependent on an arrangement between the said entity
b. Any other entity which as determined by Compliance or Legal Office has a significant amount of influence shall be vetted by the Board of Directors to ensure that compliance and good governance standards are maintained.

4) Amount of Threshold per Transaction

	TYPE	AMOUNT
1.	Agency arrangements/ service contracts / construction contract/ lease arrangements and other similar contracts	Cumulative P1.0M per counterparty
2.	Asset purchases and sales contract	P1M per transaction
3.	Loan/Lease availments, Investments & Joint Ventures, Write-off of Related Party Transaction	P1M per transaction
4	Investments	P1M per transaction
5	Purchase or sales of goods	P1M per transaction
6	Rendering or receiving of services contact	P1M per transaction
7	Transfer of technology	P1M per transaction
8	Such other significant transactions which, a determined by the Board, could pose material risk or potential abuse to the bank and its stakeholders.	P1M per transaction

Note: 1st degree-children, parents;
2nd degree - grandchildren, grandparents, siblings;
3rd degree - great grandparents, great grandchildren, nieces and nephews, uncles and aunts;
4th degree - great great grandparents, great great grandchildren, first cousins

GUIDELINES IN ENSURING ARMS LENGTH TRANSACTIONS /	The related party transaction or credit accommodation should be compared to at least two (2) similar transactions who are Non-RPT account, which shall include the following: a. Price; b. Commissions; c. Interest Rates; d. Fees; e. Tenor / Term; f. Collateral requirement; and g. Other conditions The result of the comparison should not result to more favourable economic terms to such related parties than similar transactions with non-related parties under similar circumstances. The Bank may employ the services of an external expert, opening the transaction to a bidding process or publication of available

VETTING PROCESS and PRICE DISCOVERY MECHANISM	property for sale, as applicable and as determined by the Bidding Committee. All material RPTs shall be vetted and endorsed by the Bidding Committee. The minutes of the meeting should comprehensively reflect all the discussions made by the Bidding Committee and or the Board of Directors or the approving body.
CONFLICT OF INTEREST	The members of the Board of Directors, stockholders and management should disclose to the Board of Directors whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the Bank. The inhibition made by the concerned director shall be duly noted in the minutes of the meeting. The concerned director may temporarily leave the meeting while the matter subject of the conflict of interest is being discussed of the Board of Directors.

Material RPTs

Material Related Party Transactions
RURAL BANK OF SAN MATEO (ISABELA), INC. 044225
Name of Bank Bank Code
12/31/2025
Date

Parent Bank/QB and Subsidiary/Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Code	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
A. Bank/QB							
a. Subsidiaries and Affiliates							
b. DOSRI							
c. Others	Coloma, Austson Jr. Tan	RELATED PARTY OF A STOCKHOLDER (CLOSE FAMILY MEMBER)		BORROWINGS	3,060,000.00	3 YEARS, AMORTIZED, 14% INTEREST RATE, 2% BANK CHARGE	FULLY SECURED LOAN, GRANTED IN ARMS LENGTH
	Coloma, Austson Jr. Tan	RELATED PARTY OF A STOCKHOLDER (CLOSE FAMILY MEMBER)		BORROWINGS	1,890,000.00	2 YEARS, AMORTIZED, 14% INTEREST RATE, 2% BANK CHARGE	FULLY SECURED LOAN, GRANTED IN ARMS LENGTH
	Coloma, Austson Jr. Tan	RELATED PARTY OF A STOCKHOLDER (CLOSE FAMILY MEMBER)		BORROWINGS	1,890,000.00	2 YEARS, AMORTIZED, 14% INTEREST RATE, 2% BANK CHARGE	FULLY SECURED LOAN, GRANTED IN ARMS LENGTH
B. Subsidiary 1							
a. Subsidiaries and Affiliates							
b. DOSRI							
c. Others							
C. Subsidiary 2							
a. Subsidiaries and Affiliates							
b. DOSRI							
c. Others							
D. Affiliate 1							
a. Subsidiaries and Affiliates							
b. DOSRI							
c. Others							

O. Self-Assessment Function

The structure of the internal audit and the compliance functions including its role, mandate/authority, and reporting process

INTERNAL AUDIT FUNCTION

The Bank's Internal Audit Department has the following responsibility, authority, and independence:

<u>RESPONSIBILITY</u>
The major responsibilities of the Internal Auditor include:

1) To inform and advise the board of directors, audit committee, and management of the Bank and other allowed users of the Internal Audit Program;
2) To coordinate activities with other operating departments or divisions to achieve the objectives of the audit and the objectives, mission, and vision of the Bank;
3) To discharge the responsibilities referred to above.

The Internal Auditor does not have direct responsibility nor authority over any of the activities to be reviewed by him/her. Therefore, the Internal Audit review does not in any way relieve the management of the operations and of the responsibilities assigned to the personnel complement. The effectiveness and efficiency of operations continues to be the responsibility of the Bank's management.

<u>AUTHORITY</u>
Management provides the Internal Auditor full access to all the records, properties and personnel relevant to all subjects under review. Also, the Internal Auditor is free to review and apprise policies, plans, procedures, and records, and to propose possible improvements thereto.

<u>INDEPENDENCE</u>
Independence is essential to the effectiveness of the Internal Auditing function. This independence is obtained primarily through organizational status and objectivity. The Internal Audit Department directly reports to the Audit Committee of the Board of Directors.

COMPLIANCE FUNCTION

The Chief Compliance Officer has the general responsibility of assisting the board of directors in providing oversight in the implementation of the Bank's compliance system.

The Compliance function facilitates the effective management of compliance risk by:
1) Advising the board of directors and senior management on relevant laws, rules and regulations, including information on developments in the areas;
2) Discussion with bank personnel on compliance issues, and acting as contact point within the bank for compliance queries by bank personnel;

3) Establishment of written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, code of conduct, and other guidelines;
4) Identification, documentation and assessment of compliance risks associated with the Bank's business activities, including new products and business units;
5) Assessment of the Bank's compliance procedures and guidelines, following up of deficiencies and formulation of proposal for amendments;
6) Monitor and testing compliance by performing sufficient and representative compliance testing; and
7) Maintenance of a constructive working relationship with the Bangko Sentral ng Pilipinas and other regulators.

