

Rural Bank of Sasmuan (Pampanga), Inc.

(Doing business under the name and style of SasBank,
duly approved by the SEC on August 15, 2013)

2023 ANNUAL REPORT

PART I

Corporate Policy

VISION STATEMENT

To be the premier rural bank and a leading pillar in countryside development by promoting inclusive growth through financial inclusion and timely delivery of socially relevant and responsive banking products and services to all our stakeholders and the community we serve.

MISSION STATEMENT

To promote countryside development through financial inclusion by offering timely, socially relevant and responsive banking products and services which address the needs of small farmers and fisher folks, micro, small and medium enterprises (MSMEs), the agri-business sector and all our stakeholders; performed by officers and employees exercising the highest degree of professionalism.

CORE VALUES

Trust and Integrity
Commitment
Sense of Urgency
Service Quality
Excellence

INTRODUCTION OF THE BANK'S BRAND

When Sasbank was established by its founders in 1968 or 55 years ago in the remote municipality of Sasmuan, Pampanga, rural banking was just in its inception stage. It was conceptualized primarily to provide banking services to the unbanked and unserved community in that countryside.

Over the years, the financial landscape has tremendously changed; banking has become very competitive with the entry of commercial banks in the countryside; and even foreign banks entered the local financial market.

But SasBank was unfazed by these developments, and remained steadfast in its mission to serve the countryside. For these reasons, Sasbank has adopted and revised its mission –vision statements. If it has to survive and remain competitive, it must protect and preserve its niche thru personalized service and by promoting countryside development through financial inclusion by offering timely and socially relevant banking products and services which address the needs of its stakeholders in the countryside. Similarly, SasBank recognizes the reality that it must strive to establish branches or even branch lite units only in localities where there are still no formal banking institutions operating and continue its financial literacy program in the countryside-- teaching small farmers and fisher folks and micro, small and medium entrepreneurs (MSMEs) the importance of savings.

To stay competitive, SasBank must continue to discover new banking products and services which are relevant and responsive to the needs of its stakeholders. Above all, in the pursuit of this mandate, its board of directors, all officers and staff must continue to steadfastly adhere to and exercise the highest degree of excellence and professionalism and always **“STRIVE MORE FOR THE BEST SERVICE”** to all its stakeholders in the countryside.

BUSINESS MODEL OF THE BANK

SasBank will adopt the following strategies aiming for the complete reversal of the financial status of the bank and calculated to result in a more sustainable growth and profitable operations:

1. Engage aggressively in deposits generation thru barangay visitation and business mapping;
2. Continue its deposit generation campaign for Basic Deposit Accounts thru visitation of various school campuses in the localities where the Bank has branches;
3. Use signages/tarpaulins and put up a booth per barangay whenever possible as part of its loan and deposit marketing strategy;
4. Build up deposits from major stockholders, directors and officers;
5. Pursue the digitalization program of the Bank in its deposit and loan operations, including the existing POS;
6. Continue to review its deposit rates for time deposits to attract more depositors;
7. Open Branch Lite Units (suspended in the meantime);
8. Engage aggressively in lending operations, and revive the Bank's micro lending program to MSMEs to accelerate economic recovery in the countryside;
9. Continue to increase its new loan products and services (such as duck raising, balut making, parol makers, and farmers of high value crops like garlic and onion, etc.)
10. Pursue the application with the ACPC of the Department of Agriculture (DA) to act as loan conduit subject to compliance of its requirements;
11. Continue to review its lending rates to make it more competitive and attract more borrowers/clients;
12. Strengthen our Credit Risk Management System (CRMS) thru regular and timely relevant training of our Loan Operations Group (LOG) and Credit Investigation, Appraisal and Administrative Department (CIAAD) staff. This can be achieved thru available training programs at BSP, BAIPhil, RBAP, RBRDFI, CCLRB and other training service providers;
13. Strengthen the RARCOM thru trainings and seminars for a more effective qualitative review of the Loan Portfolio and management of risk assets, particularly in the following areas: Past Due loans, loan collection, loan-loss provisioning; disposal of ROPAs and close coordination with collection lawyer;
14. Hire two (2) more account officers and two (2) bank representatives, expected for deployment third quarter of 2024, and such additional personnel as maybe necessary ;

15. Already accredited an Independent Appraiser whose services shall be procured on a need basis;
16. Aggressive disposal of ROPAs;
17. Continue training and education of our directors, officers and staff thru attendance in various webinars/trainings offered by RBRDFI and Confederation of Central Luzon Rural Banks (CCLRB) and PFRB, and other service providers. A continuing competency/skills training program shall be adopted;
18. Hire additional employees, as may be necessary, to augment our succession plan, particularly in the LOG, CIAAD, and branch banking operations;
19. Review the compensation and benefits package for officers and employees to be competitive and to attract quality applicants and retention of employees;
20. The Management Committee shall continue to regularly meet in 2024 and henceforth and enhance the minutes of its meetings;
21. Improve the frequency and quality of internal reports of various committees as a tool for the BOD's and Senior Management's decision making process;
22. Strictly enforce the conduct of the personnel appraisal and performance rating system to further improve the quality of service; and
23. Implement a continuing bank wide reorganization by assigning officers and staff to the positions where they are more effective and efficient based on their skills, competency, trainings and performance.

2. Proposed Target Market

The foregoing strategies are aligned with the Bank's objectives to maximize its financial resources in order to significantly increase its loan portfolio and deposit client base and continuously reduce its past due loans, in order to sustain its profitable operations in 2023. The bank has identified Key Market Segments to focus on.

- POS Clients
- Agri and Poultry suppliers
- Farmers (Palay and Corn; high value crops)
- Existing Depositors without Loans and "Old" Borrowers
- Aquaculture/fishpond operators
- Market Vendors (Daily Collection)
- Reactivation of Dormant Accounts
- Relatives and friends of shareholders, directors and staff
- Commercial establishments in Guagua Pampanga, and within the area of San Fernando, Pampanga and Paombong Bulacan and adjoining provinces in Central Luzon and part of Region I.

More specifically, SasBank will provide valuable and reasonably priced deposit and loans products to the Micro enterprise segment, like:

- Sari Sari Stores / General Merchandise
- Retail Meat, Fish, Vegetables and Fruits Vendors/market stallholders
- Services, e.g. Health care
- Food, food processing and food deliveries
- Manufacturing
- Trading
- Livestock (piggery and poultry)

3. Loans and Deposits Generation

SasBank will expand its client base primarily through the micro savings component of the microfinance loans and also through the aggressive account solicitation efforts by the branch managers, account officers, collectors and bank representatives and other employees. The bank will leverage on the locations of its branches to increase its customer base, loans and deposits levels. Loans and Deposits, e.g. Regular Savings, Basic Deposit Accounts and Time Deposits will be offered to its target markets at competitive rates. The following strategies will be executed:

- a. Area Mapping and Client Orientation
 - Two barangays per branch per quarter
 - Campaign for Basic Deposit Accounts in various school campuses
 - Client orientation per month
- b. Disciplined Sales acquisition process
 - 60 prospects per month; 90% call success rate
 - 5-10 field sales calls per day
 - 10 new customers (depositors or borrowers) per month
 - Submission of Weekly Call Reports and Prospect List and Monthly Sales Activity Analysis
- c. Team Selling
 - Involve the branch personnel by giving them individual targets
 - Telemarketing, e.g. phone calls and SMS follow-ups
 - Centralized text blasts
 - Encourage loan borrowers to open or increase their deposits
- d. Advertisement
 - Posting of signage/tarpaulins/stickers in public utility jeepneys, tricycles, business establishments and schools
 - Providing flyers and posting of tarpaulins
 - Posting of tarpaulins where the ROPA is located
 - Use of social media platforms

e. Customer Service

- Maintain good relationship and stay connected with clients
- Clients visitation to find out their additional needs

