

2022  
Annual Report



a Rural Bank  
Philippines

**OUR BRANCHES**

**HEAD OFFICE**

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## CORPORATE PROFILE

At 60 years, Banco Mexico Inc, (A Rural Bank) is a testament of resiliency, strength and stability as it withstood the wave of panic caused by the successive closure of Rural Banks. Over the years, the Bank has shown steady growth in asset size, human resources and operational strength.

Banco Mexico Inc. (A Rural Bank) offers product and services tailor fitted to the needs of its clients which includes deposit taking and lending to both consumers and corporate entities. The Bank has a total of three (3) branches dispersed across the cities and town in Pampanga and Zambales including Mexico, City of Fernando and Olongapo City in Zambales.

At the heart of the bank's operations is its dynamic human resources led by team of professional experts with extensive experience in relative business while the Bank's Board of Directors is composed of experienced individuals from the prominent Family of Lim, Lazatin, Lorenzana, Lising, Panlilio. The customer-centric culture of the bank of the bank evident by its strong commitment to create the most favorable economic condition for its clients, has enabled it to become known particularly in the town of Mexico in Pampanga.

### Brief History

Rural Bank of Mexico, Inc. was registered with Securities and Exchange Commission (SEC) in June 11, 1962 with Registration No. 20863. Consequently, on June 13, 1962, the bank was authorized by the Bangko Sentral ng Pilipinas (BSP) to engage in rural banking business. In 2014, Tune be Investment Corporation has acquired a majority stake in RBMI. In 2018, Bangko Sentral ng Pilipinas has authorized the change of corporate name of Rural Bank of Mexico, Inc. to "Banco Mexico, Inc. (A Rural Bank)". The Bank has registered with the Securities and Exchange Commission (SEC) its Amended Articles of Incorporation and Amended By-Laws bearing its new corporate name and the SEC issued the pertinent certification thereon on 12 March 2018 and 12 March 2018 respectively.

## **Brief History**

Rural Bank of Mexico, Inc. was registered with Securities and Exchange Commission (SEC) in June 11, 1962 with Registration No. 20863. Consequently, on June 13, 1962, the bank was authorized by the Bangko Sentral ng Pilipinas (BSP) to engage in rural banking business. In 2014, Tune be Investment Corporation has acquired a majority stake in RBMI. In 2018, Bangko Sentral ng Pilipinas has authorized the change of corporate name of Rural Bank of Mexico, Inc. to “Banco Mexico, Inc. (A Rural Bank)”. The Bank has registered with the Securities and Exchange Commission (SEC) its Amended Articles of Incorporation and Amended By-Laws bearing its new corporate name and the SEC issued the pertinent certification thereon on 12 March 2018 and 12 March 2018 respectively.

## **Our Mission**

- Help our country achieve financial literacy and awareness.
- Provide a wide array of quality banking services efficiently at reasonable costs
- Actively participate in the rapid development of Central Luzon, particularly Pampanga
- Renew commitment to stockholders and clients, the protection and growth of RBMI assets thru sound management practices

## **Our Vision**

To the Bank of Choice in the fast growing Municipality of Mexico and continuously grow to become a network of Banks catering to the financial needs of Pampanga and Central Luzon.

## ***President’s Report***

*By; Victor Y. Lim Jr*

For the Calendar year 2022 despite being a pandemic year, Banco Mexico Inc. registered an increase of P5M or 12.7% in to P512M in Total Asset over 2021. This was achieved principally because of the increased P51M or 15% in total deposit reflecting the confidence of our depositors in our communities served and in particular Mexico.

Total Net income also improved slightly P7.1M in 2022 over 6.8M in 2021 principally as a result of unrealized gains from foreclosure of property. We were able to control our operating expenses by reducing it somewhat to P16.5 in 2022 from P17.9 in 2021. This was in spite of our resumption of merit increases to staff given starting June 2022 after cease in the pandemic year of 2020 and 2021.

Our principal problems which we humbly recognize remain our high Past Due and low Loan Portfolio. What happened from 2020 to mid 2022 is a substantial reduction in our loan portfolio due to decrease economic activity. Our past due also went up during this period as many of our clients were unable to pay their maturing loan installments due to sickness from COVID or decrease in sales. Total loans decreased from P123M in 2021 to P116M in 2022 resulting in an extremely high liquidity ratio of 84.83% at the end 2022 due to P339M of liquid Assets.

Total past due obligation declared to P45M in 2022 from P55M in 2021 reached high at 29% of total Loan Portfolio. Our CAR end the year at 12% as against 12.38% in 2021. However add the P5M we have in deposit for subscription our CAR would improved to 13.35 %, Likewise our Single Borrowers Limit (SBL) to P13M from our present limit of P11.6M.

Our Main objectives for 2023 are threefold.

1. Reduce Past Due
2. Increase loan portfolio by atleast 10%
3. Improve digitization in our operations both deposit and loans.

## Financial Highlights & SOUNDNESS INDICATORS

| Ratio                       | Formula  | 2022                           | 2021          |               |
|-----------------------------|--|--------------------------------|---------------|---------------|
| Current Ratio               | Current assets   | P276,322,651                   | P236,116,475  |               |
|                             | Divide by: Current liabilities                                   | 388,938,300                    | 339,065,344   |               |
|                             | <b>Current Ratio</b>   | <b>0.71:1</b>                  | <b>0.70:1</b> |               |
| Acid Test Ratio             | Quick assets   | P197,397,234                   | P167,447,246  |               |
|                             | Divide by: Current liabilities                                   | 388,938,300                    | 339,065,344   |               |
|                             | <b>Acid Test Ratio</b>   | <b>0.51:1</b>                  | <b>0.49:1</b> |               |
| Solvency Ratio              | Net income before interest and depreciation and amortization     | P12,801,981                    | P13,326,004   |               |
|                             | Divide by: Total liabilities                                     | 456,916,615                    | 407,224,711   |               |
|                             |  | <b>Solvency Ratio</b>          | <b>0.03:1</b> | <b>0.03:1</b> |
|                             |  |                                |               |               |
| Debt-to-Equity Ratio        | Total liabilities  | P456,916,615                   | P407,224,711  |               |
|                             | Divide by: Total equity  | 55,450,691                     | 48,320,169    |               |
|                             | <b>Debt-to-Equity Ratio</b>                                      | <b>8.24:1</b>                  | <b>8.43:1</b> |               |
| Asset-to-Equity Ratio       | Total assets   | P512,367,306                   | P455,544,880  |               |
|                             | Divide by: Total equity  | 55,450,691                     | 48,320,169    |               |
|                             | <b>Asset-to-Equity Ratio</b>                                     | <b>9.24:1</b>                  | <b>9.43:1</b> |               |
| Debt Service Coverage Ratio | Income before depreciation and amortization , taxes and interest | P14,443,621                    | P15,926,226   |               |
|                             | Divide by: Interest-bearing obligations                          | 447,399,831                    | 397,180,873   |               |
|                             |  | <b>Interest-Coverage Ratio</b> | <b>0.03:1</b> | <b>0.04:1</b> |
| Return on Equity            | Net income   | P7,130,522                     | P6,842,009    |               |
|                             | Divide by: Average equity  | 51,885,430                     | 44,899,165    |               |
|                             | <b>Return on Equity</b>  | <b>0.14:1</b>                  | <b>0.15:1</b> |               |
| Return on Assets            | Net income   | P7,130,522                     | P6,842,009    |               |
|                             | Divide by: Average assets  | 483,956,093                    | 449,618,335   |               |
|                             | <b>Return on Assets</b>  | <b>0.01:1</b>                  | <b>0.02:1</b> |               |
| Net Interest Margin         | Net interest income  | P14,951,494                    | P11,190,956   |               |
|                             | Divide by: Average earning assets                                | 423,846,034                    | 393,680,075   |               |
|                             | <b>Net Profit Margin</b>   | <b>0.04:1</b>                  | <b>0.03:1</b> |               |

### Per Common Share data

|                              |        |
|------------------------------|--------|
| Basic Net Income per share   | -0.02% |
| Diluted Net Income per share |        |
| Book Value per share         | 82.96  |

| Others:                 | 2022 | 2021 |
|-------------------------|------|------|
| Cash Dividends Declared | 0    | 0    |
| Headcount               | 24   | 26   |
| Officers                | 7    | 8    |
| Staff                   | 17   | 18   |