The Chief Compliance Officer directly reports to the Board of Directors.

The review process adopted by the Board to ensure effectiveness and adequacy of the internal control system

The Board Audit Committee shall monitor and evaluate the adequacy of internal control system, oversee the internal audit and external audit function, oversee the implementation of corrective actions, investigate significant issues/concerns raised and establish whistle blowing mechanism.

The Audit Committee shall assist the Board of Directors in fulfilling its oversight responsibilities through checking that the systems of internal controls over the Company's financial reporting, audit process, compliance with legal and regulatory requirements, and code of ethics that management and the Board of Directors have established as well as the conduct of the regular review of the internal control system, at least annually.

The Internal Audit Department directly reports to the Audit Committee the results of its audit findings, special/fraud audits, and other auditing and consulting activities to ensure that the Bank's Business Operating Units takes corrective actions in a prudent manner to sufficiently address any noted exceptions, weaknesses, and non-compliance to policies and regulations.

The Board Audit Committee holds its meeting quarterly, either in-person or virtual, depending on the circumstances, to ensure the effectiveness and adequacy of the internal control system of RBSMI. The Committee deliberates and thoroughly discusses on issues related to the Bank's internal controls, and recommends measure to strengthen the overall quality of the Risk Management System. The Auditee Units' responses and actions taken are presented before the Audit Committee and the Committee assesses sufficiency of the reply.

In 2025, the Board Audit Committee held 6 meetings with 100% attendance from all its members. One notable accomplishment of the Committee is the revision of the Audit Committee Charter.

P. Dividend Policy

The Bank follows BSP Regulations in the declaration of dividend to its stockholders. The amount of dividends is based on the proposed amended by-laws of the bank - SECTION 5. Earnings – The bank shall, at the end of the fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year to replenishing any impairment to its capital. Any sums remaining shall be the basis in the distribution of dividends to stockholders

The Bank declared Six Million Pesos (P6,000,000.00) Cash Dividends to its stockholders on April 22, 2025.

Q. Corporate Social Responsibility Initiatives

The Rural Bank of San Mateo (Isabela), Inc. (RBSMI) believes that it must carry out its own Corporate Social Responsibility Program as a means of giving back the blessings it received to the community where it belongs.

Rationale

Corporate Social Responsibility (CSR) is the continuing commitment by every business entity to behave ethically and contribute to the economic development, and help in environmental preservation/protection while improving the quality of life of the workforce and their families, as well as of the local community and society at large.

Objectives:

1) To provide assistance to community development projects of the Local Government Units within which the company's offices are located;
2) To provide assistance to projects being catered to by Non-Government Organizations;
3) To award scholarship programs to the less fortunate but well-deserving students from the public schools where the company's offices are located
4) To extend the scholarship program to the children of deserving employees;
5) To extend the scholarship program to employees
6) To donate educational materials, gadgets, tools, and instruments to public schools for instructional purposes to aide better-learning capabilities of students.
7) To donate materials for school improvements
8) To extend assistance either in cash or in kind to victims of calamities, pandemics, and other unforeseen events
9) To conduct humanitarian programs for the community in need

Funding:

The amount of One Million Pesos (Php1,000,000.00) shall be appropriated by the Board of Directors from the Retained Earnings of the bank from which all CSR projects will be funded. The unused funds shall automatically be reverted back to the retained earnings of the bank at the end of each fiscal year. The amount of P1,000,000.00 shall be automatically renewed for appropriation at the beginning of each of the succeeding years.

Terms and Conditions:

1) Community Development Projects of the LGUs- the company shall donate either financially or in kind to poverty alleviation, livelihood, socio-economic projects of the LGUs subject for Board approval.
2) NGO Projects – the company shall help by donating to community development projects catered by NGOs in areas affected by calamities, poverty and war, subject for Board approval
3) Humanitarian programs- the company may conduct programs that may help alleviate poverty and address other arising concerns in every community where its corporate offices and other nearby towns.
4) Scholarship Programs-

    a. The company shall choose one student belonging from the Top Ten honor roll of at least one public high school per year(those in the areas where offices of the company are located).
    b. A Memorandum of Agreement shall be entered to by and between the company and the chosen student scholar or in case he/she is still a minor, he/she shall be represented by his/her parents/guardians. Included in the MOA shall be the condition that if the student scholar will not be able to fulfill item no. 5 of this program, he/she shall be liable to refund to the bank the full amount of the scholarship.
    c. The company shall provide either the full or partial tuition fee of the student scholar for the course relevant to banking and finance subject for Board approval.
    d. The student scholar shall maintain a grade point average of 1.75(90%) throughout the semester covered by the scholarship. Failure to maintain said average shall automatically forfeit the scholarship grant for the succeeding semester. Course should be related to banking.
    e. Upon graduation, the student scholar shall serve the company for an equivalent of one(1) year per year of scholarship.
    f. Children of well-deserving employees may apply for this scholarship program subject for approval by the Board.
    g. Continuing Education Program- employees who wish to pursue graduate programs on Master in Business Administration (MBA), Corporate Law or Bachelor of Laws and Letters (LIB) / Juris Doctor (JD), Certified Public Accountant (CPA) Review and other related courses needed in their functions within the company may avail of the continuing education program. Every semester availed of shall be equivalent to one (1) year of service to be rendered in the bank. A Memorandum of Agreement shall be contracted between the company and the employee-beneficiary for the aforementioned purpose.

5) Educational materials, gadgets, tools and instruments- the company shall donate Educational materials, gadgets, tools and instruments to schools within areas where company offices are located subject for Board approval. The materials shall be given after the recipient school enters into a Memorandum of Agreement with the company that the former shall plant twenty (20) seedlings of fruit-bearing trees and shall take care of the same until maturity within its premises with proper documentation.
6) Funding per project- donations either in kind or in cash shall not exceed One Hundred Thousand Pesos (Php100,000.00) per project as per approval of the Board.

In case of projects not listed above;

1) Projects which are not included in the above-listed conditions shall also be subject to Board approval;
2) 2. As well as those included in the above-written conditions which require more than One Hundred Thousand Pesos (Php100,000.00) amount of funding per project.