4. Focused Collection Effort

- Zero Tolerance for Delinquency
- Weekly Collection Report, Delinquency Feedback
- Restructuring Based on Customers Cash Flow
- Non-renewal of loan accounts with 3-time delinquency
- Encourage on line payment thru the facilities of BDO
- Maximize the use of BDO (inter-branch deposit facility)
- Branch Managers to assist in collection in addition to their deposit generation campaign
- Accelerate Collection Efforts for Delinquent Loan Accounts
- Target Php2,250,000 collection per month
- Foreclosure of collaterals or attachment of property held for safekeeping of long overdue loan accounts
- Aggressive filing of collection cases for long overdue loan accounts by utilizing Small Claims Court
- File motions to revive previously unimplemented court decisions

5. Manpower Plans

- a. Hiring of additional Account Officers
 - Hire two (2) more account officers and two (2) bank representatives; expected for deployment third quarter of 2024, and such additional personnel as maybe necessary
- b. Hiring of one (1) additional credit investigator (CI) and appraiser to augment the CIAAD to augment our succession planning and compliment the aggressive loan production
- c. Training, Mentoring and Development
 - Selling Skills (for Deposits and Loans) Training
 - Micro Enterprise Appraisal Course
 - Enhanced Cash Flow Analysis
 - Mastery of Bank's System
 - More focused training on branch operations

IV. FINANCIAL TARGETS

With the execution of the above strategies and action plans, the 5-year financial forecast is summarized below.

1. Deposit Targets
(Figures in Million Pesos)

	2022	2023	2024	2025	2026	2027
SD Regular	118.362	226.391	231.089	337.316	442.977	547.988
Time Deposit	19.709	21.680	25.152	28.925	33.264	38.254
Total	138.071	248.071	256.241	366.241	476.241	586.241

Distribution of Deposit Targets per Branch:

Sasmuan Head Office P 3.5 Million per month

San Fernando Branch P 3.00 Million per month

Paombong Branch P2.5 Million per month

Notes: 1. Target is an average increase of P 110.00 Million per annum

2. The monthly target increase in deposits shall be net of Withdrawals.

2. Loan Targets

(Figures in Million Pesos)

	2022	2023	2024	2025	2026	2027
Current	104.445	239.904	267.774	343.162	426.098	513.360
Past Due	35.820	25.856	24.181	42.011	57.006	70.502
Total Loan Portfolio	140.265	265.760	291.955	385.173	483.104	583.862

Distribution of loan targets:

Account Officers (4): P5.200 each per month (new or incremental)
total of 20.8M/month for 2023

Account Officers (4): P5.500 each per month (new or incremental)
total of 22.0M/month for 2024

Account Officers (4): P6.250 each per month (new or incremental)
total of 25.0M/month for 2025

Account Officers (5): P6.000 each per month (new or incremental)
total of 30.0M/month for 2026

Account Officers (6): P6.000 each per month (new or incremental)
total of 36.0M/month for 2027

The Bank is projecting P228.80M additional loans for 2023 starting February, P270.00M for 2024, P300.00M for 2025, P360.00M for 2026 and P420.00M for 2027, with average expected repayments of 33% of outstanding loans. With these projections TLP of the Bank will be at 672.271M in year end 2027, and with the improvements in our credit initiation and risk mitigation process, we are targeting to keep our past due level to not more than 10% of the TLP by the end of 2024.

3. Projected Income Statement

	2023	2024	2025	2026	2027
Interest Income ^{1.a&b}	31.880	31.601	41.884	51.373	61.012
Gain on Sale ²	0.754	0.418	0.272	0.208	0.230
Non-Interest Income ³	4.160	4.320	6.000	7.200	8.400
Total Income	36.794	36.339	48.156	58.781	69.642
Compensation & Fringe Benefits	11.115	9.851	10.836	12.462	14.954
Taxes and Licenses	1.938	2.174	2.968	3.681	4.391
Other Admin Expenses	15.738	7.457	17.828	21.393	25.672
Loan Loss Provisioning ⁴	3.582	4.505	8.104	11.704	15.304
Total Expenses	32.373	31.386	39.737	49.240	60.321
Net Income Before Taxes	4.421	4.953	8.420	9.540	9.320
Income Taxes	1.105	1.233	2.105	2.385	2.330
Net Income After Taxes	3.316	3.720	6.315	7.155	6.990

4. Projected Equity

	2023	2024	2025	2026	2027
Equity	40.336	47.851	58.166	69.321	80.712

PART II

FINANCIAL SUMMARY

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FINANCIAL HIGHLIGHTS

Shown hereunder is the two (2)-year comparative presentation of selected profitability, capital, performance and balance sheet data/ratios:

Minimum Required Data	Current Year 2023	Previous Year 2022
Profitability		
Total Interest Income	19,418,380	15,400,881
Total Non-Interest Income	14,057,252	9,376,450
Total Non- Interest Expenses	26,846,860	34,262,596
Pre-provision profit	9,597,653	8,518,951
Allowance for credit losses	5,728,964	13,633,867
Net Income/Loss	3,868,689	(5,114,916)
Selected Balance Sheet Data		
Liquid Assets	32,064,161	28,366,147
Gross Loans	147,078,593	140,265,739
Total Assets	203,460,893	179,492,347
Deposits	148,241,243	138,076,724
Total Equity	41,172,913	29,967,402
Selected Ratios		
Return on Equity	10.88	-15.75
Return on Assets	2.02	-2.99
Capital Adequacy Ratio	16.25	10.69

Capital Structure and Capital Adequacy

	2023	2022
Tier 1 Capital		
Paid up common stock	44,300,000	40,500,000
Retained Earnings	(3,127,087)	(10,532,598)
Undivided Profits		
Deferred Tax Assets	4,339,401	9,007,145
NET TIER 1 CAPITAL	36,833,512	22,460,257
Tier 2 Capital	1,020,190	1,020,190
Total Qualifying Capital	37,853,702	23,480,446
Total Credit Risk-Weighted Assets	232,987,903	219,610,537
1% of Credit Risk-Weighted Assets	1,020,190	1,020,190
NET TIER 2 CAPITAL	1,020,190	1,020,190

Qualifying Capital		
Net Tier 1 Capital	37,853,702	23,480,446
Net Tier 2 Capital	1,020,190	1,020,190
TOTAL QUALIFYING CAPITAL	37,853,702	23,480,446
Risk-Weighted Assets		
Risk-Weighted Assets On-Balance Sheet (BS)	204,200,522	190,174,582
Risk-Weighted Assets Off- BS	-	-
CREDIT RISK-WEIGHTED ASSETS	204,200,522	190,174,582
MARKET RISK-WEIGHTED ASSETS		
OPERATIONAL RISK-WEIGHTED ASSETS	28,787,381	29,435,955
TOTAL RISK-WEIGHTED ASSETS	232,987,903	219,610,53
RISK-BASED CAPITAL ADEQUACY RATIO	16.25	10.69

At present, the Bank has Php100.0 Million, Php45.800 Million and Php 44.3 Million authorized, subscribed and paid up capital stock, respectively. As of year-end 2023, the Bank's total equity stood at Php 41.173 Million from the previous year of Php29.967 Million or an increase of Php11.206 Million.

The Bank's Risk-Based Capital Adequacy Ratio (CAR) stood at 16.25% at year end 2023. This is above the required regulatory limit of 10%. The Bank has not declared any cash dividend.

PART III

Financial Conditions

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Results of Operations

PRESIDENT'S REPORT

I am pleased to report the result of operations for the year ended 31 December 2023.

The Bank made a complete turn around during the year 2023 with a Net Income of Php6.629 million after ACL Provision, from a net loss of Php.830 million in 2022; Net Income after Taxes amounted to Php4.577 million compared to a Net Loss of Php1.744 million or an increase of Php6.321 million or 362.44% from the previous year.