## Capital Structure and Capital Adequacy 2022 2021

### Computation of Qualifying Capital

|   |                   |                       |
|---|-------------------|-----------------------|
| <b>A. Tier 1 Capital</b>                          |                   |                       |
| Core Tier 1 Capital                               |                   |                       |
| Paid up Capital-Common                            | 50,000,000        | 50,000,000            |
| Paid up Capital- Preferred                        |                   |                       |
| Retained Earnings                                 | (5,954,309)       | (13,084,831)          |
| Deductions from Core Tier 1 Capital               |                   |                       |
| Deferred Tax Asset, Net of Deferred Tax Liability | (2,644,944)       | ( 3,955,159)          |
| <b>Total Tier 1 Capital</b>                       | <b>41,401,053</b> | <b>P 36, 815, 169</b> |

### Tier 2 Capital

|                                   |                     |                     |
|-----------------------------------|---------------------|---------------------|
| Paid –Up Capital- Preferred       | P 11, 405,000       | P 11, 405,000       |
| General Loan Loss Provisions      | 1,106,448           | 1,106,448           |
| <b>Total Upper Tier 2 Capital</b> | <b>P 12,511,448</b> | <b>P 12,511,448</b> |
| <b>Total Qualifying Capital</b>   | <b>P 41,062,336</b> | <b>P 39,013,503</b> |

### Capital Adequacy

|                             |              |              |
|-----------------------------|--------------|--------------|
| <b>Tier 1 Capital</b>       | P 35,234,709 | P 31,782,931 |
| <b>Tier 2 Capital</b>       | 12,511,448   | 12,511,448   |
| <b>Total Qualifying</b>     | P 47,746,157 | P 44,294,379 |
| <b>Risk Weighted Assets</b> | P397,849,004 | P326,173,322 |
| <b>Tier 1 Capital Ratio</b> | 8.86%        | 9.74%        |
| <b>Tier 2 Capital Ratio</b> | 3.14%        | 3.84%        |
| <b>Total CAR</b>            | 12.00%       | 13.58%       |

### Capital Requirements for Credit Risks

### Capital Requirements for Market Risks

### Capital Requirements for Operational Risks

## STATEMENT OF FINANCIAL POSITION

### Banco Mexico Inc (A Rural Bank) STATEMENTS OF FINANCIAL POSITION

|  |      | Years Ended December 31 |                     |
|--|------|-------------------------|---------------------|
|  | Note | 2022                    | 2021                |
| <b>Assets</b>  |      |                         |                     |
| Cash and other cash items                              | 7    | P5,431,503              | P6,482,615          |
| Due from BSP   | 7    | 7,774,192               | 7,195,150           |
| Due from other banks                                   | 7    | 158,603,188             | 138,454,581         |
| Restricted cash  | 7    | 16,450,443              | -                   |
| Investment securities                                  | 9    | 152,044,000             | 142,044,000         |
| Loans and receivables                                  | 8    | 116,502,387             | 123,593,468         |
| Investment properties                                  | 10   | 46,590,815              | 26,523,757          |
| Property and equipment                                 | 11   | 3,173,605               | 4,248,514           |
| Net deferred tax assets                                | 19   | 2,644,944               | 3,955,159           |
| Other assets   |      | 3,152,229               | 3,047,636           |
| <b>Total Assets</b>                                    |      | <b>P512,367,306</b>     | <b>P455,544,880</b> |
| <b>LIABILITIES AND EQUITY</b>                          |      |                         |                     |
| <b>Liabilities</b>                                     |      |                         |                     |
| Deposit liabilities                                    | 12   | P389,565,278            | P338,615,673        |
| Due to Philippine Deposit Insurance Corporation (PDIC) | 16   | 56,100,000              | 56,100,000          |
| Deposits for future stock subscription                 | 6    | 5,372,400               | 5,372,400           |
| Lease liabilities                                      | 16   | 1,734,553               | 2,465,200           |
| Income tax payable                                     |      | -                       | 190,452             |
| Other liabilities                                      | 13   | 4,144,384               | 4,480,986           |
| <b>Total Liabilities</b>                               |      | <b>456,916,615</b>      | <b>407,224,711</b>  |
| <b>Equity</b>  |      |                         |                     |
| Capital stock:   | 6    |                         |                     |
| Common   |      | 50,000,000              | 50,000,000          |
| Redeemable preferred                                   |      | 11,405,000              | 11,405,000          |
| Deficit  |      | (5,954,309)             | (13,084,831)        |
| <b>Total Equity</b>                                    |      | <b>55,450,691</b>       | <b>48,320,169</b>   |
|  |      | <b>P512,367,306</b>     | <b>P455,544,880</b> |

See Accompanying Notes to FS

## STATEMENT OF COMPREHENSIVE INCOME

### Banco Mexico, Inc. (A Rural Bank) STATEMENTS OF COMPREHENSIVE INCOME

|  |      | Years Ended December 31 |                     |
|--|------|-------------------------|---------------------|
|  | Note | 2022                    | 2021                |
| <b>INTEREST INCOME ON:</b>   |      |                         |                     |
| Loans and receivables  | 8    | P15,185,845             | P13,016,282         |
| Investment securities  | 9    | 2,579,656               | 2,006,346           |
| Due from other banks   | 7    | 694,433                 | 631,449             |
|  |      | <u>18,459,934</u>       | <u>15,654,077</u>   |
| <b>INTEREST EXPENSE ON:</b>  |      |                         |                     |
| Deposit liabilities  | 12   | 2,300,548               | 3,206,750           |
| Due to PDIC  | 16   | 985,576                 | 1,025,456           |
|  |      | <u>3,286,124</u>        | <u>4,232,206</u>    |
| <b>NET INTEREST INCOME</b>   |      | <b>15,173,810</b>       | <b>11,421,871</b>   |
| <b>OPERATING EXPENSES</b>  | 17   | <b>(16,539,597)</b>     | <b>(17,909,040)</b> |
| <b>PROVISION FOR CREDIT AND IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES</b> | 8    | <b>(2,627,128)</b>      | <b>(7,714,440)</b>  |
| <b>GAIN ON SALE OF INVESTMENT PROPERTIES</b>                               | 10   | <b>-</b>                | <b>13,393,593</b>   |
| <b>OTHER INCOME</b>  | 18   | <b>12,765,077</b>       | <b>10,250,247</b>   |
| <b>INCOME BEFORE INCOME TAX</b>  |      | <b>8,772,162</b>        | <b>9,442,231</b>    |
| <b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>                             | 19   |                         |                     |
| Current  |      | 331,425                 | 3,029,332           |
| Deferred   |      | 1,310,215               | (429,110)           |
|  |      | <u>1,641,640</u>        | <u>2,600,222</u>    |
| <b>NET INCOME</b>  |      | <b>7,130,522</b>        | <b>6,842,009</b>    |
| <b>OTHER COMPREHENSIVE INCOME</b>  |      | <b>-</b>                | <b>-</b>            |
| <b>TOTAL COMPREHENSIVE INCOME</b>  |      | <b>P7,130,522</b>       | <b>P6,842,009</b>   |

See Accompanying Notes to FS

## STATEMENT OF CHANGES IN EQUITY

### Banco Mexico, Inc. (A Rural Bank) STATEMENTS OF CHANGES IN EQUITY

|                                     | Note     | Years Ended December 31 |                     |
|-------------------------------------|----------|-------------------------|---------------------|
|                                     |          | 2022                    | 2021                |
| <b>CAPITAL STOCK</b>                | <b>6</b> |                         |                     |
| <i>Common</i>                       |          | <i>P50,000,000</i>      | <i>P50,000,000</i>  |
| <i>Redeemable preferred</i>         |          | <i>11,405,000</i>       | <i>11,405,000</i>   |
|                                     |          | <b>61,405,000</b>       | <b>61,405,000</b>   |
| <b>DEFICIT</b>                      |          |                         |                     |
| <i>Balance at beginning of year</i> |          | <i>(13,084,831)</i>     | <i>(19,926,840)</i> |
| <i>Net income</i>                   |          | <i>7,130,522</i>        | <i>6,842,009</i>    |
| <i>Balance at end of year</i>       |          | <i>(5,954,309)</i>      | <i>(13,084,831)</i> |
|                                     |          | <b>P55,450,691</b>      | <b>P48,320,169</b>  |