In case of projects not listed above;

Projects which are not included in the above-listed conditions shall also be subject to Board approval;

As well as those included in the above-written conditions which require more than One Hundred Thousand Pesos (Php100,000.00) amount of funding per project.

Corporate responsibility to society is part of the Bank's corporate governance. The Bank's strongest support came from the society so it is only appropriate to at least gives back in return in the form of good corporate governance. Therefore, RBSMI CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders.

Every year, RBSMI actively participates in the Department of Education's Brigada Eskwela by donating paints and this year, the Bank also support learners with special needs in partnership with Kiwanis Internation, conducted a psychoeducational assessment for learners with special needs

For 2025, the Bank also conducted literacy seminars for farmers in coordination with the Local Government Unit and Barangays. The Bank also provided Noche Buena package for 75 selected families.

R. Consumer Protection Practices

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

Bank of San Mateo (Isabela), Inc. (RBSMI) is in full support of the State's policy of providing protection to its consumers, upholding their welfare and establishing principles and standards of conduct for the banking industry. For this, the Bank has the role of ensuring that the best interests of financial consumers are protected.

ROLES AND RESPONSIBILITIES OF OVERSIGHT BODIES

BOARD OF DIRECTORS

1) The Board of Directors (BOD) has the ultimate responsibility for the level of customer risk assumed by Rural Bank of San Mateo (Isabela), Inc. (RBSMI) Accordingly, the Board approves the Bank's overall business strategies and significant policies, including those related to managing and taking customer risks.
2) 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.
3) 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.
4) The BOD is responsible for developing and maintaining a sound Customer Protection Risk Management System that is integrated into the over-all framework for the entire product and service life-cycle.
5) 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.
6) 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.
7) 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

1) 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.

2) 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

1) The BOD and Senior Management periodically review the effectiveness of the Customer Protection Risk Management System (CPRMS) including how findings are reported and whether the audit mechanism in place enable adequate oversight.
2) The BOD and Senior Management must ensure that sufficient resources are devoted to the customer protection program.
3) They must be certain the FCP weaknesses are properly addressed and corrective actions are taken in a timely manner.
4) 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.
5) 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.
6) 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.

The consumer protection risk management system of the bank

The Customer 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.

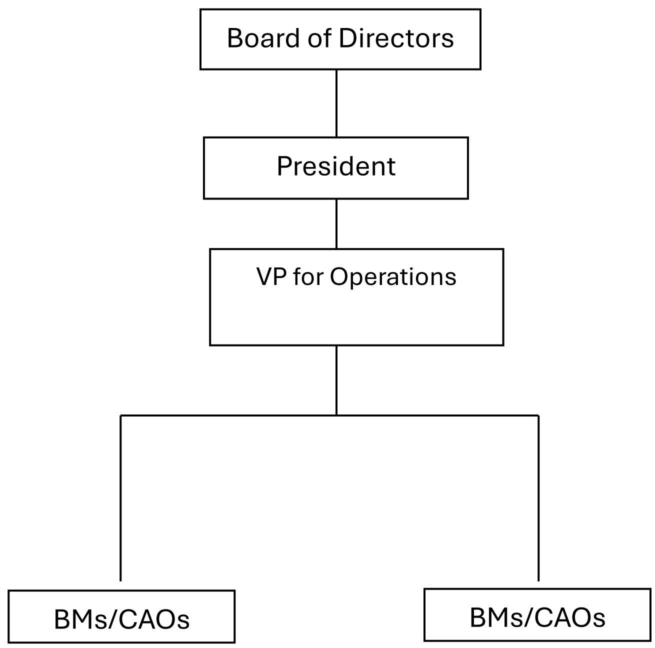
The CPRMS is proportionate to the size, structure and complexity of Rural Bank of San Mateo (Isabela), Inc. (RBSMI) operations. It provides the foundation for ensuring the Bank's adherence to CP standards of conduct and compliance with customer protection laws, rules and regulations in order to prevent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

The policies and procedures of the CPRMS are embodied in the Financial Consumer Protection Manual of the Bank.

The consumer assistance management system of the bank which shall include the customer assistance policies and procedures as well as the corporate structure for handling complaint

STRUCTURE

Rural Bank of San Mateo (Isabela), Inc. (RBSMI) follows its existing operational channel in handling customer complaints. It has designated its Branch Managers to serve as the Customer Assistance Officers (CAOs). The CAOs then report to the HCAO for the latter to present and discuss the report on complaints to the President, and subsequently report to the Board which will provide action based on the recommendations of the President. The structural chart for CAMS is presented below:



ROLES OF THE CUSTOMER ASSISTANCE OFFICER (CAO)

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

1) Receives and acknowledges customer concerns, either complaint or request. A Complaint/Request Form shall be provided to the customer to file the complaint with the Bank;
2) Records customer's concerns in a logbook. A database of concerns is encoded in the computer
3) 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;
4) Processes concerns of the customer. The CAO shall immediately address the concern of the customer. If the concern requires Head CAO's assistance, send immediately the concern to them;
5) Provides official reply to the customer. The reply shall be approved by the Head CAO ;