Comparative data of some balance sheet items are as follows:

Accounts	31 December 2022	31 December 2023
Cash, Cash Items and Due from Banks	Php28,364,642	Php32,064,161
Total Current Loans	104,445,339	126,034,184
Total Past Due Loans	35,820,399	21,044,409
Total Loans and Receivables	140,265,738	147,078,594
ACL	21,063,677	17,357,603
Advance Interest	395,943	301,133
Total Loan Portfolio (NET)	118,806,118	129,419,857
SCR	400,000	1,982,716
Bank Premises	8,818,031	15,166,585
Real and Other Property Acquired (ROPA)	6,906,541	3,549,083
Deferred Tax Assets	3,676,075	3,898,533
Other Assets	16,124,593	16,939,090
TOTAL ASSETS	183,096,000	203,020,025
Savings Deposits	118,362,280	123,088,935
Time Deposits	19,708,944	25,152,308
TOTAL DEPOSIT LIABILITIES	138,071,224	148,241,243
Other Liabilities	1,569,733	1,785,603
Accrued Interest Payable	41,777	209,469
Other Taxes & Licenses	462,631	561,138
Income Tax Payable	348,372	-
Deferred Income	6,021,852	-
Lease Liability	3,360,126	10,564,300
Total Liabilities	149,875,715	161,361,753
Paid -in Capital	40,500,000	44,300,000
Retained Earnings	5,536,073	7,218,232
Undivided Profits	(1,743,642)	4,576,504
TOTAL EQUITY	33,220,285	41,658,272
TOTAL LIABILITIES & CAPITAL	183,096,000	203,020,025

Our Total Loan Portfolio (Net) increased by only Php10.614 million. This was due to the fact that in 2023, we have written off Php8.7 million worth of bad loans in order to cleanse our Loan Portfolio. The last write off was made more than six (6) years ago. Despite this write off, our Allowance for Credit Losses (ACL) per books still remains at Php17.358 million or 82.48% of Total Past Due Loans of Php21.044 million.

Our Capital Adequacy Ratio (CAR) ended at a very comfortable level at 16.64% much higher than the 10% minimum CAR required by BSP.

Selected Income Accounts showed the following (in millions):

Accounts	12/31/2023	12/31/2022	Inc./ (Dec.)	% Inc/ (Dec)
Interest Income from Loans	Php21.820	Php16.960	4.860	28.66%
Non-Interest Income	6.154	7.113	(0.979)	(13.76)
Gain on Sale of ROPA	7.903	2.260	5.643	249.69
Gross Income	35.877	26.333	9.544	36.24
Operating Expenses	23.520	22.138	1.382	6.24
ACL Provisions	5.729	5.025	0.704	14.01
Total Expenses	29.249	27.163	2,086	7.68
Net Income after ACL	6.629	(0.830)	7.459	898.67
Net Income After Taxes	4.577	(1.744)	6.321	362.44

While our Gross Income for the year 2023 increased by Php9.544 million or 36.24%, Total Expenses was controlled and increased only by 7.68%, resulting to a complete turn around in the Bank's operations from a Net Loss of Php1.744 million in 2022 to a Net Income After Taxes of Php4.577 million in 2023. Substantial income was derived from the Gain on Sale of ROPA in the amount of Php7.903 million, an increase of Php5.643 million or 249.69% from the previous year of Php2.260 million. We really need to increase our loan production to achieve a sustainable growth for the Bank.

In 2023, our deposit generation lagged very much behind our loan production target. The Loan Operations Group could not go full blast for lack of sufficient loanable funds. This was one of the reasons why our loan portfolio did not increase as expected. Accordingly, the Management has to revise its targeting strategy in 2024.

As of year end 2023, the Bank has complied with its capital build up program (CBUP) under the Rural Bank Strengthening Program (RBSP) as required by BSP Circular No. 1151. If we want to sustain this positive trajectory and improve the Bank's bottom line in the long term, there is a need to fast track the Bank's capital build up program (CBUP) instead of waiting until

2027, so that the Bank can establish more branches or Branch Lite Units.

There is no more looking back. But only move forward and endeavor to work right and harder to sustain this positive growth for the Bank. More than ever, the Management needs the full support of its board of directors and additional capital from the stockholders in order to confront the challenges and fast changing banking landscape brought about by the opening up of the economy and the entry of commercial banks in the countryside thru buy out of existing rural banks.

Moving forward, we shall pursue our digitalization program. There is no other way if we want to be competitive and to promote financial inclusion. The Bank shall recruit more qualified and competent personnel, continue to streamline its work force to make it more efficient and responsive, and continue its human resource development program. We will all strive for Excellence; Mediocrity is a thing of the past.

PART IV

Risk Management Framework

Risk Appetite Statement

I. OVERVIEW

The Rural Bank of Sasmuan, (Pampanga), Inc. or SasBank was established in 1968 pursuant to the Rural Banks Act (R.A. No. 720, as amended) to provide banking services for the needs of the unbanked, the unserved, and the underserved communities in the countryside. The Bank fulfills its mandate under the oversight of its board of directors, board committees and senior management.

The Bank conducts its business by treating the security of its deposits with utmost importance. Its Mission and Vision Statements serve as its North Star with its corporate values as its guiding principle. The fulfillment of its fiduciary responsibility rests on the good reputation that the Bank had enjoyed and continues to enjoy in the community it zealously serves and among its peers.

This Statement has a holistic approach having in mind all the activities of the Bank and the related risks associated with the same. All business plans and strategies are and will always be aligned with this Statement.

II. GENERAL STATEMENT

The Bank faces different kinds of risk in the fulfillment of its function as a rural bank. These risks could be related to credit , liquidity, operational, reputational, legal, market and even environmental and climate change.

The Bank recognizes the risks inherent in its credit activities more specifically those from loans extended to unserved, unbanked and underserved communities. These risks are mitigated by the faithful implementation of credit policies embodied in its board approved Credit Risk Manual. Said manual is revised from time to time through issuances of credit bulletins which offer some latitude for innovation and adjustments attuned to the needs of the market.

Deposit taking and loan generating activities also expose the Bank to liquidity risk which it manages through its Contingency Funding Policy.

The Bank has a low appetite for risk when it comes to its operations. The Bank recognizes the impossibility to completely

avoid operational risks, but has come up with operations manual to mitigate the same.

Legal risks may come in the form of unenforceable or defective contracts or other legal documents or wrong venues in filing legal actions. These are mitigated by continuously reviewing and revising our existing bank forms and discussion with the bank's legal counsel before filing the action. Likewise, the Bank had already issued a policy on Legal Risk Management.

Market risks may take the form of fluctuations in commodity prices of the products purchased or sold by our borrowers or even in the interest rates pricing for loans and deposits arising from competition. This is mitigated thru regular monitoring of the market condition and rates granted by peer banks so as to adjust according to the demands of the market, and thru conservative pricing.

The risks associated with environmental and climate change arising from frequent flooding and typhoons and waste pollution, no doubt have tremendous impact on the businesses of our clients, borrowers and depositors alike, and to the Bank. This can best be mitigated by securing crop insurance coverage for our farmers and fisher folks. The Bank had already adopted its Sustainability Finance Framework as guidance on how to handle risks associated with social, environmental and climate change.

III. RISK MANAGEMENT FRAMEWORK

The Bank's risk management framework aims to ensure effective mitigation of all identified risks and encourages revision to mitigate risks from the previously unidentified ones. Risk management is integral to the bank's system and is the responsibility of everybody in all levels of the Bank. The Board collaborates with senior management in coming up with policies for risk management. Said policies are supported by processes and control procedures designed to ensure that identification, aggregation, mitigation and monitoring capabilities are commensurate to the risk activities of the Bank.

Risk Management System is supervised by the Board of Directors. The Board, at its option, may form ad hoc committees composed of some of its members on a per need basis, to tackle and possibly resolve specific issues on risk management. Resolutions of said committees are then brought to the attention of the Board for approval and/or other appropriate action.

IV. Scope

The Bank's perspective as far as it concerns its prime strategic risk, credit risk, liquidity risk, operational risk and other pertinent risks are described below.

Strategic Risk

The Bank's vision is to be a premier rural bank and a leading pillar in countryside development which will be measured by its ability to provide its services in a timely and effective manner. Given the stiff competition in the banking industry, the Bank has a low appetite to threats that may prevent it from rendering its services in a timely and effective manner. The Bank recognizes that its inability to produce strategic initiatives could greatly affect its relevance in the industry and its overall operations.