See Accompanying Notes to FS

## STATEMENT OF CASH FLOW

### Banco Mexico, Inc. (A Rural Bank) STATEMENTS OF CASH FLOW

|   | Note | Years Ended December 31 |              |
|---|------|-------------------------|--------------|
|   |      | 2022                    | 2021         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |      |                         |              |
| Income before income tax  |      | P8,772,162              | P9,442,231   |
| <b>Adjustments for:</b>   |      |                         |              |
| Gain on foreclosure of investment properties                        | 10   | (8,157,110)             | (2,489,615)  |
| Provision for credit and impairment losses on loans and receivables | 8    | 2,627,128               | 7,714,440    |
| Depreciation and amortization                                       | 11   | 2,163,019               | 2,020,874    |
| Retirement benefit expense  | 13   | 313,269                 | –            |
| Interest on lease liabilities                                       | 16   | 222,316                 | 230,915      |
| Gain on sale of investment properties                               | 10   | –                       | (13,393,593) |
| Operating income before working capital changes                     |      | 5,940,784               | 3,525,252    |
| Decrease (increase) in:   |      |                         |              |
| Loans and receivables   |      | (8,183,392)             | (21,828,876) |
| Other assets  |      | (104,593)               | 621,086      |
| Increase (decrease) in:   |      |                         |              |
| Deposit liabilities   |      | 50,949,605              | 2,804,448    |
| Other liabilities   |      | (649,871)               | 1,562,153    |
| Net cash generated from (used for) operations                       |      | 47,952,533              | (13,315,937) |
| Income taxes paid   |      | (521,877)               | (2,188,820)  |
| Net cash provided by (used in) operating activities                 |      | 47,430,656              | (15,504,757) |

## STATEMENT OF CASH FLOW

### Banco Mexico, Inc. (A Rural Bank) STATEMENTS OF CASH FLOW

|   | Note | Years Ended December 31 |              |
|---|------|-------------------------|--------------|
|   |      | 2022                    | 2021         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>           |      |                         |              |
| Additions to:   |      |                         |              |
| Investment securities                                 | 9    | (10,000,000)            | (16,000,000) |
| Property and equipment                                | 11   | (350,713)               | (436,548)    |
| Proceeds from sale of investment properties           | 10   | –                       | 34,771,246   |
| Net cash provided by (used in) investing activities   |      | (10,350,713)            | 18,334,698   |
| <b>CASH FLOW FROM A FINANCING ACTIVITY</b>            |      |                         |              |
| Payments of lease liabilities                         | 16   | (952,963)               | (998,550)    |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>      |      | 36,126,980              | 1,831,391    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b> |      | 152,132,346             | 150,300,955  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>       | 7    | P188,259,326            | P152,132,346 |

#### COMPONENTS OF CASH AND CASH EQUIVALENTS

|  |                     |                     |
|--|---------------------|---------------------|
| Cash and other cash items                  | P5,431,503          | P6,482,615          |
| Due from Bangko Sentral ng Pilipinas (BSP) | 7,774,192           | 7,195,150           |
| Due from other banks                       | 158,603,188         | 138,454,581         |
| Restricted cash                            | 16,450,443          | –                   |
|  | <b>P188,259,326</b> | <b>P152,132,346</b> |

#### OPERATING CASH FLOWS FROM INTEREST

|                   |             |             |
|-------------------|-------------|-------------|
| Interest received | P18,408,925 | P14,580,225 |
| Interest paid     | 3,101,585   | 3,098,143   |

#### NONCASH FINANCIAL INFORMATION

|  |    |             |             |
|--|----|-------------|-------------|
| Acquisitions of investment properties through foreclosure      | 10 | P12,647,345 | P11,449,399 |
| Recognition of right-of-use (ROU) assets and lease liabilities | 16 | –           | 1,221,664   |

See Accompanying Notes to FS

## **OPERATIONAL HIGHLIGHTS**



### ***Town Hall meeting for 2022***

*Despite the health, economic challenges in 2022, our strong commitment to our client and good governance allowed us to navigate through these trying times.*

- *Ensure non-disruption of banking services as we continue to deal with the abrupt changes in market preference, economic condition, banking landscape and other effects of the pandemic.*
- *The bank conducted the yearly Town Hall meeting to uphold and sustain the a culture of positive and happy environment. And giving refresher to our employees to the to the best practices in rural banking.*
- *The bank also reiterate the goals and strategic plan of the bank for the year.*
- *The Bank approved the Sustainable Finance Framework of the bank.*

### ***Successful Celebration of the Bank's 60<sup>th</sup> Founding Anniversary***

The celebration of the Bank's 60<sup>th</sup> Founding Anniversary was graced by some of the bank's director's, employees and valued clients of Banco Mexico Inc. The venue of the event at Nicolasa Dayrit- Panlilio one of the historical houses in Pampanga.

## **SUSTANABLE BANKING**

As Banco Mexico Inc. approved the Sustainable Finance Framework of the bank we aim into integrate environmental, social and governance criteria in our strategies to support community growth and beneficial for both clients and society while helping in mitigating pressure on environment. The Bank is committed to uphold social and environmental responsibility by drafting a risk management system that will manage environmental and social risk.

## **RISK MANAGEMENT**

### **Risk Management**

*“We, at Banco Mexico, Inc (A Rural Bank) believe that risk must be taken in a calculative manner to attain great rewards and fulfill our goals. With the growing complexity of risk inherent in today’s banking landscape, Banco Mexico seeks to strengthen risk management across all fronts of the business”*

### **Risk Management Framework**

Banco Mexico adopts risk management practices that allows it to maintain adequate to strong liquidity and capital. This is possible through a rigorous system of identifying, evaluating, controlling/mitigating and continuous monitoring of the risks involved in every transaction, We seek to embed in our culture, a proactive approach in managing our day to day operations and the intrinsic risk thereto.

In 2023, the bank has implement several policies to strengthen credit and operational risk management. Periodic analyses were conduct to ensure that the bank’s exposure to credit, liquidity and market risk are kept at an acceptable level. To mitigate the risk data loss from a myriad of potential IT related crises.

In compliance with BSP Circular 950, further amendments in the bank’s MLPP manual were approved by the board of directors to foster greater due diligence in combating money laundering.

### **Core Principles**

The bank’s risk management framework encompasses the following theoretical underpinnings:

- Everyone at Banco Mexico Inc. shares the common responsibility of managing risk;
- Risk should be managed on an ongoing basis which connotes a continuous process of identifying, measuring, controlling and monitoring of risks throughout the life of a transaction. This then allows the bank adequate information and historical basis to establish effective risk mitigants.
- People remain the bank’s greatest and most critical to attain success. As such, adherence to the highest ethical standards and best human resource practices along with the provision of continuous trainings to hone the skills of the employees are imperative for the success of the bank.

### **Risk Appetite and Strategy**

In line with the belief that success and great rewards are only possible with calculative risk taking, Banco Mexico adopts a conservative approach in accepting and managing risk exposures. The bank has well-defined policies, procedures and limits in place to dictate its risk - taking activities. These limits are regularly monitored and presented to the board of directors.

The bank’s risk strategy is centered around taking risk at an acceptable level with the promise of steady returns.

### **Risk Areas**

Banco Mexico faces risks inherent to the business of banking mainly in the form of credit, market, liquidity, operational and legal risk. The Bank’s risk management framework is geared towards the effective management of these risks.

#### ***Credit Risk***

Credit risk refers to the risk of loss resulting from the inability/ failure of borrower or a counterparty to fulfill it’s financial obligation with the Bank in accordance to the agreed terms of the loan or contractual obligation. Banco Mexico Inc. manage this risk through:

- Use of internal credit risk rating system for corporate and consumer lending;
- Establishment of limits and strict adherence to such limits for the effective management of large exposures, concentration risk as well as exposure to start up businesses, RPT and DOSRI;
- Use of approved Credit Manual in the evaluation/ credit underwriting process for corporate and individual borrowers.
- Continuous development of credit policies and underwriting process to ensure compliance with the standard of due diligence in lending

#### ***Liquidity Risk***

- Liquidity risk pertains to the possibility that the bank may fail to generate the necessary funds to meet its obligations when they become due as well as large and sudden demands for cash from its creditors without excessive costs. Maturity mismatch between the bank’s assets and liabilities exposes the bank to such risk.



### ***Market Risk***

Market risk refers to the risk of loss that the Bank may suffer as a consequence of significant events in the financial market such as changes in monetary policies. The bank's current business activities exposes it largely to interest rate risk which covers the volatility of the bank banks investment.

### ***Operational Risk***

Poor Board and Management oversight, weak internal control, failed and/or inadequate systems, processes and people give rise to operational risk. Operational risk encompasses fraud, operational glitches and strategic risk.

The Bank adopts an ongoing approach in managing operational risk as follows:

- Regular monitoring and evaluation of processes people and systems;
- Implementation of stringent internal control policies.
- Continuous streamlining of business processes.
- Periodic risk assessment of the activities and engagements of the bank particularly those considered critical in the day to day operations of the banks;
- Implementation of an effective incident reporting mechanism;
- Continuous training and development further augmented by periodic performance evaluation.

