



# ABOUT THE COVER



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# CORE VALUES



## GOD-CENTEREDNESS

Places God at the center of all activities and undertakings, and embodies this in all aspects of social, professional, and personal life.



## INTEGRITY

Aims to achieve the highest work performance according to the standards of RAFI wherein transparency, proper communication and adherence to ethical procedures are delivered in all transactions.



## RESPECT

Maintains respect for all people without prejudice to status as the appreciate, recognize, and encourage innovations and contributions of other people by keeping an open mind.



## SERVICE

Provides services that create impact to RAFI and the communities we connect with, by actively giving ideas, innovative solutions and talents.

## MESSAGE FROM THE CHAIRMAN



### MIKEL ALBERTO M. ABOITIZ

CHAIRMAN, RAFI MICRO-FINANCE

In its five decades in service, RAFI Microfinance has encountered countless challenges that threatened to disrupt our operations and the lives of the people we wished to serve. But over the years, through focused collective effort, we have always found ways to emerge from each crisis triumphantly. One of the main things that fueled us through those tough times was our unwavering need to serve—to touch lives and shape the future in our own ways.

This sense of service was put to the test last year, when a pandemic crippled almost every corner of the globe. It was a time unlike anything we'd ever had to deal with before. That is why right now, I want to extend my deepest appreciation to those who stood with RAFI MFI during those difficult times. I am also filled with gratitude for simply being able to greet you on the other side of this dark time.

Although we may not be able to predict what will happen in the future, may we cherish the wonderful moments that we have now and celebrate the achievements that we have gained so far. For RAFI MFI in particular, I commend the team for the successful implementation of several initiatives in response to the COVID-19 pandemic. Even with little time and limited mobility due to the nationwide lockdowns, you have been able to help through our products and services, as well as the efforts of our branches and trust staff.

The prompt realignment of goals and objectives was testament to just how much we value helping not only our client-beneficiaries but also our own employees and, above all, the community as a whole.

We can't rest easy, of course. We are not out of murky waters just yet, which is why I implore all of you to stay cautious—follow health and safety protocols, sanitize whenever you can, and most importantly, look after one another in these unprecedented times.

May your well of hope never run dry. Let us continue inspiring and guiding each other as we set our course onward to a new journey. As for the challenges that the coming years will bring, always remember, "Bugsay lang kanunay!"



## MESSAGE FROM THE PRESIDENT

RAFI Microfinance has grown from simply assisting impoverished homes in the neighborhood to becoming a stable force in the community. Over the years, we have proven that we are one strong organization, capable of going above and beyond our original aim. From making sure that many families maintain a financially sustainable lifestyle to giving a lifeline to the communities we serve, we as an organization have reached countless feats through sheer will and perseverance.

Our collective effort has ensured that no family is left behind. Those who dream of a better life can now actually take a step towards it. But no matter how strong and united we have become, nothing could have prepared us for the challenges that the year 2020 has brought.

The COVID-19 pandemic put all the plans we initially had for the year on hold. It didn't only affect us. It also affected countless other companies, families, and individuals who once had greater plans for the year ahead. It knew no gender, race, or wealth. Most importantly, it made people in underprivileged communities suffer even more. Threats of unemployment plagued these communities. Even more concerning is the loss of their livelihood and the financial burdens that the disease has brought.

The world quickly turned from a place rife of opportunities to one that's cruel and harsh. Amidst the chaos, RAFI MFI wanted to shed some ray of hope to those who almost lost them.

That's when our Walang Iwanan Campaign was put into action.



This campaign became the cornerstone that pushed for more efficient community-outreach project flow. This means that the process we have for emergency response situations is now faster and stronger than ever.

More importantly, we wish to help families start anew with their lives. Although the pandemic has put the world at a standstill, we wanted to make sure that their lasting effects won't hamper the spirit and faith of the families we care so much about.

Our customer's success has been the cornerstone by which we build our projects and campaigns around. That is why for such a challenging year, it was imperative to come up with projects that would deal with the present dangers of COVID-19.