Fraud and Corruption

The Bank has zero appetite for fraud or corruption committed by its directors, officers and staff. The Bank enhanced its whistle blower policy that serves as a channel whereby its personnel may provide information on suspicions or commission of fraud or corruption on any level of the Bank. Similarly, the Bank has adopted a policy that any officer or employee who has actual knowledge of the crime being committed by any officer or employee or in a position to know that the same has been committed, and fails to report the incident to Management shall be administratively or criminally liable, as the case may be.

Credit Risk

The Bank caters to communities unserved, unbanked and underserved by mainstream banking and as such traditional methods of credit underwriting may not be squarely applicable thereto. It has a medium appetite for credit risk given its mandate and the need for it to be competitive in order to stay relevant. It has credit policies and procedures in place that govern credit initiation. Said policies and procedures allow some deviations upon proper justifications. Mitigation rests on the deliberations of the approving authority.

Liquidity Risk

The Bank has a low appetite for liquidity risk. It is fully aware that servicing deposits while extending loans poses an inherent risk involving liquidity. It, therefore, has a Contingency Funding Policy in place wherein its Board monitors key liquidity indicators such as its Capital Adequacy Ratio (CAR) and Minimum Liquidity Ratio (MLR), among other things. Said policy also has counter measures in place in case set thresholds are breached. Consequently, the Bank has adopted a Business Recovery Plan.

Operational Risk

The Bank operations involve various risks coming from different areas. The Board has a low appetite for operational risks and has an approved Manual of Operations that sets forth policies, procedures and controls for substantially as much of its operations as possible. Said Manual is updated as needed in order to reflect and cover actual operations. New policies are crafted as the Bank offers new products and services. As a second line of defense, the Bank also has an approved Internal Audit Plan that seeks to ensure that all policies in the Manual are timely and effectively implemented. For purposes of uniformity and consistency in the implementation by our branch personnel, the Bank will issue a Branch Operations Manual within the second semester of 2025.

Compliance Risk

Operating a bank entails reporting and accountability to the Bangko Sentral ng Pilipinas (BSP), including other various government agencies such as the Philippine Deposit Insurance Corporation (PDIC), Securities and Exchange Commission (SEC), and Bureau of Internal Revenue (BIR). The Bank has a low appetite for compliance risk as it sees such risk to potentially affect its over all operations, standing in the community and among its peers. A Board-approved Compliance Manual is in place that aims to stress test different areas of compliance whereby the Chief Compliance Officer of the Bank, the assigned mitigator of compliance risk, may promptly recommend to the board and senior management whatever appropriate actions.

Market Risk

Market risk could still not be avoided even in the operation of the Bank. Its clients are producers of goods and services who are vulnerable to market price fluctuations thereby affecting

their cash flows and eventually their capacity to pay their loans. Thus, in depth analysis of the nature of their products and cash flows are very critical. The Credit Investigation Appraisal and Administrative Department (CIAAD) is tasked to make a more detailed credit investigation and relevant and reliable credit scoring system which are integral and crucial in the decision making process of the Credit Committee and the loan approving authority. As regards interest rates on loans and deposits, the Bank conducts a market survey from time to time to ensure that its rates are competitive to ensure sustainable profitable operations.

Legal Risk

As in any business organization, entering into various contracts or contractual obligations could not be avoided. This is more so in banking, with a lot of legal documents prepared especially in its lending operations. The Bank has a very low appetite for this type of risk. This is managed by reviewing regularly and revisiting its existing bank forms to align with latest laws and jurisprudence to avoid the possibility of contracts entered into being rendered void, voidable, unenforceable or outright illegal. Similarly, regular and timely consultations with the Bank's legal counsel are conducted on certain legal issues. The Bank has adopted a policy on Legal Risk Management to mitigate this type of risk.

Environmental Risk

There is no doubt that all Bank operations can be affected by the risks associated with environmental and climate change, especially so that the country is frequently hit by both natural and man made calamities, such as typhoons, floods and soil and waste water pollution. The Bank feels that it has the duty to educate its employees, clients and communities where it serves against these hazards brought about by environmental and climate change. Thus, a Sustainable Finance Framework Manual was adopted.

V. Implementation

Board committee members and all Managers are responsible for the implementation of and compliance with this Risk Appetite Statement. This Statement is printed together with the Bank's Annual Report which in turn is posted conspicuously in the head office and all the branches of the Bank.

VI. Review

This Statement is reviewed annually to update the same on its relevance to the operations of the Bank. Said review is done by the Board or a board-appointed Ad Hoc Committee. Any changes to this Statement have to undergo Board approval.

Risk Strategy

Banking operations involve the handling of cash and extending of loans in order to generate revenues. The Bank is fully aware that risk is inherent in the business of banking and mitigation is the key to its sustainability. It is the strategy of the Bank to identify all possible sources of risks and to indicate methods whereby the same may be avoided and/or mitigated. Identified methods and processes will then be embodied in policies and procedures which would be approved by the Board and implemented by Management.

Risk Governance Structure

Risk governance is the main responsibility of the Board of Directors. Risk mitigating policies and procedures emanate from the Board and implemented through the President. Front liners are the first line of defense in terms of risk mitigation. They are guided by policies and procedures passed by senior management. Regular audit conducted by the internal audit unit and compliance testing by the compliance unit serve as additional risk mitigation measures.

AML/CFT Governance and Culture

The Board of Directors has the ultimate responsibility for the proper supervision, reporting and compliance under the Anti-Money Laundering Act (AMLA), as amended, and its Implementing Rules and Regulations.

The Senior Management oversees the day-to-day management of the covered persons and ensures effective implementation of AML/CFT policies approved by the Board.

The Compliance Office is responsible in ensuring that covered and suspicious transactions are reported within the required period to the AMLC.

The Bank MTPP is promulgated to prescribe guidelines for the implementation of the AMLA, as amended. The AMLA enunciates

the policy of the State to protect and preserve the integrity and confidentiality of bank accounts and to ensure that the Philippines shall not be used as money laundering site for the proceeds of unlawful activities.

All new account applicants are required to provide valid IDs and proper documentation and pictures. Based on the information provided in the signature card, the new account representative must perform a customer profiling and risk assessment before the account may be allowed to be opened. Any transaction involving the amount exceeding Php500,000.00 shall be reported as covered transaction within five (5) working days to the AMLC. The same principles on customer profiling and risk assessment are being done on loan borrowers and buyers of ROPA.

PART V

CORPORATE GOVERNANCE

Corporate Governance Structure and Practices

Corporate Governance function rests on the Board of Directors of the Bank given its simple classification. The Bank continues to commit itself to the highest standards of good corporate governance by complying with the statutory and regulatory requirements as directed by the regulatory agencies. With good governance, the Bank shall be able to raise investors' confidence, achieve high sustained growth, and maximize the value of the Bank to its stakeholders.

Selection Process for the Board and Senior Management

An Ad Hoc Committee composed of the Chairman of the Board and two other senior members of the Board does the screening for the selection of the members of the Board. Said Committee reviews and evaluates the qualifications of all persons nominated to the Board. It further ensures that each nominated persons should pass the fit and proper criteria of the BSP for the position.

The members of the Board comply with the fit and proper rule of the BSP. Every election, Board members attest that they have all the qualifications required of a director and none of the disqualifications specified under the regulations. Members are apprised of their general and specific duties and responsibilities as directors as prescribed by the Manual of Regulations for Banks (MORB) and are required to certify that they fully understand the same.

The Board of Directors Overall Responsibility

The responsibility of ensuring that the Bank practices good corporate governance rests mainly on its Board of Directors. The Board ensures that it appoints from among its ranks, members of the Audit and Compliance Committee. It also ensures that all members of the Board are fit and proper for the position and receive continuing education to be updated with relevant banking rules and regulations and information.