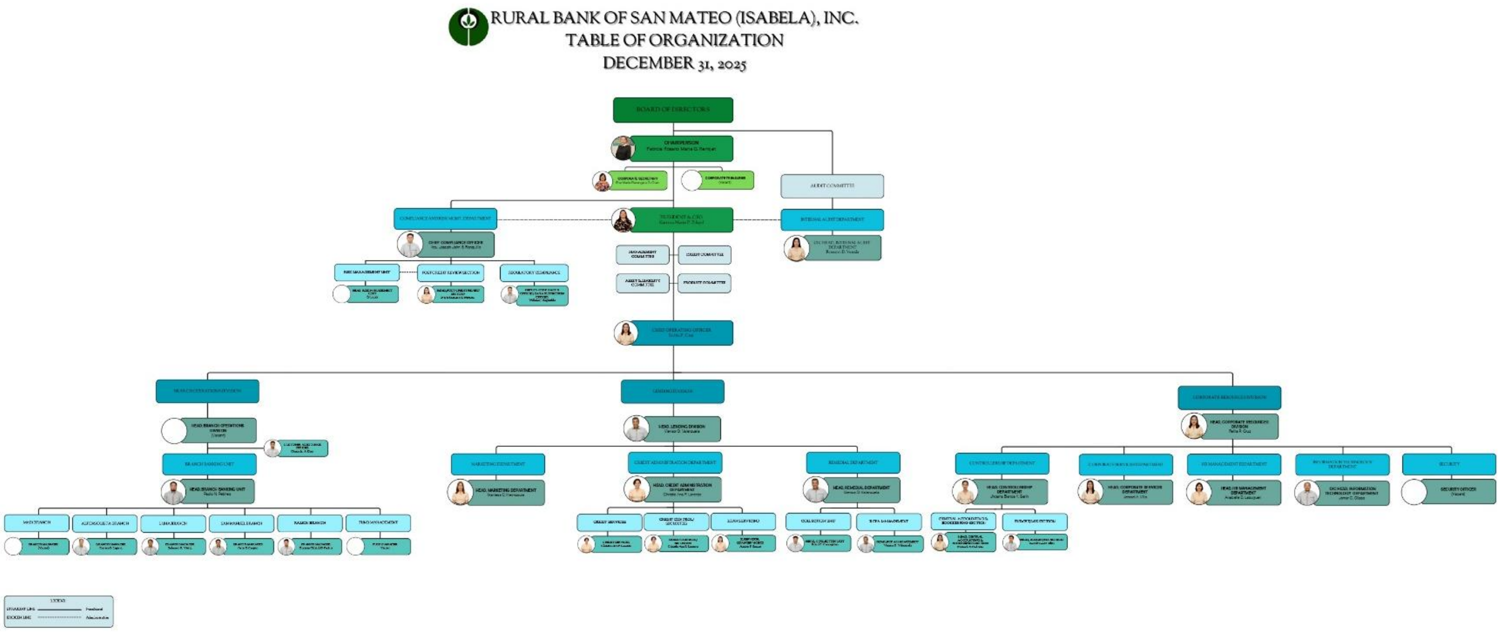
6) In order to determine whether the Bank has satisfactorily addressed the concern of the customer, requests client feedback;
7) Prepares and submits a summary report to Head Customer Assistance Office (HCAO)

Consumer Assistance Channels:

Contact Number: 09175210985 / (078) 323-0815
Email Address: rbsmi_consumerassistance@rbsanmateoisa.com
Facebook page: https://www.facebook.com/Rural-Bank-of-San-Mateo-Isabela-Inc-405677642816604
Contact Person: Nestor A. Dres – Consumer Assistance Officer