All of this would not have been possible without the dedication of everyone who worked to make these ideas a reality. The entire RMF team has been unfailingly supportive of all of our initiatives. The Board of Trustees has been looking forward to the positive changes that these projects will bring about since day one. It is also heartening to see how RAFI Microfinance, a program unit that began with fewer than a hundred clients, has grown to serve close to half a million clients now.

I have nothing but the deepest gratitude to the nanays (and tatays) who remained steadfast in their determination to overcome adversity. They had to go through a gruelling year, but with tenacity and determination, they were able to find their way back up again. Inspiring stories of empowered people – this is just one of the reasons we exist in the first place.

Take solace in the fact that we have changed people's lives; this has always been at the heart of who we are. All I ask now is solidarity for those who have suffered and restlessness for all the future campaigns we have for those that survived the turbulence of the COVID-19 pandemic.

**For the next step? What we can do next is look ahead and move onward, together.**

**DOMINICA B. CHUA**

PRESIDENT, RAFI MICRO-FINANCE

## MESSAGE FROM THE COO

Every day, we are confronted with new challenges and opportunities. However, we always have the option of succumbing to the former or seizing the latter. But what if that option suddenly becomes too hard to do?

The year 2020 was full of challenges that threatened to end not only livelihoods but the lives of many too. The effects of the COVID-19 pandemic were indeed grim. Loss of jobs, opportunities, income, and profits – these were just some of the things that many people and families had to face amidst a global pandemic.

We, at RAFI Microfinance, wanted to make sure that everyone makes it through the other side of the battle safe and sound. That is why from our employees and stakeholders to the nanays and tatays that we serve, we made sure that everyone is getting the help that they need.

RAFI Microfinance salutes all the families who chose to see opportunity in the midst of all the adversities they face on a daily basis, even more so last year. These women and men are not only bringing about change in their own lives, but they are also at the forefront of a new generation of empowered entrepreneurs who proved that they can survive even in the most perilous of times.

When the program first began, we only had a small number of clients. However, after more than 20 years of tireless efforts to bring our micro-enterprise initiatives to the most remote towns and provinces in Visayas, our client base has finally surpassed 300,000 people. Now, we are slowly building up to our goal of



getting 450,000 clients, as we expanded further into Luzon and Mindanao.

RAFI Microfinance's programs and initiatives aim to touch as many lives as possible, no matter the adversities that lie ahead. In the year 2020 alone, we have increased our social impact significantly. We did this by making sure that no one is left behind; that we always move forward as one team.

We welcomed more members into our team to help us see our goals through as the number of people who wanted to rise above their challenges grew. RAFI Microfinance is now a family of over 2,000 committed and passionate changemakers.

But, beyond numbers and figures, we want to ensure that all of our efforts and projects remain focused on capacitating those who have been severely affected by the pandemic. In 2020, we provided several financial interventions to help micro-enterprises restart and recapitalize. We released loans that amounted to over Php 5 Billion of loans. These loans allowed us to actively engage close to 148,000 clients.

We also established and pilot tested the Small Business Loan product. Through this, 162 total small business borrowers were provided with access to financial services. In total, we released up to P192 Million, with an outstanding loan portfolio of P14.3M. That staggering amount is surprising given that we had to do all the implementations in the midst of a pandemic.

We were able to implement programs for our bugsay scholars, tap community mobile doctors for help, give out relief assistance and many others. We also channeled efforts in developing Sagip, a new product that aims to help our client-beneficiaries recover from the negative impacts of COVID-19. Following this, we soon launched Tindahan ni Nanay (TNN), an initiative that helped our clients continue their business operations through online marketing platforms like Facebook.

We saw exceptional people whose stories inspired and encouraged countless others. I have nothing but admiration and gratitude for these people for seizing these opportunities and turning them into something life-changing.

The RAFI Microfinance family deserves credit for making all of this possible. Your dedication and commitment have touched not only the lives of our clients, but also the lives of their families. Prepare yourself, because this is only the beginning of something even bigger. As we prepare for the coming years, may we remember to hold on to our values and continue to grow as one.