The Board also ensures that it has an objective performance evaluation of its members and itself as a body. It likewise oversees the remuneration process and crafts policies involving incentives. The Board further ascertains that all related party transactions (RPT), if any, are done at arms length and not to the disadvantage of the Bank and its stakeholders. The Bank has

an existing RPT policy. Similarly, it has a recently approved Remuneration and Fringe Benefits Policies.

MAJOR ROLE AND CONTRIBUTION OF THE CHAIRMAN OF THE BOARD

Atty. Vicente S. Aquino, Chairman of the Board, provides able and steady leadership in the Board. His key role is to ensure that the Board works effectively and maintains a relationship of trust and confidence among its members, all in the pursuit of the best interest of the Bank and all its stakeholders. In view of his vast experience in the legal, regulatory and banking professions he contributes immensely in crafting and providing policy directions for the Bank.

In accordance with Section 132 of the MORB, the Chairman of the board of Sasbank provides leadership among the members of the directors. He shall ensure effective functioning of the board of directors, including but not limited to the following:

- (1) the agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
- (2) that a sound decision-making process is achieved;
- (3) to encourage and promote critical discussion and active participation by all members;
- (4) that dissenting views are expressed and discussed within the decision-making process;
- (5) that members of the board receive accurate, timely, and relevant information;
- (6) the conduct of proper orientation for first-time directors and provide training opportunities for all directors; and
- (7) the conduct of performance evaluation of the board of directors individually and as a body at least once a year.

BOARD COMPOSITION

Name of Director	Type of Directorship	No. of years served as director	Number of direct and indirect shares	Percentage of Share
Ricardo S. Arlanza	Executive	6 years	1,849,960	41.76%
Vicente S. Aquino	Non - Executive	4 years	10	0%
Gerardo C. Balista	Executive	6 years	140,020	3.16%
Nemesiano P. Mogello	Non- Executive	3 ½ years	10	0%
Joselito U. Nicdao	Non- Executive	3 ½ years	140,010	3.14%
Julieta M. Liwanag	Non - Executive	8 years	1	0%
Noel V. Gavino	Independent/ Non- Executive	1 year	10	0%

BOARD OF DIRECTORS



ATTY. VICENTE S. AQUINO, 71

Filipino

Chairman of the Board

Atty. Vicente S. Aquino was elected as the Chairman of the Board in January 2020. He graduated from the Lyceum of the Philippines in 1972 with a Bachelors Degree in Journalism.

In 1975, he took up Bachelor of Laws at the Manuel L. Quezon University, School of Law and graduated in 1979. Before joining Sasbank, he was the Deputy Governor of Bangko Sentral ng Pilipinas and former AMLAC Executive Director.



ATTY. RICARDO S. ARLANZA, CPA, 72

Filipino

Executive Director

Atty. Ricardo S. Arlanza graduated from the University of San Agustin in 1972 with a degree of Bachelor of Science in Commerce, major in accounting. In 1982, he graduated from Manuel L. Quezon University, School of Law with a degree in Bachelor of Laws. He was a former BSP Examiner for nine (9) years. He was a private practicing lawyer, professor of law and bar reviewer in various law schools for twenty (20) years before rejoining the government. In 2003, he was appointed as Undersecretary for Policy, Planning and Legal Affairs of the Department of Agrarian Reform (DAR) during President Gloria Macapagal Arroyo's term. Before joining Sasbank, he retired as Vice President and Legal Counsel of the Landbank of the Philippines.

He was elected to the Board of Directors and as President and CEO of SasBank in May 2018. Currently, he is the Chairman of the Executive Committee, Credit Committee and Management Committee.



GERARDO C. BALISTA, 69

Filipino

Executive Director

Director Gerardo C. Balista graduated from the Polytechnic University of the Philippines (PUP) in 1979 with a degree of Bachelor of Science in Commerce. He has been a member of the board since 2018.

At present, Director Balista is the Treasurer, a member of the Executive Committee, Credit Committee and Management Committee of the Bank.

He formerly chaired the Risk Assets and Review Committee (RarCom) for 5 years.



ENGR. NEMESIANO P. MOGELLO, 70

Filipino

Non-Executive Director

Engr. Nemesiano P. Mogello was elected to the Board of Directors in 2020. He was a member of the Audit and Compliance Committee.

Engr. Mogello obtained his Bachelor in Mechanical Engineering from Siliman University and Bachelor of Laws degree from the Manuel L. Quezon University in 2001. He took and passed the Licensure Examinations for Engineering. He retired from the Social Security System (SSS).



JOSELITO U. NICDAO, 67
Filipino
Non-Executive Director

Director Josecito U. Nicdao graduated from Tarlac College of Technology in 1977 with a degree of Bachelor of Science in Civil Engineering. He was elected as member of the board in 2020.

He is a member of the Audit and Compliance Committee.



JULIETA M. LIWANAG, 68

Filipino

Non-Executive Director

Director Julieta M. Liwanag was elected to the Board of Directors in 2015. She was the Chairperson of Audit and Compliance Committee from 2015 until October 19, 2022. Presently, she is the Chairman of the Risk Asset and Review Committee (RARCom).

Director Liwanag obtained her Bachelors Degree major in Accounting from Guagua National Colleges and Bachelor of Laws degree from Harvardian College in 1989.



NOEL V. GAVINO, CPA, 70

Filipino

Non-Executive Director

Mr. Noel V. Gavino was elected as Independent Director in October 2022. He was the Chairperson of the Audit and Compliance Committee.

Independent Director Gavino graduated from Mapua Institute of Technology in 1973 with a degree of Bachelor of Science in Accounting. In 1974, he took and passed the CPA board exam. He retired from the BSP as Bank Examiner for over 30 years.

BOARD QUALIFICATION

The Bank considers the following as basic qualifications for the members of its Board: integrity, probity, physical and mental fitness; relevant education, financial literacy, training as well as possession of competencies relevant to the job and sufficiency of time to fully carry out his/her responsibilities.

All members of the Board continuously meet all the qualifications and none of the disqualifications under the MORB. All the present members of the board had attended the required seminar on corporate governance

DIRECTORS ATTENDANCE AT BOARD MEETINGS

The Board held thirteen (13) meetings in 2023.

Name of Directors	Number of Meetings Attended
	%
1. Vicente S. Aquino	100%
2. Ricardo S. Arlanza	100%
3. Gerardo C. Balista	92%
4. Nemesiano P. Mogello	100%
5. Joselito U. Nicdao	100%
6. Julieta M. Liwanag	100%
7. Noel V. Gavino	85%
Total Number of Meetings Held During the Year	13

TYPES OF DIRECTORS OF THE BANK AND THEIR ROLE

Executive Directors – directors who currently hold executive positions.

Atty. Ricardo S. Arlanza, President & Chief Executive Officer is an executive director who is involved in the general supervision, administration, and management of Sasbank. His roles include, among others, updating the Board of Directors about the operations of the Bank, the challenges it faces, available opportunities, and developing and suggesting policies and

strategies in order to overcome the challenges faced in the daily operations of the Bank. He also has massive experience in the academe, law practice, agrarian reform and banking.

Non-executive Directors - Those who are not part of the day-to-day management of operations and shall include the independent director.

Independent Directors - directors with no material relationship with the bank.

Sasbank's non-executive directors are not involved in the day to day management and operations of the Bank. There are five (5) non-executive directors who are responsible for oversight function on the business and affairs of the Bank, and one (1) of whom is an Independent Director.

Mr. Noel V. Gavino is the Independent Director of the Bank. His primary role is to ensure that the oversight function of the board is effective. He has been an independent director of the Bank since October 2022.

BOARD COMMITTEES

Assisting the Board in the efficient and effective discharge of its responsibilities are four (4) committees, namely: (1) Audit and Compliance Committee; (2) Executive Committee; (3) Risk Assets and Review Committee and (4) Credit Committee.