VI. Corporate Information

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

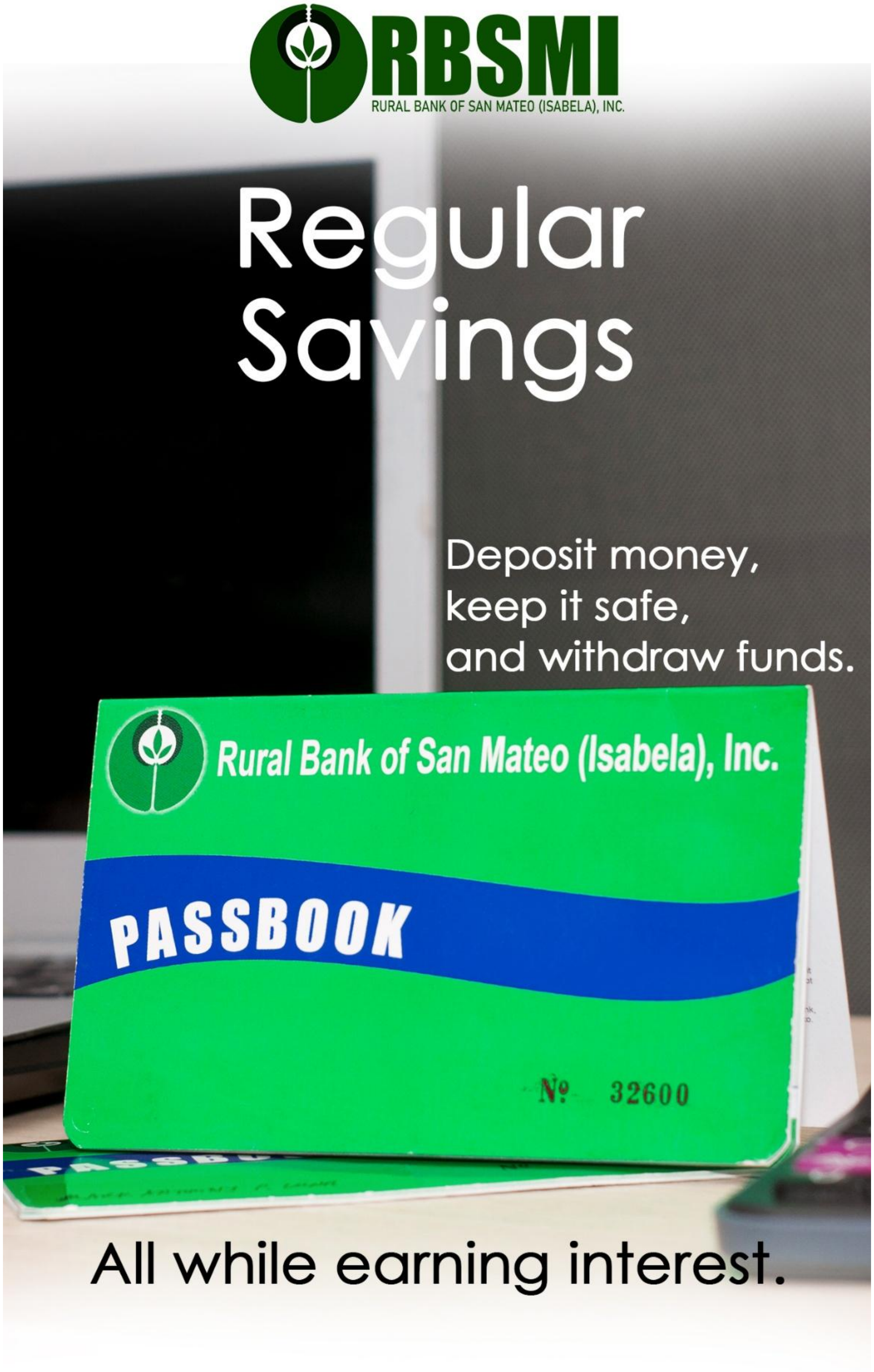


	NAME	POSITION/DESIGNATION	RANK
1	Pilapil, Katrina Marie P.	Chief Executive Officer	President
2	Cruz, Relita P.	Chief Operating Officer	Vice President
3	Ronquillo, Joseph John S.	Chief Compliance Officer	Assistant Vice President
4	Valenzuela, Viensor D.	Head – Lending Division	Assistant Vice President
5	Hermosura, Maritess C.	Head - Marketing Department	Senior Manager
6	Petines, Paolo N.	Head – Branch Operations	Senior Manager

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

NAME OF STOCKHOLDER	NATIONALITY	SHARES SUBSCRIBED AND PAID	PERCENTAGE OF OWNERSHIP	VOTING STATUS
Petines, Ma. Linda N.	Filipino	126,753	21.13%	Active
Gapud, Nenita P.	Filipino	96,322	16.05%	Active
Mayo, Helen P.	Filipino	76,887	12.81%	Active
Pilapil, Katrina Marie P.	Filipino	32,020	5.34%	Active
Petines, Manuel Y.	Filipino	27,958	4.66%	Active
Ramos, Ma. Alexandra P.	Filipino	23,619	3.94%	Active
Mayo, Mark Stephen P.	Filipino	22,632	3.77%	Active
Petines, Paolo N.	Filipino	18,870	3.15%	Active
Petines, Soledad	Filipino	18,640	3.11%	Active
Arcenal, Michelle Christine P.	Filipino	18,082	3.01%	Active
Petines, Reginald R.	Filipino	18,082	3.01%	Active
Petines, John Paul R.	Filipino	18,082	3.01%	Active
TOTAL		497,947	82.99%	

C. Products and Services


RBSMI
RURAL BANK OF SAN MATEO (ISABELA), INC.
Regular Savings
Deposit money, keep it safe, and withdraw funds.
Rural Bank of San Mateo (Isabela), Inc.
PASSBOOK
№ 32600
All while earning interest.


RBSMI
RURAL BANK OF SAN MATEO (ISABELA), INC.
HARVEST MORE
GROW MORE
With our
Agricultural Loan
Farm Inputs & Capital
Land & Equipment Financing
Flexible Payment Options
Ang Inyong Kabalikat sa Pag-Unlad.


RBSMI
RURAL BANK OF SAN MATEO (ISABELA), INC.
Masaganang Ani
Kasama ang RBSMI
Sa Tulong ng
SANDIGAN NG MAGSASAKA LOAN
Mabilis na approval
Mababang Interest
Walang Colateral
RBSMI
LOAN APPROVAL
APPROVED
Contact Us:
Head Office: 0917-893-6218
RBSMI LUNA Branch : 0917-503-4302
Alfoso Lista Branch: 0977-817-5764
San Manuel Branch: 0917-193-2658
Ramon Branch: 0917-126-2584
Ang Inyong Kabalikat Sa Pag-Unlad
Maaasahan
Malapit sa Magsasaka
Kaagapay sa Pag-Asenso


RURAL BANK OF SAN MATEO (ISABELA), INC.
"ANG INYONG KABALIKAT SA PAG-UNLAD."
MOTORFIN
Sa tulong ng RBSMI, pangarap mong motorsiklo mapapasayo .
APPLY NOW
Mababang Interest
Fast Approval
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SAN MANUEL BRANCH: 0917-529-8152
LUNA BRANCH: 0917-503-4302
A.LISTA BRANCH: 0917-585-6031
RAMON BRANCH: 0917-193-2684
www.facebook.com/RBSanmateoIsabela
www.rbsanmateoisa.com


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LUNA BRANCH: 0917-503-4302
A.LISTA BRANCH: 0917-585-6031
RAMON BRANCH: 0917-529-8214
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DISCOVER YOUR TRAVEL EXPERIENCE WITH US
TIME to travel
APPROVED
PASSPORT
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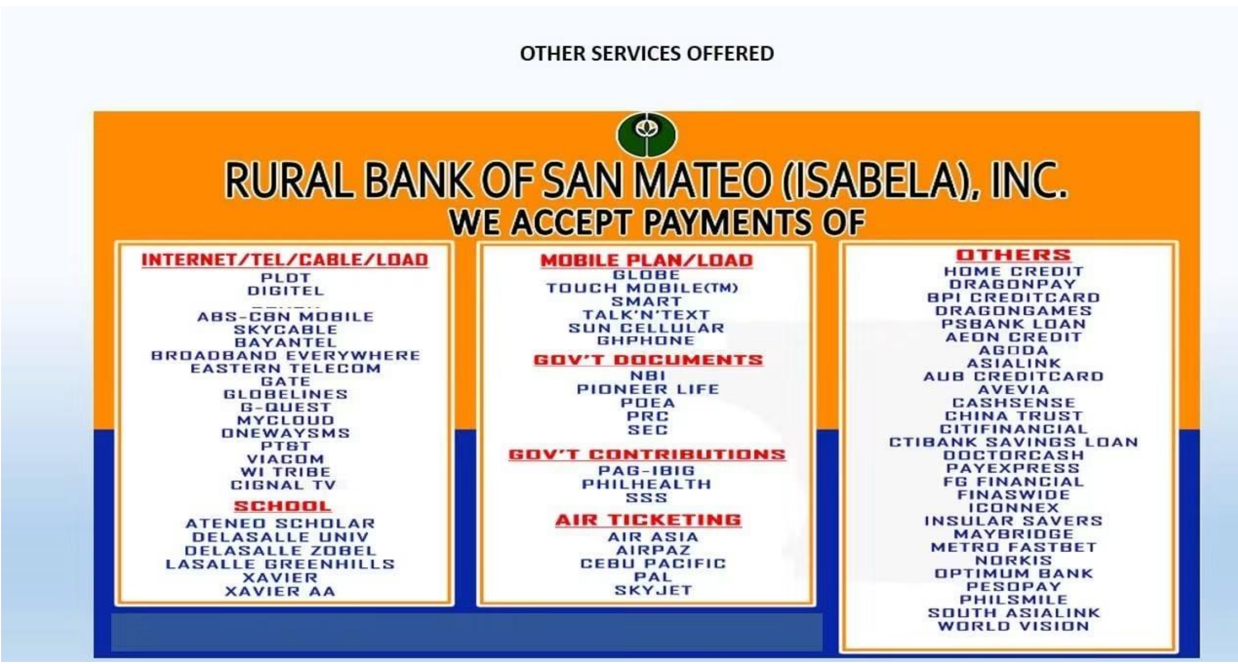