**JONAR B. DORADO**

CHIEF OPERATING OFFICER



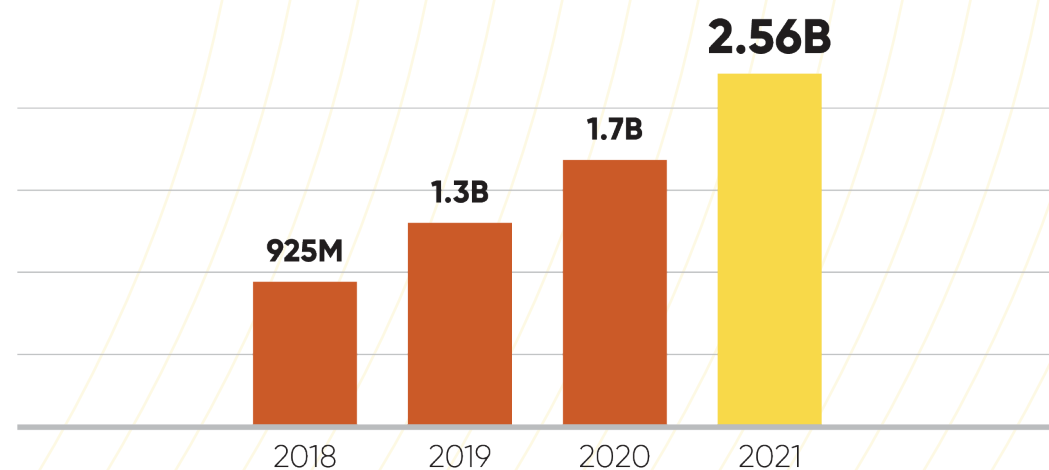
# OPERATIONAL HIGHLIGHTS

## SOCIAL & FINANCIAL SCOREBOARD 2020



**323,663**  
Borrowers

**427,708**  
Clients



**₱2.56 BILLION**  
Loan Portfolio

**30**

PROMOTED HEALTH AWARENESS CAMPAIGN

**20**

CLIENTS' CHILDREN AWARDED WITH SCHOLARSHIPS

**5,535**

CLIENTS SERVED BY THE HEALTH PROGRAMS

**120,978**

CLIENTS WHO RECEIVED HEALTH & EDUCATIONAL INFORMATION

**83** ONSITE TRAININGS WITH **12,655** CLIENTS TRAINED



ASSISTED **212** SELLERS WITH **₱1.3 MILLION** SALES

## PROTECTION



**27**  
SERVICED FAMILIES

**₱9M**  
PREMIUMS COLLECTED

**₱1.2M**  
COMMISSION INCOME

**112,215**  
PROTECTED BORROWERS



**45**  
ACCOUNTS

**21**  
BRANCHES

**₱229,200**  
LOAN RELEASES



**97**  
SERVICED CLAIMS

**₱1.3M**  
EXPECTED REVENUE

**₱10.3M**  
PREMIUMS COLLECTED



**27** **₱709,000**  
CLIENTS LOAN RELEASES



**26,667** **₱222M**  
BORROWERS LOAN RELEASES



## LUZON

7 NEW BRANCHES

9,331 CLIENTS

₱38M LOAN PORTFOLIO

47K LIVES POSITIVELY AFFECTED

## VISAYAS

21 NEW BRANCHES

45,708 ADDITIONAL CLIENTS  
228K LIVES POSITIVELY AFFECTED

## MINDANAO

3 NEW OFFICES

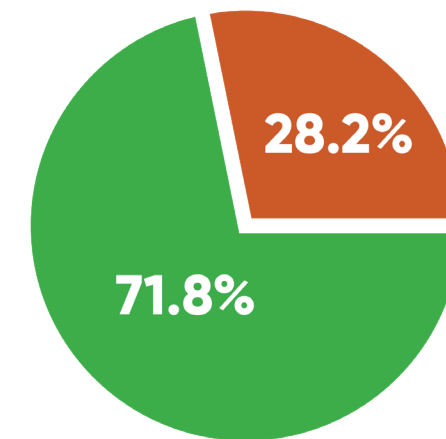
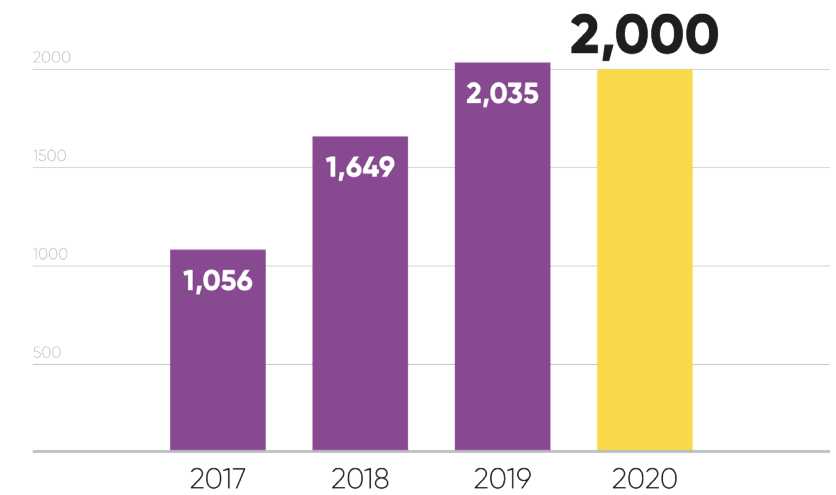
6,909 CLIENTS

₱26M LOAN PORTFOLIO

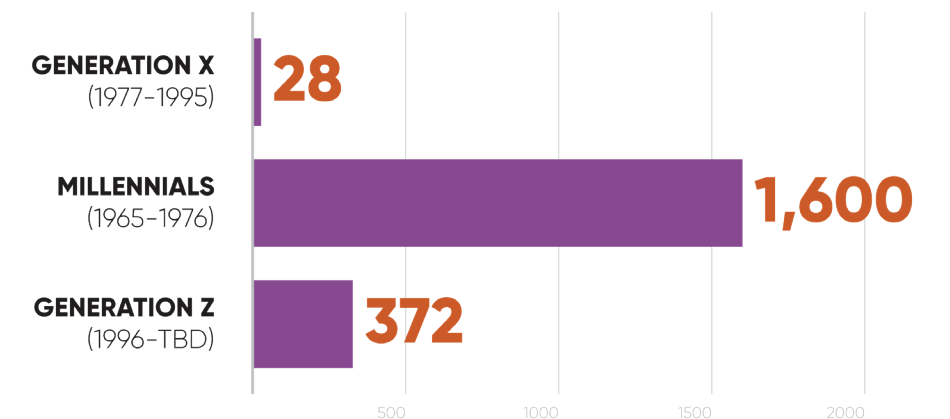
36K LIVES POSITIVELY AFFECTED

# MANPOWER COUNT

## TOTAL HEADCOUNT



♂ **MALE** 1,436  
♀ **FEMALE** 564





# PROGRAMS & SERVICES

## PRODUCTION LOANS:



**The Mauswagon Loan** is a non-collateral loan (whose loan amount is based on the cash flow requirement of the applicant) with embedded risk protection services for credit, life and property insurance, and burial assistance as well as capital build-up targeting **up-and-coming entrepreneurs** who are willing to be a part of a cohesive group or a center.