Audit and Compliance Committee (ACC)

The Audit and Compliance Committee is composed of three (3) members of the Board who are knowledgeable in accounting, auditing, and other related financial management matters. The committee is composed of non-executive directors and one (1) independent director who is the Committee Chairman. Said committee provides oversight of the Bank's external and internal audit functions as well as its compliance function. It ensures proper implementation of Board-approved policies and procedures. The ACC reports to the board any material breaches in policy for appropriate action.

This Committee is mandated to monitor and evaluate the adequacy and effectiveness of the Bank's system of internal control, risk management and corporate governance.

External Audit

The Audit and Compliance Committee supervises the activities of the external auditor Jackie Lou Ocbenia-Dungca, CPA through review and endorsement to the Board of the Audited Financial Statements for the years ended 31 December 2022 and 2023.

Internal Audit

The Audit and Compliance Committee provides oversight of the Bank's Internal Audit and Compliance Departments through review and discussion of the reports that include the following:

1. Approval of the 2023 Audit Plan, IAD Manual revisions and the monthly audit report of the three (3) branches.
2. Approval of the Compliance Program for 2023, Revision of the Compliance Manual and compliance testing report of the Chief Compliance Officer (CCO).

The Audit and Compliance Committee held twelve (12) meetings in 2023.

Name of Directors	Number of Meetings
	Attended %
1. Noel V. Gavino	100%
2. Nemesiano P. Mogello	100%
3. Joselito U. Nicdao	100%
Total Number of Meetings Held During the Year	12

Credit Committee

The Credit Committee (Crecom) is composed of two (2) members from the Board. Said committee is headed by the President; handles the approval of all loan applications within its authority, and recommends for approval to the Executive Committee or the Board, as the case may be, all loans beyond its authority. The Crecom is also responsible in formulating policies and procedures involving credit activities which in turn are presented to the Board for approval and adoption. Said

committee ensures that the credit risks assumed by the Bank are properly mitigated in accordance with the bank's risk appetite.

The Credit Committee held forty (40) meetings in 2023.

Name of Directors	Number of Meetings
	Attended %
1. Ricardo S. Arlanza	100%
2. Gerardo C. Balista	100%
Total Number of Meetings Held During the Year	40

Executive Committee

The Executive Committee is composed of five (5) members -- three (3) directors – voting members, and two (2) non-voting members. The two non-voting members are the Corporate Secretary and the Chief Compliance Officer who provide guidance and inputs to the committee. Considering that the Board meets only once a month, in order not to delay actions on urgent matters and transactions requiring Board approval, thus the Executive Committee was created. The most common transactions being referred to the ExeCom for approval are loans restructuring and loans where the aggregate amount is beyond the approving authority of the Credit Committee. The ExeCom can act on all matters which are within the competence of the Board of Directors to approve, except those matters expressly reserve only to the Board of Directors under the Revised Corporation Code of the Philippines (R.A No. 11232), the General Banking Law of 2000 (R.A. No. 8791), the New Central Bank Act of 1993 (R.A. No. 7653), the Rural Banks Act (R.A. No. 7353, as amended), and other existing laws and regulations. However, all actions taken up or approved by the Executive Committee are reported to the Board for confirmation after the end of each quarter. As a general rule, the ExeCom does not convene, unless there is an urgent matter for approval. Whenever possible, these matters are submitted directly to the board for appropriate action.

There were no meetings held in 2023.

Name of Directors	Number of Meetings Attended %
1. Ricardo S. Arlanza	
2. Gerardo C. Balista	
Total Number of Meetings Held During the Year	

LIST OF EXECUTIVE OFFICERS/SENIOR MANAGEMENT

Name of Officer	Position/Title	Age	Nationality	Educational Background	Work Experience
Ricardo S. Arlanza	Board Member President & CEO	72	Filipino	BSC-Accounting 1968-1972 Certified Public Accountant 1973; Bachelor of Laws 1978-1982 Passed the Bar - 1983	Bank Examiner-Central Bank of the Philippines 1975-1984 Practicing Lawyer & Professor of Law-1983-2003 Undersecretary - DAR- 2003-2004 Vice President/ Legal Counsel, Land Bank of the Phils. (LBP) -2005-2015 President- - Yolo Holdings Corp. 2016-2018 Chairman/Director, Yolo Holdings Corp. 2018-present
Gerardo C. Balista	Board Member Treasurer	69	Filipino	BS in Commerce 1979	Director - Yolo Holdings Corp. 2016-present
Melchor G. Magdamo	Corporate Secretary	59	Filipino	Bachelor of Arts Social Sciences 1987 Bachelor of Laws 1993	Corporate Secretary and Director - Yolo Holdings Corp. - 2016-present
Joy M. Capulong	Chief Compliance Officer	40	Filipino	Bachelor of Science in Accountancy 2004	Acting Internal Auditor 2017-2023 Accountant - Sasbank 2012-2013

Annalyn E. Mendoza	Acting Internal Auditor	35	Filipino	Bachelor of Science Major in Business Management 2009	Accountant 2017-2023
Melva A. Cajucom	Accountant	28	Filipino	Bachelor of Science in Accounting Technology	General Bookkeeper Sasbank 2016-October 2023
Edley B. Ibay	LOG and CARD Head	35	Filipino	Bachelor of Science in Commerce Major in Banking and Finance	Branch Manager - Rural Bank of Angeles 2018-2022
Bryan Aguilar	CIAAD Head	32	Filipino	Bachelor of Science in Accountancy Major in Financial Managerial Accounting	Account Officer Sasbank - 2018-2021 Direct Sales/Tele Sales Officer - Deem Bank United Arab Emirates November 2021- February 2022
Juvie T. Maninang	Branch Manager	48	Filipino	Bachelor of Science in Accountancy 1998	Officer-In-Charge San Fernando Branch Sasbank 2009-2011
Loinie Ann C. Matias	Branch Manager	36	Filipino	Bachelor of Science in Business Management	Branch Cashier 2015-2023
Ema Joy L. Sibal	Branch Manager	31	Filipino	Bachelor of Science Major in Financial Management	Branch Cashier 2022- August 2023
Nicole Jane D. Maglalang	Human Resources and Administrative Department Head	26	Filipino	Bachelor of Science in Psychology	Huayou Construction Timekeeper/Admin 2022-2023

The Corporate Secretary

The Bank's Corporate Secretary plays a pivotal role in assisting the Board in the performance of its duties. In all activities of the Board, the Corporate Secretary ensures that Board policies and procedures are observed and properly documented.

Atty. Melchor G. Magdamo is the Bank's current Corporate Secretary. He joined the Bank in November 2017.

The Chief Compliance Officer

As stated in the Manual of Regulations for Banks (MORB), the Chief Compliance Officer (CCO) is the lead senior officer for purposes of administering the compliance program and interacting with the BSP on compliance-related issues. The principal function of the CCO is to oversee the design of an appropriate compliance system, promote its effective

implementation and address breaches that may arise. The CCO shall also be responsible for ensuring the integrity and accuracy of all documentary submissions to the BSP. The CCO has a direct reporting line to the Board through the Audit and Compliance Committee.

Joy M. Capulong is the Bank's Chief Compliance Officer. She assumed her position as CCO in July 2013.

Performance Assessment Program

The Bank has Personnel Evaluation and Appraisal System (PEARS) that evaluates the performance of all bank officers and staff. Said system is documented in the bank Employee's Manual. Said evaluation is the basis for the rating of every bank personnel.

Board and Committee Performance Evaluation

The members of the Board conduct an annual self-assessment for the Board as a body and for individual members; performance evaluation of the Audit and Compliance Committee and other board created committees like the Executive Committee, Risk Assets and Review Committee and Credit Committee are likewise conducted once a year. The performance evaluation relates to the mission of the board, duties and responsibilities of the various committees and compliance with the corporate governance standards and practices.

Senior Management and Employees Performance Evaluation

To continuously improve performance and to enhance the existing skills and competencies of employees, Sasbank conducts a yearly performance evaluation of all its officers and employees. Performance evaluation covering various factors such as job functions, interpersonal skills and compliance with Sasbank's internal policies and rules and regulations.