### ***Legal Risk***

- Legal risk is the risk of financial or reputational loss due to regulatory or legal issues. It is often caused by poorly documented transactions which renders such transactions legally unenforceable along with other adverse consequences. Legal risk may also be result of inadvertent or deliberate non compliance with laws, rules, regulations and ethical standards.
- Banco Mexico manages legal risk through standardization of processes, contracts and documentation requirements. Outstanding court cases, contracts and similar documents are kept in a manner to allow easier monitoring and reporting of the same the legal counsel.

### **Overall governance**

- The Board of Directors sets the risk appetite of the bank and approves risk strategies formulated. The active participation of the board of directors is represented by the ExeCom.

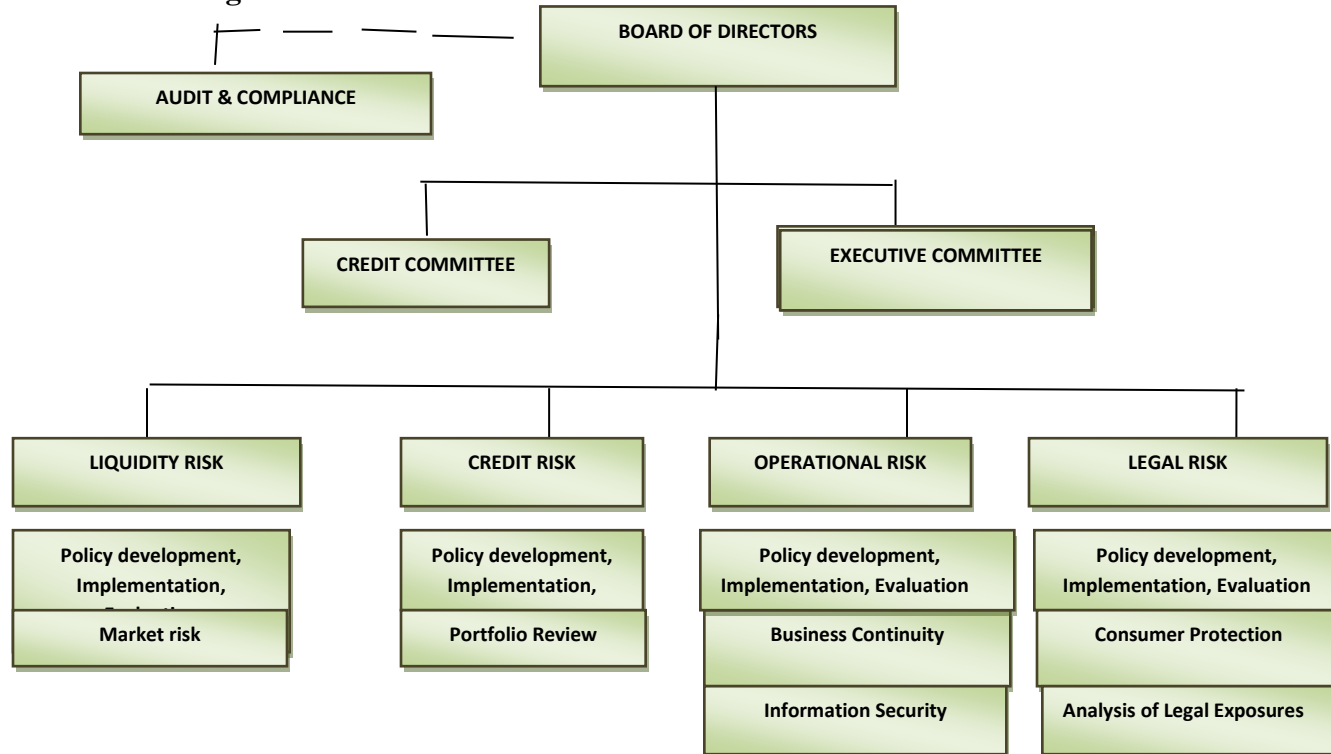
### ***Risk Management Structure***

The bank adopts a three line of defense model in managing risk as follows:

- The process of identifying, evaluating and monitoring of risk integrated in a day to day operations of these units. In addition, business units are responsible for ensuring effective implementation of policies and procedures
- The second line of defense refers to the Audit Committee. The Audit Committee is accountable for the establishment of regular review of the risk management framework, structures, limits-setting and overall oversight of the existing potential risks.
- The third line of defense is represented by the Board of Directors who approves the risk strategy of the bank and aligns the direction of the bank thereto. The same body plans and dictates the actions to be taken to manage risk effectively.

## Consumer Protection

### Risk Management Structure



Banco Mexico Inc. fully supports the policy of the state to protect the interest of the consumers, promote their welfare and to establish standards of conduct for the banking industry. It is one with the Bangko Sentral ng Pilipinas (BSP) in providing disclosure and transparency, protection of client information, fair treatment, as well as financial education and awareness to its consumer.

The Board of Directors has the ultimate responsibility for the level of customer risk assumed by Banco Mexico Inc. Accordingly, the Board approves the Bank's overall business strategies and significant policies, including those relate to managing and taking customer risks. The senior management on the other hand is responsible for implementing a program to manage the customer compliance risk associated with the Bank's business model, including ensuring compliance with laws and regulations both long term and day to day basis. The bank designed an operational channel in handling customers complaints.

#### ROLE OF THE BOARD AND SENIOR MANAGEMENT

The Board of Director shall be responsible for the delivery of effective recourse to its consumers. Pursuant thereto, the Board shall:

- a. Approve the Consumer Assistance policies and procedures;
- b. Approve Risk Assessment Strategies relating to Effective Recourse by the Consumer;
- c. Ensure compliance with the Consumer Assistance policies and procedures;
- d. Provide adequate resources devoted to Consumer Assistance; and
- e. Review the Consumer Assistance policies at least annually.

The Bank's Senior Management shall be responsible for the implementation of the Consumer Assistance policies and procedures.

## MINIMUM REQUIREMENTS

### A. Manual of Consumer Assistance Policies and Procedures

Banco Mexico, Inc. must have a Manual of Policies and Procedures (Manual) in handling consumer complaints, inquiries, and requests from financial consumers. The Manual, as a minimum, provide the following:

1. Corporate structure of the Group on Consumer Assistance with specified roles and responsibilities/tasks;
2. Capability building for Customer Assistance Team ;
3. Consumer Assistance Process and Timeline;
4. Compliant recording/data management system;
5. Risk assessment strategies;
6. Reporting of complaints data to Bank's Board and Senior Management and BSP;
7. System for evaluating effectiveness of the CAMS; and
8. Glossary of technical components in the Manual.

B. A Bank shall have a Consumer Assistance Officer/Independent Business Unit or Group with defined roles and responsibilities in handling consumer concerns.

1. Consumer Assistance Officer. The Consumer Assistance Officer shall have the following responsibilities:

- a. Receive and acknowledge consumer concerns;
- b. Record concerns in a Register/Database
- c. Make an initial review and investigation of concerns;
- d. Process concerns;
- e. Provide official reply to consumer;
- f. Request client feedback; and
- g. Prepare and submit report to the Head Consumer Assistance Officer

2. Head Consumer Assistance Officer. The Head Consumer Assistance Officer shall, as a minimum, perform the following:

- a. Monitor consumer assistance process;
- b. Keep track, identify, and analyze the nature of complaints and recommend solutions to avoid recurrence;
- c. Report to senior management the complaints received on a monthly basis including reasons for such complaints, the recommended solutions to avoid recurrence, and the suggestions for process or personnel competency needing improvement ; and
- d. Ensure immediate escalation of any significant complaint to concerned unit of the Bank.

## CONSUMER ASSISTANCE CHANNELS

1. Consumer may lodge their concerns through any reasonable means, such as, a centralized web-portal, walk-in or personal visit, letter, e-mail, telephone and facsimile.

2. A Bank must maintain a Consumer Assistance Helpdesk or hotline dedicated for customer concerns and service and manned by a Consumer Assistance Group.

3. A Bank shall ensure that consumers know how and where to lodge their concerns.

4. A Bank is encouraged to provide alternative modes of resolution, such as conciliation, mediation and arbitration, in order to achieve settlement of the issues at the Bank level.