**Mauswagon Plus Loan** is a facility for micro and small entrepreneurs in rural, semi-urban, and urban areas intending to bridge the financing gap for their business needs such as fixed asset/equipment acquisition and working capital, as well as providing them training to get a solid credit track record and experience leading to the build-up of their business size necessary for growth.



**Kabuhayan Hog Loan** – A special loan for hog raisers offered to new and existing clients engaged in hog raising business with at least 5 hogs in their business for the following purposes: Construction of pig pen, purchase of additional piglets, purchase of feeds.



**Maneho Loan** – Intended to provide reasonably priced and inclusive access to appropriate microfinance services to male clients and non-clients belonging to the transport industry.

## SUPPLEMENTAL LOANS:



**Housing Improvement Loan** – Loan intended to assist members and their families in improving their houses for them to have a comfortable living.



**Education Loan** – aims to help families by providing them access to finance school-related expenses such as tuition and other school fees, school supplies, and gadgets for educational usage (e.g. tablet, laptop, smartphone, etc.) and ensuring that clients and/or their children can go to school or be able to attend school via virtual and/or distance learning and finish their education.



**SAGIP (Social Assistance Geared for Indigent People) Loan** – offers solution to a variety of emergency situations. It caters to fund clients in cases of health or calamity related agencies.