Orientation and Education Program

Bank personnel undergo an on boarding orientation program that involves orienting them on the Employee's Manual and Code of Conduct. All bank officers and staff undergo a seminar on AML/CFT conducted in house or by an outside service provider. Continuing education is done by the Bank and thru webinars offered by various service providers such as the BSP, RBRDFI,

RBAP, CCLRB, etc. most especially for senior management in order to update them on current banking trends and regulations.

To further equip the directors in performing their decision-making functions, they are also required to undergo necessary trainings/attend seminars to keep them abreast of the latest BSP regulations and trends in banking.

A competency and skills training program for all directors, officers and employees for the year 2024 has been prepared.

RETIREMENT AND SUCCESSION PLAN

The Bank has an existing Retirement Plan and a sufficiently funded Retirement Fund in place. This is being maintained with FWD Insurance Company. The premiums are being paid for by the Bank over a maximum five (5) year period for each covered employee. The total amount of premiums paid serves as the seed fund from which the retirement benefits shall be taken. The retirement plan is set for life up to 100 years (benefit period). The moment the employee retires at the age of 60 or 65 or dies while still employed, the employee gets whatever value as computed or stated in the policy. However, this existing Retirement Fund does not cover all officers and employees of the Bank. The present Board is in the process of evaluating on how to further improve the existing retirement package for the employees and to cover more employees. It also has a Board-approved Succession Plan covering all key positions of the Bank across all its branches. The Board had already approved a Retirement Policy which shall cover all officers and employees. The details however shall be provided in the implementing guidelines to be recommended by Management to the Board.

The Board ensures that the Bank has in place an appropriate and updated succession planning for key positions to address any emergency in the event of extraordinary circumstances and ensure continuity of operations.

Board of Directors

Members of the Board of Directors shall hold office for a term of one (1) year and until their successors are elected and qualified. However, in terms of their retirement age and term limit, the Bank takes into account the longer life expectancy and the willingness of the directors to serve even in their senior years. After all, the continued service of the directors is primarily determined on the basis of each director's ability to perform his/her duties effectively and the willingness to serve

regardless of age, with due regard to mental acuity, physical fitness, and the fortitude to actively engage and make a positive contribution in the pursuit of shared goals of the Bank for the benefit of its stakeholders. This, however, does not apply to existing rules and regulations on the tenure/term limit of the independent directors.

Senior Management

The Bank provides a mandatory retirement age of 65 years old for all officers and employees including those in the senior management positions, except the President, Treasurer and Corporate Secretary. This is in accordance with the provisions of R.A. No. 7641. Employees may also opt to retire at 60 years old, which the Bank considers as the normal retirement age in terms of retirement benefits set forth under the existing policies of the Bank. Upon retirement of the employee, his/her services may be continued or extended depending on the result of the evaluation by the Management and/or the Board as to his/her competency and capability to continue working.

REMUNERATION POLICY

The Bank has a remuneration policy that is incorporated in the Bank's Employees' Manual. Said policy covers the performance of all personnel.

All Directors do not receive any salary, except for the President and Treasurer/Director. Each director is paid per diem only and reimbursable gasoline expenses/toll fees for each meeting attended.

It is Sasbank's desire to pay all its officers the wages and salaries that are competitive with other employers in a way that will be motivational, fair and equitable. Compensation increases are adjustments based on their annual performance evaluation. Existing jobs, position classifications and salary are reviewed regularly or upon the instructions of the Board of Directors. The four (4) most highly compensated management officers of the bank are: President & CEO, Loan Operations Group & Collection and Assets Recovery Head, Chief Compliance Officer and (1) Branch Manager.

The Bank recently adopted a Remuneration Policy and a Fringe Benefits Policy which defined the entitlement of each Director for attendance in every board or committee meeting, and to all officers and employees.

RELATED PARTY TRANSACTIONS

The Board of Directors has the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of the Bank, claimants, creditors and other stakeholders.

Senior Management implements appropriate controls to effectively manage and monitor RPTs on per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with Sasbank's and BSP regulations.

The internal audit unit conducts a formal review of the effectiveness of Sasbank's system and internal controls governing RPTs to assess consistency with the board-approved policies and procedures.

The Compliance Officer ensures that Sasbank complies with all relevant rules and regulations more particularly on the reportorial requirements.

Sasbank is expected to identify relevant transactions that could pose a potential conflict of interest, abuse, and material risk to the Bank and its stakeholders. RPTs are generally allowed provided, that these are done on an arm's length basis.

Materiality Threshold – Any financial transaction, arrangement or relationship regardless of the amount involved in any calendar year where a Related Party was or will have direct or indirect material interest. The basis for the materiality threshold is at a level where omission or misstatement of the transaction could pose significant risk to the Bank and could influence the decisions of the Board of Directors.

Per Circular 895 and 969, these shall include, but not limited to the following:

- a) On-and-off-balance sheet credit exposures and claims, write-offs
- b) Investment and/or subscriptions for debt/equity issuances
- c) Consulting professionals, agency and other service arrangements/contracts
- d) Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and

- development, trademarks, outsourcing and license agreements)
- e) Construction arrangement/contracts
- f) Lease arrangements/contracts
- g) Trading and derivative transactions
- h) Borrowings, commitments, guarantees and fund transfers
- i) Sale, purchase or supply of any goods or materials
- j) Establishment of joint venture entities.

All RPTs shall require approval of the Board of Directors through special resolution and the concerned party shall not participate in the deliberations, unless called upon by the board of directors and shall abstain from voting on such resolution.

The price discovery mechanisms used and the results obtained should also be disclosed in the proposal. The price discovery mechanism may include, but not limited to acquiring the services of an external expert, opening the transaction to a bidding process or publication of available property for sales.

To ensure that RPTs are conducted at arm's length basis and in the ordinary course of business, the terms and conditions of the transaction should not be more favorable than similar transactions with non-related parties. The terms and conditions shall include those relating to term, interest rates, fees, collaterals, contract/selling price and other relevant information that will allow a clear determination that no preferential treatment was given to the related party.

The Management shall provide all the relevant material information of the RPT, including the terms of the transaction, the benefits to Sasbank and to the Related Party, and any other relevant matters.

The members of the Board of Directors, Stockholders, and Management shall 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 Sasbank. Directors and officers with personal or pecuniary interest in the transaction shall inhibit from the discussion, abstain from the approval and management of such transaction or matters affecting Sasbank and all its stakeholders.

Sasbank's policy guidelines shall be reviewed and updated when any changes are to be incorporated in the policy due to changes in regulation and/or amendments to existing laws.

Only (1) related party transaction in 2023 involving the sale of service vehicle to bank officer.

SELF ASSESSMENT FUNCTIONS

Board of Directors

The Board of Directors is assigned to facilitate the annual evaluation of the performance and effectiveness of the Board itself as a body, as well its various committees, and its Senior Management. A questionnaire template and/or forms is answered by each member of the Board to evaluate the performance of various committees taking into account different areas of concern and or factors such as the degree of management, effectiveness, overall performance and adequacy of the internal control system.

Internal Audit

The Internal Audit Department is headed by the Acting Internal Auditor. Said department designs an Internal Audit Program and does the audit of all bank operations and reports to the Audit and Compliance Committee on a regular basis to discuss its findings which in turn are reported to the board for appropriate action.

Compliance Office

The Bank has a Compliance Office headed by the Chief Compliance Officer. Said unit does periodic compliance testing in accordance with its designed compliance program approved by the Board. The Chief Compliance Officer reports the results of its compliance testing to the Audit and Compliance Committee, which in turn are reported to the Board for consideration and appropriate action.

DIVIDEND POLICY

The procedures in distributing/paying dividends require prior board approval.

Prior to the declaration, the Board of Directors ensures compliance with the minimum capital requirements and risk-based capital ratios even after dividend declaration. The net amount available for dividend declaration shall be based on the unrestricted retained earnings and undivided profits which

shall be based on a sound accounting system and loss provisioning process that considers relevant adjustments to capital including losses, bad debts and unearned profits or income. However, in the case of stock dividends, Section 42 of the Revised Corporation Code requires prior approval of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at a regular or special meeting called for the purpose.