## CONSUMER ASSISTANCE PROCESS AND TIMELINES

1. Complaint/Request Simple- Acknowledgment Within 2 days Processing and resolution (assess, investigate, and resolve) Within 7 days if Complex Within 45 days Communication of Resolution Within 9 days if Complex Within 47 days All periods are reckoned from receipt of complaint. Banco Mexico, Inc. Consumer Assistance Management Program A. Receiving and acknowledging complaints/request

i. BMI shall obtain and record the following data from the consumer:

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

ii. The Consumer Assistance Officer must be able to explain the Consumer Assistance process and timelines.

iii. The acknowledgment shall provide an assurance that the Bank is dealing with the complaint, request additional documents, if necessary , and that the complainant shall be kept informed of the progress of the measures being taken for the complaint's resolution.

## B. Investigating and Resolving Complaints

i. A Bank must establish an institutional approach in assessing and investigating complaints/requests and options in resolving them, considering the peculiarities of the complaints/requests and the desired remedies of the party.

ii. If assessment and investigation on complex complaints/requests cannot be completed within the timeframe stated above , complaints shall be informed of the : a. Reason thereof; b. Need for extended timeframe; and c. Date on which the complaint may expect the outcome of the Bank's assessment and/or investigation; Provided, however, that the additional period shall not exceed forty five (45) days. This will afford the complaints opportunity to seek other means to resolve their complaints.

iii. Result of assessment, investigation, and Bank's final response shall be communicated to the complainant in writing in simple and clear language. The Bank shall likewise inform the complainant of the possible remedies available to the party, including resort to BSP Consumer Assistance Mechanism and the courts. Inquiries: Bank must respond to inquiries received, at the latest, by the next business day.

### ***CONFIDENTIALITY***

Bank shall not disclose to third party information acquired from the consumer in all stages of the complaint, except as may be required by the conduct of the Bank's investigation.

### ***CONFLICT OF INTEREST***

A Bank shall ensure that complaints are investigated by a Consumer Assistance Officer who is neither directly nor indirectly involved in the matter which is the subject of the complaint.

### ***CONSUMER FEEDBACK***

1. Subject to the willingness of the consumer, Bank shall ask for feedback on the following matters:

- a. Overall satisfaction (whether satisfied, somewhat satisfied, or dissatisfied);
- b. Processes needing improvement;
- c. Personnel needing improvement; and
- d. Any suggestions for improvement.

2. Consumer feedback may be obtained through a feedback form/customer satisfaction survey available for walk-in complainants, or in the website.

3. Customer feedbacks shall be recorded and analyzed to improve the system and to enhance personnel capabilities in handling complaints.

### ***COMPLAINTS RECORDING/DATA MANAGEMENT***

1. The Bank shall maintain copies of the complaints/requests received, including supporting and other relevant documents thereto, within a period of Two (2) years from the date of resolution.

Digital copies of original documents may be maintained by the Bank in accordance with its Management Information System for record keeping.

2. The Bank shall maintain complaints/ requests register which contains the following information:

- a. Name of the complainant;
- b. Subject/nature of the complainant

The subject/nature of complain may be indicated by the classification, such as those related to deposits, administrative, foreign exchange (if available) remittances, others;

- c. Name of the personnel directly handling /in-charge of the complaint and officer supervising the resolution of the complaint;
- d. Date of receipt of complaint by the Bank;
- e. Actions taken on the complaint or request;
- f. Resolution provided;

g. Date of resolution ; and (The complaint register must reveal the reason in case the date of resolution falls outside the regulatory deadline.)

h. Other information such as, log and details of phone calls made or received.

3.The Head Consumer Assistance Officer shall maintain:

- a. A master register of all complaints received by the Bank and its branches/other offices; and
- b. A complaint database to identify the trend of complaints received, potential problems, and risks.

### ***RISK ASSESSMENT***

Pursuant to the Bank's Consumer Protection Risk Management System, the Bank shall put in place appropriate management controls and take reasonable steps to ensure that in handling complaints/requests, it :

- identifies and remedies any recurring or systematic problems; and
- identifies weaknesses in the Bank's internal control procedure or process.

This may be done by:

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

### ***COMPLAINT REPORTING***

1. Internal Reporting

a. The Consumer Assistance Officers in the branch/es of the Bank shall submit a complaints report to the Head Consumer Assistance Officer on a monthly basis.

b. Complaints report shall be submitted on a monthly basis by the Head Consumer Assistance officer to the Board and Senior Management.

c. The report shall include , as a minimum:

- General category of complaints received;
- Statistics/frequency of said complaints;
- Aging of complaints or requests;
- Explanations on deviations, if any , from required resolution period; and
- General description of resolutions and actions taken to resolve complaints/requests;

d. The report shall include recommendation on how to avoid recurring complaints and suggestions for process/personnel competency improvement, as needed.

e. The report of the Bank Compliance and Internal Audit concerning the independent review conducted on the complaints report, policy recommendations, and consumer protection compliance , shall be elevated to the Board every quarter.

f. The Bank shall include complaints/requests statistics in its Annual Report.

## 2. Procedures

- ✓ Consumer shall refer to clients, depositors, borrowers, senders and beneficiaries of remittance, buyers of ROPA, employees and all individuals or companies that BMI deals with.
- ✓ The consumer may cover the following but not limited to:
  - All banking related concerns (loans, deposit, new accounts, withdrawals, Palawan Express Pera Padala )
  - Comments concerning employees & officers (employee-consumer relationship)
  - Operational and administrative issues
  - Suggestions on services offered by BMI (operations, promotional activities, advertisement, marketing schemes)
- ✓ The consumer complaints, inquiries and request shall be relayed through the following means:
  - Centralized web-portal
  - Walk –in or personal visit
  - Letter
  - E-mail Telephone
  - Facsimile
- ✓ The complaints, inquiries and request shall be relayed through the following contact numbers:
  - For Mexico – (+63)045- 9660730
  - For Ologapo – (+63)047- 222-6267
  - For Sindalan –(+63) 045- 963-2225
- ✓ All complaints, inquiries and request shall be entertained anytime.
- ✓ The Consumer Assistant Officer shall handle all the concerns. He shall take calls and text messages from the aforementioned number.
- ✓ The Consumer Assistant Officer shall list down all the complaints, inquiries and request received during the day in a Daily Monitoring Sheet containing the following:
  - full name and contact details
  - nature of complaints or request and its details resolution requested signature of the complainant/requester
  - name of personnel directly handling/in-charge of the
- ✓ The Consumer Assistant should regularly update the status or the action/s taken for every complaints, inquiries and request received. The Daily Monitoring Sheet shall be consolidated on a monthly basis and shall be forwarded to the Head Consumer Assistant Group every 10th day of the following reference month for notation.
- ✓ The Consumer Assistant Officer should ask for the identity of the consumer at first hand. Nevertheless, the consumer should not be forced or compelled to disclose his identity should he choose to keep his anonymity, except on instances that he has to be contacted for the status or feedback of his concern.
- ✓ However, the Consumer Assistant Officer should also examine the relevance of the complaints, inquiries and request. Irrelevant issues from unruly informants should not be tolerated and entertained. Instead, they shall be politely turned down.
- ✓ The Consumer Assistant Officer should get all the details on where to contact the consumer concerned. For serious matters that involve violation of Code of Discipline and Ethics, the matter has to undergo due process (giving notice to employee, investigation, etc.)
- ✓ The mechanics of this policy shall be made known to the public through a poster which shall be on visible places of Banco Mexico, Inc. ideally on:
  - teller's areas
  - waiting areas or reception areas

## **ANTI MONEY LAUNDERING (AML)**

It is the policy of the bank to protect the integrity and confidentiality of bank accounts and ensure that it shall not be used as money laundering site or a conduit for the proceeds of an unlawful activity. Banco Mexico prohibits and actively prevents money laundering and /or funding terrorist or criminal activities by promoting high ethical standards and complying with relevant laws, rules and regulations.

### ***BASIC PRINCIPLES AND POLICIES TO COMBAT MONEY LAUNDERING AND TERRORIST FINANCING.***

The bank's AML/CFT framework is founded on the following tenets:

- The manner by which business is conducted should be in conformity to the highest ethical standards in order to sustain a sound banking system;
- Protect the bank and its stakeholders from potentially malicious individuals and entities by obtaining adequate information from each client.
- Adopt and implement a sound AML/CFT system that identifies, evaluate, monitors and controls relevant risk;
- Ensure compliance with existing laws to combat money laundering and terrorist financing by institutionalizing shared responsibilities across every member of the organization to combat money laundering and terrorist financing.
- Ensure full cooperation with AMLC for the effective implementation and enforcement of the AMLA and its IRR.