## MICRO-INSURANCE:

**Family Relief Plan** – Intends to provide reasonably-priced and inclusive access to appropriate services in case of death of clients. It aims to provide families funeral services and financial assistance aid such that it alleviates the burden the household carries in time of grief, by proactively responding to both the non-financial and financial necessities of the family in the time of mourning.

**PROtecSure Insurance** – A property insurance protecting the family's home in the event of loss & damage due to fire and lightning, as well as other fortuitous events.

**Kaagabay Insurance** – Protects the family in case of accidents or death. It provides a 24-hour cash assistance, hospitalization, education offers solution to a variety of emergency situations. It caters to fund clients in cases of health or calamity related agencies.

**Loan Redemption Fund** – A mandatory micro-insurance product which provides financial coverage to liabilities in the event of death so liability will no longer be transferred to the next of kin



**LRF | Loan Redemption Fund**

## MICRO-SAVINGS:



**Capital Build Up Savings** – A savings product aiming to help clients to develop habit of savings towards financial security and provide safety net in case of an emergency. The main intent of which is for clients to practice savings and to generate capital fund through their thrift and mandatory savings, by which they could run their businesses without any assistance from finance institutions. Savings can be used as a revolving loan fund which could be helpful for client self-reliance.

## OTHERS:



A money transfer service intended to offer complementary domestic remittance and money transfer services to clients and the community allowing them to send money to their loved ones or payment to suppliers.



# We Move as One

walang iwanan





*“Sometimes, it is not the acumen in business that brings entrepreneurs to success. More often, those who master the art of generosity win the race ahead of time.”*

## SECTION TITLE (SUCCESS STORIES)



## SUCCESS STORIES:

# ALMA P. PADILLO



## LIFTING OTHERS

**The Covid-19 pandemic has convinced all agri-entrepreneurs to remain resilient more than ever. Already battling the highest poverty incidence pre-pandemic by 31.6 percent, the global health crisis has made the situation worse for farmers given the border controls and limited movement but a seasoned business owner, who has been through the ups and downs in business, knew one thing – there is no other way but to rise and lift each other.**

This has been Alma Padillo's mantra since she decided to dip her hands in a buy-and-sell business some 20 years ago. This 44-year-old woman entrepreneur from Sibonga, Cebu started off selling three baskets of string beans, tomatoes and cucumbers. There were birth pains in business and the journey wasn't a walk in the park, according to Alma. But consistency was her secret. She's making a small but steady profit. From selling limited kinds of vegetables, Alma ventured into a piggery business to augment her income to support her growing business and to meet the everyday needs of her family. Her hard work eventually paid off which led her to become a channel of blessing to others.

Alma supported three farmers by providing them fertilizers and seedlings. She also put into good use the bio-waste from her piggery as an organic fertilizer for the farms. The produce was supplied to Cebu City's wet market in Carbon, and this arrangement eventually led to the expansion of her vegetable buy-and-sell business.

Not long after, Alma's innate ability to see opportunities led her to own a stall in Carbon market and later on, a small truck to speed up the delivery of fresh vegetables from the farm to the market. Alma's growing business gave jobs to five regular employees and three seasonal workers. Her good reputation among workers and farmers also enabled her to financially support a total of 20 farmers in 2019. She also proactively sought business owners she could contract as buyers. Until one day, she became a supplier for George and Cathy Corporation, a renowned fruit and vegetable wholesaler in Cebu.

More business opportunities continued to open for Alma, landing her a contract as an exclusive supplier of cucumbers for a shawarma restaurant. Additionally, Alma also became a vegetable supplier of Dumanjug Beach Resort as well as in Olango Island and Danao, Cebu.

## PANDEMIC: A TEST OF FAITH

Alma thought this winning streak in buy-and-sell business could go on for long without any challenges. Then the life-threatening Covid-19 pandemic entered the country, which literally put everything to a stop.

Although vegetables are considered essential goods, Alma's business was challenged due to border controls and limited travel movements. Closure of restaurants and other tourism-related businesses were put on pause, causing a dent to Alma's list of clients. But despite the rising cases of Covid-19 in Cebu and their fear of getting infected by the coronavirus, Alma and her husband continued to sell and deliver their vegetables to Carbon market to ensure a continued supply.