D. Website

https://rbsanmateoisa.com/

E. List of Banking Units

BRANCHES	ADDRESS	CONTACT DETAILS
Head Office	National Highway, Barangay 3, San Mateo, Isabela	(078) 323-0815 / 323-0817 0917-585-6033 rbsanmateoisa@rbap.org
Alfonso Lista, Ifugao Branch	Santa Maria, Alfonso Lista, Ifugao	0977-817-5764
Luna, Isabela Branch	Centro, Luna, Isabela	0917-585-6032
Ramon, Isabela Branch	Bugallon Proper, Ramon, Isabela	0917-529-8214
San Manuel, Isabela Branch	National Highway, San Manuel, Isabela	0917-529-8152

RBSMI

RURAL BANK OF SAN MATEO (ISABELA), INC.

2025 | SUSTAINABILITY REPORT

Ang inyong kabalikat sa pag-unlad

SUSTAINABILITY PHILOSOPHY

The management of Environmental and Social Risk shall increase stakeholders' value and contribution to the Bank's long-term sustainability through its immediate commitment to balance economic success with Environmental and Social responsibility.

RBSMI Sustainability Principles

A. Rural Bank of San Mateo (Isabela), Inc. (RBSMI) is committed to balancing economic success with Environmental and Social responsibility.
B. RBSMI aligns its strategic objectives with the United Nations 17 Sustainable Development Goals (SDGs).
C. Effective management of Environmental and Social Risks is a result of the collective action of all personnel in the Bank.
D. The management of Environmental and Social Risks shall increase the stakeholders' value and contribute to the Bank's long-term sustainability in its immediate commitment.

RBSMI Sustainability Strategy

A. Promotion of renewable energy, which entails the use of solar panels and other renewable energy sources.
B. Promote food security through good and modern agricultural practices.
C. Selective provision of loans to borrowers with sustainable practices.
D. Support for economic empowerment through the provision of accessible credit.
E. Promotion of social equality through affordable housing loans.
F. Support employment generation through MSME Financing.

Scope of Sustainable Finance

Loan Products	Description	Alignment with SDGs	Loan Portfolio
• **Renewable Green Energy Loan**	Financing of renewable energy resources for houses, buildings, and other agro-industrial purposes. Either by solar panels, windmills, or hydroelectric.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	**0.00%** **P0**
• **Agricultural Loan** • **Farmers Loan** • **Sandigan ng Magsasaka Loan** • **Livestock and Poultry Loan** • **Farm Machinery Financing**	Financial services are provided to farmers, farm machinery operators, and individuals engaged in other agricultural activities (e.g., livestock, poultry, fishery, etc.).	2 ZERO HUNGER 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**28.44%** **P192.14M**
• **Commercial Loan** • **Financial Back-up Loan** • **Selfie Loan**	It is a debt-based funding arrangement typically used to finance major capital expenditures and/or cover operational costs that the company may otherwise be unable to afford. An unsecured loan that provides additional capital to small and medium-sized entrepreneurs in line with their existing business. An unsecured loan which can be availed of by employed individuals, working professionals, Overseas Filipino Workers/Seamen with a notarized contract, or, if self-employed, with a business registered and operating.	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**50.57%** **P341.687M**

• **Consumer Loan** • **Fringe Benefit Loan** • **Salary Loan for employees** • **Back-to-Back Loan**	This type of loan product can either be a "SECURED or an " UNSECURED," which can be availed by any individual intended for the following purposes: • Personal Consumption • Household expenditures such as: • Medical, Health care & wellness; • Acquisition of service vehicle; • Education; • Vacation & travel; • Special events; • Household expenditures (such as purchase of furniture, appliances, etc.); and • Other related purposes. To uplift the living condition and cushion the high cost of living for the benefit of its officers and employees, and to meet their housing, transportation, household, and personal needs, do hereby adopt this financial assistance. An unsecured loan that can be availed by Rural Bank of San Mateo (Isabela), Inc.'s employees and security guards for personal purposes. A loan where net proceeds will be automatically credited to existing Savings Deposit/Time Deposit held as collateral up to the maturity of the loan.	4 QUALITY EDUCATION 3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES	**5.93%** **P40.04M**
• **Pabahay Loan**	Housing loan is a type of financing offered by RBSMI to a borrower for real estate purposes, such as purchase, construction, and refinancing.	11 SUSTAINABLE CITIES AND COMMUNITIES	**6.88%** **P46.49M**
• **Building Construction or Improvements Financing**	A debt-based funding arrangement, usually in the form of a short or long-term loan, is used to finance the following: • Commercial Building Construction or Improvement • Warehouse, storage of supplies and inventory • Construction/Renovation/Improvement of Commercial Building secured by a separate real estate collateral.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**1.83%** **P12.36M**

• **Real Estate Property Acquisition Financing** • **Motorcycle Financing** • **Trucks and Heavy Equipment Financing**	A debt-based funding arrangement, usually in the form of a short or long-term loan, is used to finance the following: • Purchase of Commercial Lot • Purchase of Residential Lot • Purchase of Agricultural Lot • Purchase of Condominium Unit A loan granted to an individual for the acquisition of a motorcycle for personal use. It is a loan granted to a person, whether natural or juridical, to address the machinery and equipment needed by the businessman by offering them financial assistance intended for the following purposes: (as amended on March 16, 2023) • Acquisition of trucks (dump truck, tractor head, trailer bed, ten-wheeler truck & etc.) • Acquisition of heavy equipment (loader, backhoe, cement mixer, bulldozer, etc.)		**6.36%** **P42.99M**

Scope of Sustainable Finance

Category	*Description*	*Linkage with SDGs*
Food security and promotion of sustainable agriculture	RBSMI provides financial products that benefit the agricultural industry for sustainable agricultural production and to achieve food security. And as part of the Bank's CSR to distribute vegetable seedlings to selected nearby Barangays.	 
Economic Growth	RBSMI offered a variety of financial products and services to meet the demands of the MSME sector to achieve long-term economic and industrial growth that enhances employment.	 