### **AML Initiatives for 2022**

- Employees of the bank particularly the newly hired employees attended seminar on Anti Money Laundering and During the Town Hall meeting the Compliance Officer discussed the key points on AML updates as refresher.
- Digitization of customer records and transactions was fast tracked.

## **BOARD AND SENIOR MANAGEMENT OVERSIGHT**

It shall be the ultimate responsibility of the board of directors to ensure full compliance with the provisions of the MLLPP manual, the AMLA and its implementing rules and regulations, as amended. The Senior Management holds the responsibility over day-to-day oversight of the operations of the bank and ensure effective implementation of the board approved AMLA policies. Likewise, the Senior Management shall be responsible in maintaining proper alignment of business activities with the strategic objectives, risk profile and corporate values set by the board. The Senior Management shall establish a management structure of check and balances that promotes accountability and transparency.

## **NEWLY – ELECTED BOARD OF DIRECTORS**

### ***Michael Paxedes***

*Filipino*

*Independent Director*

*\*replaced by Belen B. Bautista*

### ***Belen B. Bautista , Age:75***

*Filipino*

*Independent Director*

Ms. Belen B. Bautista has been a member of the Board of Directors of Banco Mexico since September 28, 2022. She graduated from Far Eastern University with a bachelor's degree in Commerce Major in Accounting. Likewise, is a Partner in Bautista Pabillion & Associates.

## **BANCO MEXICO BOARD OF DIRECTORS**

**Jose T. Lazatin , Age: 67**  
**Filipino**  
**Chairman**  
**Percentage of Shares: 20%**

Mr. Jose T. Lazatin has been a member of the Board of Directors of Banco Mexico since February 1, 2015 and concurrently holds the position of Chairman. He Graduated from De La Salle University with a bachelor's degree in Management. Likewise, He is the SVP-General Manager/Stockholder of SFELAPCO., Treasurer / Stockholders of Satellite Cable Network., Stockholders of 4 Runner Manpower Services., Director / Stockholders of Balibago Waterworks Inc., Director / Stockholders of Metro Clark Waste Management Corp., Director / Stockholders of PASUDECO., President / Stockholders of OKEELANTA Corp.

**Victor Y. Lim Jr , Age: 74**  
**Filipino**  
**President**  
**Percentage of Shares: 27%**

Mr. Victor Y. Lim Jr has been a member of the Board of Directors of Banco Mexico since 2014 and concurrently holds the position of President. He Graduated from Ateneo De Manila University with a bachelor's degree in Economics and later earned his master's degree in Business Management. Likewise, He is the Chairman / Stockholder of Tune Abe Investment Corporation, Director for Central Luzon of RBAP., President / Stockholders of Yuchengco-Lim Development Corporation., Chairman / Stockholders of V2S Property Developers Corporation., Trustee of Ateneo Scholarship Foundation., Secretary of International Association of Financial Executives Institutes.

**George Juan Rafael G. Lorenzana , Age: 52**  
**Filipino**  
**Director**

Mr. George Juan Rafael G. Lorenzana has been a member of the Board of Directors of Banco Mexico since July 28, 2021. He Graduated from De La Salle University with a bachelor's degree in BS Accountancy and later earned his master's degree in Business Administration in Columbia University. Likewise, He is the President/ Owner of Bedscape Corporation.

**Eduardo Elpidio B. San Juan, Age: 51**  
**Filipino**  
**Director**

Mr. Eduardo Elpidio B. San Juan has been Directors of Banco Mexico since July 09, 2020. He Graduated from University of the East with a bachelor's degree in BSBA major in Accounting. Likewise, He is the Chief Finance Officer and Data Protection Officer of United Philippines Lines, Inc, Head Group Tax of Spiderhook Inc.

**Felicito Victor V. Panlilio, Age: 58**  
**Filipino**  
**Independent Director**

Mr. Felicito Victor V. Panlilio has been Independent Directors of Banco Mexico since July 09, 2020. He Graduated from University of the Philippines with a bachelor's degree in AB Political Science & Economics and later earned his master's degree in Business Management. Likewise, He is the Senior Vice President-General Manager of Bali Champions Bottler Inc.

**Edgardo B. Panlilio, Age: 80**  
**Filipino**  
**Director**

Mr. Edgardo B. Panlilio has been a member of the Board of Directors of Banco Mexico since 2017. He Graduated from Ateneo De Manila University with a bachelor's degree in AB Economics. Likewise, He is the Director / Stockholder of Pirates East Food Ventures, Inc

**Romualdo Nario, Age: 65**  
**Filipino**  
**Independent Director**  
**1 Share**  
**Died: May 2022 \*replaced by Michael Paxedes**

Mr. Romualdo Nario has been a member of the Board of Directors of Banco Mexico since September 2019. He Graduated from University of the East with a bachelor's degree in Business Administration - Major in Accounting. He is Bank Officer of Bangko Sentral ng Pilipinas from December 1979 to March 31, 2009.

| BOD Meetings 2022           |               | SUMMARY OF ATTENDANCE OF DIRECTORS FOR THE MONTHS OF JANUARY-DECEMBER, 2022 |             |             |        |        |         |        |        |          |        |     |             | TOTAL    |
|-----------------------------|---------------|---|-------------|-------------|--------|--------|---------|--------|--------|----------|--------|-----|-------------|----------|
| DIRECTOR'S NAME             | POSITION      | Jan   | Feb         | Mar         | Apr    | May    | June    | July   | Aug    | Sep      | Oct    | Nov | Dec         | Absences |
|                             |               | All present   | All present | All present |        |        |         |        |        |          |        |     | All present |          |
| Jose T. Lazatin             | Chairman      |   |             |             |        |        |         |        |        |          |        |     |             | 0        |
| Victor Y. Lim Jr.           | President     |   |             |             |        |        |         |        |        |          |        |     |             | 0        |
| George JR G. Lorenzana      | Director      |   |             |             |        |        |         | Absent |        | Absent   | Absent |     | Absent      | 4        |
| Felicito Victor V. Panlilio | Ind. Director |   |             |             | Absent |        |         |        |        |          | Absent |     |             | 2        |
| Edgardo B. Panlilio         | Director      |   |             |             |        |        |         |        |        |          |        |     |             | 0        |
| Eduardo Elpidio B. San Juan | Director      |   |             |             |        |        |         |        |        | Absent   |        |     |             | 1        |
| Romualdo U. Nario           | Ind. Director |   |             |             | Absent | Absent | Died    |        |        |          | x      | x   | x           | 2        |
| Michael M. Praxedes         | Ind. Director | x   | x           | x           | x      |        | Elected | Absent | Absent | Resigned | x      | x   | x           | 2        |
| Belen B. Bautista           | Director      | x   | x           | x           | x      |        |         |        |        | Elected  |        |     |             | 0        |

## Senior Management/Executive Officers

### Victor Y. Lim Jr, Age: 76

Filipino

President

Qualifications: Master in Business Management

Expirience: 40 plus years in Banking

### Alexander T. Magsino Age: 67

Filipino

VP- Operations Head/ Treasurer

Qualifications: BS Commerce Major in Accounting

Expirience: 40 plus years in Banking

### Shelarni Amor Bondoc, Age : 42

Filipino/ Acting Chief Compliance Officer

Qualifications: BS Accountancy Graduate, MPA Complete Academic

Requirements Expirience: 11 years Banking

### Charles Carlo A. Galang, Age: 32

Filipino

Acting Internal Auditor

Qualifications:BS Financial Management Graduate

Expirience: 7 years Banking

### Eden G. Pascual, Age: 47

Filipino

HO- Manger/ Corp. Secretary

Qualifications: BS Accountancy Graduate

Expirience: 18 years Banking

### Ronulfo G. Sablaya Age: 70

Filipino

Sindalan –Manager

Qualifications: BSC

Expirience: 35 years Banking

### Shirley C. Tumang, 43

Filipino

Clearing Supervisor

Qualifications: BS Accountancy Graduate, MBA graduate

Expirience: 21 years Banking

| EXCOM Meetings 2023 |          |             |             |             |     |     |      |      |     |     |     |     |             | TOTAL    |
|---------------------|----------|-------------|-------------|-------------|-----|-----|------|------|-----|-----|-----|-----|-------------|----------|
| DIRECTOR'S NAME     | POSITION | Jan         | Feb         | Mar         | Apr | May | June | July | Aug | Sep | Oct | Nov | Dec         | Absences |
|                     |          | All present | All present | All present |     |     |      |      |     |     |     |     | All present |          |
| Jose T. Lazatin     | Director |             |             |             |     |     |      |      |     |     |     |     |             | 0        |
| Victor Y. Lim Jr.   | Director |             |             |             |     |     |      |      |     |     |     |     |             | 0        |
| Alexander Magsino   | VP       |             |             |             |     |     |      |      |     |     |     |     |             | 0        |