For several years now up to 2023, no dividend was declared.

CORPORATE SOCIAL RESPONSIBILITY

The Bank has not yet institutionalized a Corporate Social Responsibility program. However, it conducts occasionally gift-giving activities in the community where it operates during Christmas or Bank Anniversary.

CONSUMER PROTECTION

Role and Responsibility of the Board and Senior Management

The Bank has an existing Consumer Protection Program. The Board and senior management are responsible in the development of consumer protection strategy and established an effective oversight over the Consumer Protection Program. The Board is primarily responsible for approving and overseeing the implementation of the Bank's consumer protection policies and to ensure compliance with the said policies. The Senior Management is responsible for the implementation of the consumer protection policies approved by the Board.

Consumer Assistance Management System of the Bank

The Bank's existing policy on consumer protection which aims to improve the right course of action relative to complaints, inquiries and requests coming from all sources where Sasbank is of service, was duly approved by the Board.

The Consumer Assistant Officer receives and acknowledges consumer concerns, records concern in a register, makes an initial interview and investigation of concerns, provides official reply to the customer and prepares and submits report to the Head Consumer Assistance Officer or Consumer Assistance Group. At present, the Branch Managers act as the Head

Consumer Assistance Officer and elevates to the President if the complaint cannot be acted on his/her level.

The Head Consumer Assistance Officer monitors consumer assistance process, keeps track, identifies and analyzes the nature of complaints and recommends solutions to avoid recurrence thereof, and ensures immediate escalation of any significant complaint to the concerned unit/s of the Bank.

The Bank has assigned personnel who will act as Help Desk staff to entertain customer complaints and forward the same to the concerned unit/s, particularly the Branch Head.

Under the newly created website of the Bank, consumer complaints and queries can be done on line.

Sustainable Finance Framework

As a bank that operates in the countryside, we acknowledge that environmental and social (E&S) risks arising from our activities and of our clients have significant impact to the communities that we serve. We aim to identify or determine these risks for us to manage them well, while making sure that we operate our business in a sustainable way. We can only achieve sustainability if we put in the core of our governance, sustainability principles, especially when making decisions, assessing relationships, and creating products and services.

This environment and social risk management policy aims to cover the Bank's lending and back office operations. This framework will be the Bank's guide in incorporating and considering environmental and social risk in the way we extend loans, perform other banking activities, relate with counterparties and formulate our strategic plans. In addition, this framework will help the bank identify, assess, and manage Environment and Social Risks.

The ESRM Policy will be regularly updated as the Bank starts to embark its sustainability journey, improvements and updates will be triggered by gathering feedback from employees, stakeholders, BSP regulations and other best practices on sustainability.

The Bank envisions that it will have a stronger relationship with its clients by making sure that they will not be left behind as the Bank begins its sustainability journey. The Bank will advocate sustainability not only to its employees but especially to its counterparties and clients. It will be sensitive to the transition needs of its clients and will continue to support their financing needs as they transition to an environmentally friendly and socially inclusive business operations.

We believe that thru this framework or policy, the Bank will promote sustainable development and growth to align with the UN Development Goals, bringing its corporate governance in a higher level as it continues to promote transparency, fairness, integrity and accountability.

PART VI

CORPORATE INFORMATION

ORGANIZATIONAL STRUCTURE

(Please see attached ANNEX)

Executive Officers and Senior Management	
President/CEO	Atty. Ricardo S. Arlanza, cpa
Treasurer	Gerardo C. Balista
Corporate Secretary	Atty. Melchor G. Magdamo
Chief Compliance Officer	Joy M. Capulong
Acting Internal Auditor	Annalyn E. Mendoza
Accountant	Melva A. Cajucom
Head, Human Resources and Administrative Department	Nicole Jane D. Maglalang
Loan Operations Group Head, concurrent Collection and Assets Recovery Department Head	Edley B. Ibay
Head, Credit Investigation, Appraisal and Administration Department (CIAAD)	Bryan S. Aguilar
Branch Manager (Sasmuan)	Juvie T. Maninang
Branch Manager (San Fernando)	Loinie Ann C. Matias
Branch Manager (Paombong)	Emma Joy L. Sibal

MAJOR STOCKHOLDERS

Name of Stockholder	Type of Director	Type of Share	Citizenship	No. of shares Subscribed	Paid in Capital	Subscription Receivable	Amount Subscribed	Ratio of Amount Subscribed to Total Subscribed Capital Stock
Yolo Holdings Group		Common	Filipino	1,849,980	18,499,800	-0-	18,499,800	41.76%
Arlanza, Ricardo S.	Regular	Common	Filipino	1,849,960	18,499,600	-0-	18,499,600	41.76%
Pablo, Randy F.	Regular	Common	Filipino	314,837	3,148,370	-0-	3,148,370	7.11%
Balista, Gerardo C.	Regular	Common	Filipino	140,020	1,400,200	-0-	1,400,200	3.16%
Nicdao, Joselito U.	Regular	Common	Filipino	115,010	1,150,100	250,000	1,400,100	2.60%

PRODUCTS AND SERVICES OFFERED:

DEPOSITS

SAVINGS DEPOSIT - is an interest bearing account which may be withdrawn upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook.

BASIC DEPOSIT ACCOUNT - is similar to a savings deposit in operation. The basic differences only are: -- no maintaining balance requirement and the maximum amount of Php50,000.00. Otherwise, it will be converted into a regular savings deposit. The KYC requirement is very stringent. This is primarily aimed to promote financial inclusion.

TIME DEPOSIT - is an interest bearing account which requires a specific amount of funds to be deposited in order to earn interest at a predetermined competitive rate for a fixed period of time/term and evidenced by a certificate/passbook issued by the bank.

LOANS

AGRICULTURAL LOAN

These are loans to farmers usually engaged in the production of palay and/or corn or in the business of aquaculture. Included in this type of loans are those engaged in livestock like poultry, duck raising and piggery. This type of clients normally requires a payment schedule that jibes with the harvest of their crop or livestock.

SMALL AND MEDIUM ENTERPRISES LOAN

This type of loan is extended to small and medium enterprises (SME) as defined by the Magna Carta on SMEs. Borrowers of this type have their own businesses and normally have cash inflows on a monthly basis. Included here are market stall holders, sari sari store owners, operators of carinderias, parol makers, etc.

SALARY LOAN

This type of loan is normally extended to individuals who are on compensation income or have regular cash in flows on a monthly or semi-monthly basis.

HOLD-OUT/ BACK-TO-BACK LOAN

These are loans extended to borrowers who have deposits with the Bank, which they do not want to touch. Said deposits are then voluntarily assigned to the Bank by means of a deed of assignment in exchange for credit.

MICRO FINANCE LOAN

Microfinance loans are designed for borrowers who have their own business and whose net worth are lower compared to SMEs. Normally, these are paid on a weekly or monthly basis.

POINT OF SALE (POS) CARDS

Clients are issued POS/Debit Cards. Cardholders are required to open deposit accounts with the Bank. The issuance of the POS/Debit card is a tie up with BDO. This POS service of the Bank proved very helpful, especially during the pandemic in servicing the encashment by SAP and 4Ps beneficiaries.

BANK WEBSITE: sasbank.org

OFFICES AND BRANCHES**Sasmuan Branch**

Address: SasBank Bldg., Jupiter St. San Nicolas 2nd, Sasmuan,
Pampanga

Email: sasbanksasmuan@yahoo.com

Landline: 0917-712-0170

San Fernando Branch

Address: HPT Building Dolores, City of San Fernando, Pampanga

Email: sasbanksanfernando@yahoo.com

Landline: 0917-703-8097

Paombong Bulacan

Address: SGDC Bldg. Poblacion, Paombong Bulacan

Email: sasbankpaombong@yahoo.com

Landline: (044) 665-0758

PART VII

Audited Financial Statements

(Already submitted April 30, 2024)