Renewable energy and planet conservation	RBSMI is devoted to green energy solutions and has launched products to finance renewable energy sources that will substantially increase energy efficiency. The Bank also invested in a solar-powered building and reduced paper waste by implementing paperless transactions through a modernized core banking system. All branches are compliant with RA 9003 – The Ecological Solid Waste Management Act.	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION 6 CLEAN WATER AND SANITATION
Sustainable access to basic needs	RBSMI ensures access to basic needs by providing affordable financial products to support the human basic need for safe and affordable housing, a sustainable transport system, quality education, and health care. RBSMI is focused on promoting financial literacy while striving to be a one-stop bank that can cater to all banking services and needs for customers with convenience. The Bank also incorporated the following sustainable practices: • Assistance and scholarships to students with assured academic performance. • Quality on-the-job training experience. • Employee access to HMO. • Advocating for employees to foster healthy living habits and a sustainable lifestyle.	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 11 SUSTAINABLE CITIES AND COMMUNITIES

Environmental and Social Risk Exposure

Portfolio per Industry as of December 31, 2025 (based on Philippine Standard Industrial Classification 2019)	Loan Portfolio Exposure	Loan Portfolio Percentage
Agriculture, Forestry and Fishing	195,334,389.00	**28.91%**
Real Estate Activities	172,235,611.12	**25.49%**
Trading (Wholesale and Retail), Repair of Motor Vehicle and Motorcycle	152,176,232.36	**22.52%**
Transportation and Storage	47,816,010.83	7.08%
Construction	40,568,789.75	6.00%
Activities of Extra-Territorial Organization and Bodies	30,261,411.28	4.48%
Information and Communication	19,649,717.20	2.91%
Accommodation and Food Services	11,256,774.95	1.67%
Professional, Scientific and Technical Activities	1,333,908.80	0.20%
Education	1,332,963.08	0.20%
Manufacturing	1,150,161.94	0.17%
Others Service Activities	1,106,530.54	0.16%
Financial and Insurance Activities	899,676.90	0.13%
Mining and Quarrying	381,215.28	0.06%
Administrative and Support Service Activities	212,977.15	0.03%
Total	**657,716,370.18**	**100.00%**

RBSMI's Environmental and Social (E&S) risk exposure is primarily driven by its lending activities, with the Agricultural sector accounting for 28.91% of the Bank's total loan portfolio. This reflects the Bank's continued commitment to extending financial services to rural communities, particularly farmers and fisherfolk, thereby promoting inclusive rural development, strengthening livelihoods, and contributing to national food security.

The Real Estate sector represents 25.49% of the Bank's loan portfolio, making it another significant area of E&S risk exposure. Through responsible financing of real estate developments, the Bank supports the creation of more inclusive, livable, and resilient communities while fostering sustainable economic growth.

Meanwhile, the Trading sector (Wholesale and Retail) comprises 22.52% of the loan portfolio. Financing in this sector provides businesses—particularly Micro, Small, and Medium Enterprises (MSMEs)—with access to capital and improved cash flow, enabling business expansion, generating employment opportunities, and supporting broader economic development.

Existing and Emerging Environmental and Social Risk Exposure

Existing Environmental Risk		
Risk	**Description**	**Impact on the Bank**
Typhoons, flooding, and severe weather events	Recurring and stronger typhoons, flooding, and severe weather adversely affect rural communities and agricultural areas.	Increasing loan delinquencies and defaults resulting in reduced income and additional allowance for credit losses. Possible damages to bank assets and operational challenges.
Climate Variability and El Niño/La Niña Effects	Unpredictable weather patterns, prolonged droughts, and excessive rainfall affect agricultural production cycles and water availability.	Reduced borrower income and repayment capacity, resulting in higher credit risk.
Soil degradation and declining agricultural productivity	Unsustainable farming practices, erosion, and nutrient depletion reduce agricultural output over time.	Lower farm yields diminish borrowers' cash flows and increase the probability of default on agricultural loans.

Emerging Environmental Risk		
Risk	**Description**	**Impact on the Bank**
Climate transition risk	The implementation of stricter climate-related regulations, carbon reduction initiatives, and sustainability requirements may affect certain industries and borrowers.	Reduced value of carbon-intensive assets, increased compliance costs for borrowers, and potential deterioration in credit quality.
Renewable energy transition risk	Rapid shifts toward renewable energy and sustainable business practices may affect traditional industries and local enterprises.	Potential reduction in profitability and repayment capacity of borrowers unable to adapt to changing market conditions.

Existing Social Risk		
Risk	**Description**	**Impact on the Bank**
Poverty and income inequality	Persistent poverty in rural communities limits access to financial services and reduces borrowers' repayment capacity.	Higher non-performing loans (NPLs), reduced market growth, and lower product penetration.
Land tenure insecurity and property disputes	Many rural borrowers lack formal land ownership documentation or face land-related disputes.	Challenges in collateral valuation, loan recovery, foreclosure proceedings, and overall credit risk management.
Public health and safety crisis	Poses a significant threat to the health, safety, or well-being of individuals and communities. (e.g., Covid 19 and other public health concerns).	Disruption of bank operations and physical closures. Loan defaults due to job losses or medical expenses
Financial Literacy Gaps	Limited understanding of financial products and responsible borrowing practices among rural clients.	Increased consumer complaints, credit defaults, and reputational risks.