| CRECOM Meetings 2023 |          |             |             |             |     |     |      |      |     |     |     |     |             | TOTAL    |
|----------------------|----------|-------------|-------------|-------------|-----|-----|------|------|-----|-----|-----|-----|-------------|----------|
| DIRECTOR'S NAME      | POSITION | Jan         | Feb         | Mar         | Apr | May | June | July | Aug | Sep | Oct | Nov | Dec         | Absences |
|                      |          | All present | All present | All present |     |     |      |      |     |     |     |     | All present |          |
| Victor Y. Lim Jr.    | Director |             |             |             |     |     |      |      |     |     |     |     |             | 0        |
| Alexander Magsino    | VP       |             |             |             |     |     |      |      |     |     |     |     |             | 0        |

| ALCO Meetings 2023 |          |             |             |             |     |     |      |      |     |     |     |     |             | TOTAL    |
|--------------------|----------|-------------|-------------|-------------|-----|-----|------|------|-----|-----|-----|-----|-------------|----------|
| DIRECTOR'S NAME    | POSITION | Jan         | Feb         | Mar         | Apr | May | June | July | Aug | Sep | Oct | Nov | Dec         | Absences |
|                    |          | All present | All present | All present |     |     |      |      |     |     |     |     | All present |          |
| Victor Y. Lim Jr.  | Director |             |             |             |     |     |      |      |     |     |     |     |             | 0        |
| Alexander Magsino  | VP       |             |             |             |     |     |      |      |     |     |     |     |             | 0        |

Note: Audit COM Meeting on November 2022 all Members Director are Present



## **AUDIT COMMITTEE**

It shall be the ultimate responsibility of the board of directors to ensure full compliance with the provisions of the MLLPP manual, the AMLA and its implementing rules and regulations, as amended. The Senior Management holds the responsibility over day-to-day oversight of the operations of the bank and ensure effective implementation of the board approved AMLA policies. Likewise, the Senior Management shall be responsible in maintaining proper alignment of business activities with the strategic objectives, risk profile and corporate values set by the board. The Senior Management shall establish a management structure of check and balances that promotes accountability and transparency. In compliance with the latest regulatory development in anti-money laundering embodied in BSP Circular 950, revisions in the Bank's MLPP Manual were approved by the Board of Directors in November 2018. Bank wide dissemination of the said revisions and AMLA seminars for new employees.

The enhanced MLPP manual aims to foster greater due diligence combating money laundering and financing of terrorism. The MLPP manual further contains comprehensive guideline on the continuous monitoring of accounts and transactions handling and reporting of suspicious transactions and record keeping and retention of data.

The bank intends to increase AML / CFT awareness and consciousness through ongoing employee training. The bank believes that continually educating employees on AML/CFT and enhancement in its AML/CFT risk management system.

## **CORPORATE GOVERNANCE**

### *Framework*

The Board of Directors of Banco Mexico recognizes the importance of good corporate governance and corporate social responsibility in promoting and strengthening the trust of its stakeholders and believes that good corporate governance and corporate social responsibility will enhance shareholder value.

### *Composition*

The business affairs of Banco Mexico is conducted under the supervision and control of Seven (7) Board of Directors, including two (2) independent

### *Selection*

In proposing directors the Board will take into consideration experience in at least one area of significance to the Board (e.g. banking, business, marketing, technology, public service, human resources, finance, accounting, law, management or management consulting); ability to contribute to deliberations of the Board; ability to exercise sound business judgment; ability to think strategically; demonstrated leadership experience; also seeking a high level of professional skill and integrity, as well as other appropriate personal qualities.

### *Overall Responsibility*

The duties and responsibilities of the Board as stipulated by law, the Articles of Incorporation and By Laws.

### *Chairman's Role*

In accordance with BSP issued Circular 969, The Chairperson of the board of directors of Banco Mexico 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:

- Ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
- Ensure a sound decision making process;
- Encourage and promote critical discussion
- Ensure that dissenting views can be expressed and discussed within the decision-making process;
- Ensure that members of the board of directors receives accurate, timely, and relevant information;
- Ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors; and
- Ensure conduct of performance evaluation of the board of directors at least once a year.

## ***BOARD COMMITTEES***

### ***Asset Disposal Committee***

Chairman:  
Jose T. Lazatin

Members:  
Victor Y. Lim Jr.  
Alexander T. Magsino

#### ***Function:***

Shall be responsible in defining pricing objectives for acquired and determine limits and guidelines to achieve the bank's profitability targets;

- a. Oversees management of the Bank's asset acquired.
- b. Monitor activities concerning Bank's disposition of ROPA.
- c. Review status and condition of real assets and valuation of the asset acquired.

### ***Asset Liability Committee***

Chairman:  
Victor Y. Lim Jr

Members:  
Eden G. Pascual  
Shirley C. Tumang  
Chynna S. Dimaun

#### ***Function:***

- a. To consider Bank's Business plan and annual budget for presentation to the Board of Directors
- b. To consider investment in securities and expenditures, according to the bank's regulations.
- c. To consider and approved interest rates.
- d. To consider Bank's liquidity and availability of funds.

### ***Credit Committee***

Chairman:  
Victor Y. Lim Jr

Members:  
Alexander T. Magsino

#### ***Function:***

- a. Process, scrutinize, and recommend the or rejection of applications for loans within the scope of its authority. No loan shall be made unless the application has received the unanimous approval of the Credit Committee present at the meeting at which such action is taken.
- b. Approve industry and loan concentration limits and monitor compliance with such limits
- c. Periodically review management's strategies and activities for managing credit risk, including establishment of business metrics, compliance with underwriting standards.

### ***Audit Committee***

Chairman:  
Romualdo U. Nario  
replaced by Director Praxedes

Members:  
Felicito Victor V. Panlilio  
Edgardo B. Panlilio

#### ***Function:***

- a. Evaluation of the adequacy, efficiency and effectiveness of internal control, risk management and governance systems in the context of current and potential future risks.
- b. Review of reliability, effectiveness and integrity of management and financial information systems, including the electronic information system.
- c. Review of the system and procedures of safeguarding the bank's physical and information assets.
- d. Review of compliance of activities with relevant laws, rules and regulations.
- e. Review of the compliance system and the implementation of established policies and procedures.
- f. Review of areas of interest to regulators such as, among others monitoring of compliance with relevant laws, rules and regulations, including but not limited to the assessment of the adequacy of capital and provisions, liquidity level : regulatory and internal reporting.

## **Review Process by the Board:**

### ***Performance Assessment***

Banco Mexico Inc. Board recognizes their commitment to observe ethical standards in their business dealings to uphold full compliance with all the applicable laws, rules and regulations.

A set of questionnaires/ forms is answered by the Board of Directors to evaluate the performance of as individual Directors, board as a body and the various committees.

### ***Audit & Compliance***

Internal audit and compliance functions are designed as an integrated process, independent from the business operations they assess to effectively manage its business risks and promote compliance with pertinent banking laws, rules and regulation, policies, standards and provide reasonable assurance regarding achievement and effectiveness and efficiency of operation and reliability of financial reporting.

The Chief Compliance Officer is directly reporting to the Board of Directors. On behalf of the Board the Audit Committee oversees the monitoring and review of the internal control system. Since the Committee receives reports from compliance and internal auditor, it provides the link between the auditors and the Board.

## **RETIREMENT AND SUCCESSION POLICY**

The Board of Directors of Banco Mexico Inc (A Rural Bank) approves the following retirement benefit and separation of officers and staff of Banco Mexico Inc (A Rural Bank).

- a. Any officer or staff who has served for at least five (5) years to ten (10) years shall receive a retirement and/or separation pay equivalent to twenty percent (20%) of the last monthly salary per year of service.
- b. Any officer or staff who has served for at least eleven (11) years to fifteen (15) years shall receive a retirement and/or separation pay equivalent to forty percent (40%) of the last monthly salary per year of service.
- c. Any officer or staff who has served for at least sixteen (16) years to twenty (20) years shall receive a retirement and/or separation pay equivalent to Sixty percent (60%) of the last monthly salary per year of service.
- d. Any officer or staff who has served for at least twenty one (21) years to twenty five (25) years shall receive a retirement and/or separation pay equivalent to eighty percent (80%) of the last monthly salary per year of service.
- e. Any officer or staff who has served for at least twenty six (26) years to thirty (30) years shall receive a retirement and/or separation pay equivalent to one hundred percent (100%) of the last monthly salary per year of service.
- f. Any officer or staff who has served for at least thirty-one (31) years and above shall receive a retirement and/or separation pay equivalent to one hundred twenty percent (120%) of the last monthly salary per year of service.