Emerging Social Risk		
Risk	**Description**	**Impact on the Bank**
Data privacy and cybersecurity risks	Increasing digitalization exposes banks and customers to cyberattacks, phishing, ransomware, fraud, and data breaches.	Loss of customer trust, regulatory sanctions, financial losses, operational disruptions, and reputational damage.
Digital advancement and the technology access gap	Greater reliance on digital financial services may exclude individuals in remote areas with limited internet connectivity and digital literacy.	Regulatory pressure to develop inclusive digital solutions and banking products. Missed business opportunities, financial exclusion concerns, and regulatory pressure to provide accessible banking solutions.
Third-Party and outsourcing risks	Increased reliance on fintechs, cloud service providers, core banking	Service disruptions, cybersecurity incidents, compliance issues, and

	vendors, and payment service providers.	reputational risks arising from third-party failures.

Other sustainability initiatives in adherence to internationally recognized sustainability standards and practices

In response to the growing urgency to address climate change and promote sustainable development, RBSMI has developed its own Sustainable Finance Framework. The Bank integrates environmental and social risk considerations into its governance, risk management, and strategic objectives.

RBSMI had incorporated the Philippines Sustainable Finance Taxonomy Guidelines (SFTG) into the Bank's lending activities. This aims to categorize the environmental objective, assess it through a series of criteria (DNSH, MSS, RMT), and to classify the activity in accordance with the traffic light classification system.

Progress on the implementation of sustainability initiatives

In line with the Bangko Sentral ng Pilipinas (BSP) Circular No. 1085 on Sustainable Finance, RBSMI continues to make significant progress in embedding sustainability principles and initiatives. This is a critical component of the Bank's long-term strategy to manage environmental and social (E&S) risks while supporting the transition to a low-carbon, inclusive, and resilient economy.

A. Governance Framework

To strengthen the Bank's commitment to sustainability, we have embedded Environmental, Social, and Governance (ESG) principles into our governance structures, which include the Board of Directors, Senior Management, and Oversight functions.

B. Risk Management System

Recognizing climate and social risks as material financial risks, the Bank initiated efforts to integrate sustainability into our enterprise-wide risk framework. This year's progress is the capacity building and implementation of the Sustainable Finance Taxonomy in the loan assessment process.

C. Business Strategy and Operation

The Bank made significant strides in embedding sustainability at the core of its business strategy and operational practices. This ongoing transformation reflects our commitment to long-term value creation, environmental stewardship, and social responsibility. For 2025, the Bank provides empowerment mainly to the

Agricultural and MSME sectors, which comprise 84.50% of the loan portfolio, thereby contributing to food security and economic growth. Operational sustainability innovations led to the use of solar-powered buildings and reduced paper use, while promoting efficiency.

RBSMI Sustainability Impact

As the financial sector continues to evolve, sustainability has emerged as a defining element of responsible banking. At RBSMI Bank, we believe that lasting success is measured not only by financial results but also by our positive impact on society and the environment. By integrating environmental responsibility, social commitment, and sound governance into our operations, we strive to generate sustainable value for our customers, communities, and shareholders while preserving resources and opportunities for future generations.

Economic Impact

Fostering Economic and Business Growth

P 3,555,991
Taxes paid in 2025

P 377,827,824.78
SME loan portfolio

P 193,130,354.74
Agriculture, Fisheries, and Rural Development loan portfolio

Enriching Banking Practices

5
No. of Branches

1,336
No. of Loan Accounts

13,219
No. of Deposit Accounts

Providing Positive Social Value

42
No. of Schools provided with support during Brigada Eskwela 2025

Environmental Impact

Waste Management

100%
Compliance with RA 9003, also known as the Solid Waste Management Act

Efficient Use of Energy

100%
Use of LED lights on all branches

1
Solar-powered data center

Social Impact

Diversity and equal employment opportunities

89
No. of employees

56.18%
Female employees

43.82%
Male employees

Inclusive Health Insurance Coverage

68
No. of employees with HMO

Data Privacy and Integrity

0
No. of data breaches

Workplace Health and Safety

0
No. of work-related injuries, severe illnesses, and fatalities

Financial Education Program

2

No. of conducted Financial Literacy sessions at the Barangay level

69

No. of employees trained as Financial Educators

Fostering Mental Well-being

2 Sessions

No. of Sponsored Psychological Assessment Activity

Corporate Gift Giving

75

No. of families gifted with Christmas Hamper Packs

VIII. 2025 Audited Financial Statements (AFS) with Auditor's Opinion (ANNEX A)

COMPLIANCE WITH PART V OF APPENDIX 62 OF THE MORB – DISCLOSURES IN THE ANNUAL REPORTS AND PUBLISHED STATEMENT OF CONDITION

1. Common Equity Tier 1 (CET1)Capital and Breakdown of Components

Tier 1 Capital and a breakdown of its components	
Paid-up Common Stock	60,000,000.00
Deposit for Common Stock Subscription	-
Common Stocks dividends Distributable	-
Additional paid-in capital	-
Retained Earnings	140,855,786.00
Other Comprehensive Income	237,901.00
Less: Deferred Tax Assets	11,597,896.00
Less: Other Regulatory adjustment/Deductions	(2,485,902.17)
NET CET1 Capital	**191,981,693.17**

2. Tier 2 capital and a breakdown of its components

Tier 2 capital and a breakdown of its components	
General Loan Loss Provision	5,198,656.56
Other Qualifying Tier 2 Instruments	-
Less: Regulatory Deductions	-
Total Tier 2 Capital	**5,198,656.56**

3. Total Qualifying Capital

Tier 1 Capital	191,981,693.17
Tier 2 Capital	5,198,656.56
Total Qualifying Capital	**197,180,349.73**

4. Capital Requirements for Credit Risk

Credit Risk Weighted Assets	1,000,192,550.29
Capital Requiremets (10%)	100,019,255.03

5. Capital Requirements for Market Risk

Market Risk Weighted Assets	-
Capital Requiremets (10%)	-

6. Capital Requirements for Operational Risk

Operational Risk-Weighted Assets	126,146,884.52
Capital Requiremets (10%)	12,614,688.45

7. Total and Tier 1 Capital Adequacy Ratio on both Solo and consolidated bases

Total Capital Adequacy Ratio	17.51%
Total Tier 1 CAR	17.04%