Provided, that the compulsory retirement age is sixty (60) year old. However, an officer or staff or staff of the bank may continue to render his or her services beyond the compulsory retirement age at the discretion of the management, on a case to case basis.

### ***Retirement Age for Directors & Term Limits***

No age limit for Directors and at the same time owner, otherwise 80 years old

Independent Director six (6) years term

Non Independent Director ten years (10) term

### ***ACCOUNTABILITY AND REWARDS***

In order to ensure fair treatment and responsible business conduct of personnel engaged in consumer relations, a performance appraisal system which considers the performance of the personnel assigned to managed/handle complaints shall be put in place. The performance appraisal of the personnel shall be linked to their efficiency in handling consumer complaints. This could be done through reward/remuneration for excellent behavior.

### ***EMPLOYEE APPRECIATION***

At Banco Mexico, we endeavor to make employee appreciation one of our organizational priorities.

### **REMUNERATION POLICY**

The bank provides competitive compensation and appropriate benefits to regular and probationary employees. Salaries are paid on a bi-monthly basis. Employees are also given Christmas Bonus, 13<sup>th</sup> month Pay. For regular employees, the bank also provides annually Health Insurance Policy (Maxi Care).

The Salary of the President is determined by the Chairman, President and Treasurer also they are major shareholders of the bank, based on the financial capability of the bank.

### **RELATED PARTY TRANSACTIONS**

#### **Material Related Party Transactions**

The Bank do not have material related party transactions (RPTs) for the year 2022.

#### **Roles of Senior Management**

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

## **AML GOVERNANCE AND CULTURE**

### **INTERNAL CONTROL AND PROCEDURES**

A. It is the bank's policy to adhere to the recognized standards and procedures of internal control aimed at preventing and impeding money laundering. Ensuring that the Bank and its employees are aware of the provisions of the AMLA, its implementing rules and regulations, as well as all reportorial and compliance control and procedures that the AMLC have established, the Supervising Authority and each covered institution.

B. The bank see to it that its policies and procedures for dealing with money laundering, reflecting the requirements under the AMLA and its implementing rules and regulations, are clearly set out.

C. Bank policies and procedures cover among others:

1. The bank will regularly communicate to its officers and employees any policies relating to money laundering, including timely disclosure of information and internal audits to ensure compliance with policies, procedures and controls relating to money laundering;
2. On the account opening and customer identification, including requirements for proper identification;
3. On the maintenance of records;
4. The bank compliance with the requirement of the AMLA, as amended, its Revised Implementing Rules and Regulations, and all Circulars issued by the BSP and the Anti-Money Laundering Council;
5. The bank cooperation with the BSP and other relevant authorities.

D. The bank established written internal reporting procedures:

1. Enabling all banks' directors, officers, employees and all key staff to know to whom they should report any knowledge or suspicion of money laundering activity.
2. Ensuring of the bank clear reporting chain under which suspicion of money laundering activity will be passed to the Compliance Officer, in accordance with the reporting procedures of the Bank
3. The Compliance Officer should consider any report in the light of all relevant information available for the purpose of determining whether or not it gives rise to a knowledge or suspicion of money laundering.
4. The Compliance Officer should have a reasonable access to any other information which may be of assistance in the determination as to whether or not a suspicious transaction report is to be filed.
5. Upon determination of the suspicious nature of the report, the information contained therein is disclosed promptly to the AMLC.
6. Maintain a register of all reports

## COMPLIANCE

A. The bank have appointed a Compliance Officer to advise its management and staff on the issuance and enforcement of in-house instructions to promote adherence to the AMLA, as amended, the Implementing Rules and Regulations of the AMLA, its Money Laundering and Terrorist Financing Prevention Program, including personnel training, reporting of covered and suspicious transactions, and generally, all matters relating to the prevention of money laundering.

B. A Compliance Officer shall be:

1. A senior officer with relevant qualifications and experience to enable him to respond sufficiently well to inquiries relating to the relevant person and the conduct of its business;
2. Responsible for establishing and maintaining a manual of compliance procedures in relation to the banking transactions;
3. Responsible for ensuring compliance by the staff of the bank with the provisions of the AMLA, as amended, its Implementing Rules and Regulation and with the bank's policies and procedures;
4. Responsible for disseminating to the Bank's board of directors, officers and all employees the memorandum, circulars, resolutions, instructions, and policies issued by the AMLC and by the BSP in all matters relating to the prevention of money laundering;
5. The liaison between the bank and the AMLC in matters relating to compliance with the provisions of the AMLA and its Implementing Rules and Regulations;

## TRAININGS

A. It is the bank's policy to enhance human resources development through training and seminars. The bank has its own personnel development program lined up to provide efficient, adequate and continuous education and continuing training for all its staff and personnel, including directors and officers, to ensure that each of them are fully aware of their personal obligations and responsibilities in combating money laundering and to be familiar with its system for reporting and investigating suspicious matters. Whenever there are training and seminars sponsored by the Rural Bankers Federation or the BSP Institute, the bank encourages the concerned personnel to attend such seminar.

B. The President continuously plans and determines the training required for the entire personnel of the bank. Training programs are designed to enhance employee's competence and technical knowledge which includes awareness of their respective duties and responsibilities under the MLPP particularly in relation to the customer identification process, record keeping requirements and CT and ST reporting and ample understanding of the internal processes including the chain of command for the reporting and investigation of suspicious and money laundering activities.

C. The bank conducts its own training programs for its personnel on various aspect of bank's operation. Training and seminars are designed for various levels of positions, such as:

### 1. New Staff

The training and seminars subject will be on the background of money laundering, the need to be able to identify suspicious transactions and reporting such transactions to the higher level.

### 2. Cashiers/Tellers/New Account Personnel

Personnel who deal directly with the clients are the first point of contact with potential money launderers so they have to be trained to identify suspicious transactions and on the procedure to be adopted when a transaction is deemed to be suspicious. "Front-line" staff needs to attend seminars and be trained to make them aware of the bank's policy in dealing with non-regular customers particularly where large cash transactions are involved and the need for extra vigilance in cases under suspicious circumstances.

### 3. Managers and Officers

The training programs and seminars for the managers and officers are at a higher level of instruction covering all aspects of money laundering procedures. This include the offences and penalties arising from the AMLA, procedures relating to service of production and restraint orders, internal reporting procedures, and the requirements for verification of identity and the retention of records.

D. Continuous communication is maintained with other rural banks, government and other related agencies in order to be updated on the latest seminars/training being offered. Attendance to seminars and training are programmed so that all employees may be benefited.

E. Re-entry plans are monitored and evaluated.

F. Annually, the bank conducted a refresher training to remind the officers and employees of their responsibilities and to make them aware of any changes in the laws and rules relating to money laundering, as well as the internal procedures of the bank with regards to the covered transactions especially suspicious transactions.

G. The Bank's annual AML training program and records of all AML seminars and trainings conducted by the Bank and/or attended by its personnel (internal or external), including copies of AML seminar/training materials, shall be appropriately kept by the compliance officer and should be made available during periodic or special BSP examination.

## TRAINING & DEVELOPMENT

In 2022, the Management headed by the President and Vice President introduced a general assembly (Town Hall) at the same time in house training where the comprehension of new learnings and techniques.

- Work Etiquette
- Good Customer Service
- Risk consciousness awareness
- Updated policies on (AML & Credit)

## **Dividend Policy**

The President committed to the stockholder & employees' as early of 2019 and year after that the Bank will give profit sharing if the Bank will have Five Million (5M) Net Income after provision. Unfortunately the Bank did not meet the P5M net income after provision.

## **Corporate Social Responsibility Initiatives**

The bank yearly donates in Fiesta Committee of Sta Monica Parish and in the activities of the town of Mexico, Pampanga (ex. Fun Run activities). Likewise, Sponsor the cash award of Mexico Elementary School first honorable mention awardee.

## **Products & Services**

- **Products**
  - Deposits
  - Loans
  
- **Services**
  - Deposits
  - Savings Deposit
  - Special Savings Deposit
  - Time Deposit
  - Current Account
  - Loans
  - Agricultural Loans
  - Commercial loans
  - Car Loans
  - Salary and Consumer Loans
  
- **Other Services**
  - Foreign Exchange
  - Remittances (Palawan)
  - Utility Bills Payment