As a precautionary measure, they isolated themselves from their children by sleeping at the pig pens every time they return from the city. They set aside their fears knowing that God is in control just to be able to provide food for their family and ensure their partner-farmers and their families of continued livelihood during these trying times.

Alma's selfless desire to help the farmers was known in her community. Because of their trust and confidence in Alma, 16 other farmers approached her and asked for her support. Alma willingly responded and extended a helping hand.

Because of this generous gesture, Alma's partner farmers grew from 20 to 36. And despite the over inventory of vegetables left unsold due to limited mobilization, Alma fulfilled her promise of paying the farmers their full contracted amount. This benefited 144 more people within the farmers' households.

## GROWING STEADFAST

Looking ahead, Alma remains steadfast in growing her agribusiness. She believes this is the only industry that will keep everyone's jobs alive because food is a necessity. From piggery and selling vegetables, Alma eyes to overwhelm the market with spices one day. In fact, she is currently doing the groundwork for her upcoming spice production business, which has a big market demand with high returns. Alma plans to devote her time in this new venture while looking for a new space in Carbon market to accommodate more fresh vegetables to sell.

Alma's resilience in business amid the crisis is highly commendable. But what is truly inspiring and worthy of emulation is her generous heart in helping more people rise and survive this pandemic. She could have chosen to close her eyes and secure her family's future but Alma chose not to, knowing that these will be the same people who will help her bring her business to greater success.

Indeed, we will truly rise by lifting others.





## SUCCESS STORIES:

# LUCILLA CAÑETE



## THE POWER OF 'WE'

**Success is sweetest when it is shared. This was Lucilla Canete's secret to a non-stop business growth. Armed with a "can-do" attitude and a "we" mindset in business, this 34-year-old micro-entrepreneur proved that business grows faster when you help others grow.**

Lucilla didn't have a business background nor obtained a college diploma. But what she lacked in education, she made up for in street smarts and determination. After all, she has a big family to support.

As if pre-destined to be a successful entrepreneur, Lucilla made good use of her P2,000 to open a sari-sari store in Barangay Canaocanao, Tabogon, Cebu in 2005, selling essential goods that are needed in every home. Not long after, her small venture became the community's go-to-place for household products until it morphed into a general merchandise that it is known today.

This unexpected growth, which was a result of hard work and determination, enabled Lucilla to share her success by opening doors of opportunities to neighbors to become resellers of her beverages. Lucilla now employs four workers, two of whom are regular employees. She also hired a senior citizen, who helps her look after her humble store.

## DIVERSIFICATION

After dipping her hands in retail, Lucilla knew there's so much to explore in business. Taking a leap of faith, she diversified into hog raising and fattening business. She partnered with five members of RAFI Micro Finance Inc. (RMF) and three other neighbors to run the newfound venture. She also engaged her retail employees to learn agribusiness.

In 2018, Lucilla invested in poultry business, working with 12 egg resellers and tapping fellow RMF clients and seven others as direct buyers. To help her run the poultry operations, she hired six regular employees and two seasonal staff.

All of Lucilla's businesses were performing well, each providing steady income and jobs to people that depended on it, until the Covid-19 pandemic entered the Philippine shore and had since been wreaking havoc to all industries –including retail and agribusiness.

But having gone through life's difficulties, Lucilla knew this storm will soon pass through. Instead of losing hope, Lucilla looked at the pandemic as an opportunity to provide more jobs and open business opportunities.

Amid the mobility restrictions, lockdowns, loss of jobs and store closures caused by the pandemic, Lucilla was still able to cast a ray of hope by providing the community and RMF group members an opportunity to earn money through her different micro businesses, primarily as resellers.

By God's grace she was able to retain all her salaried staff without any pay cuts during a gloomy business environment where almost all businesses have streamlined their operations and cut back on expenses including salaries.

And Lucilla didn't stop there for she knew she is in a better position now to be actively helping more people during this crisis. She involved herself in relief efforts to cushion the impact of the pandemic to the community. Lucilla donated rice to 20 families in her locality. She also extended financial support to a scholar to help him complete his academic modules as well as to poor church members.

Lucilla also initiated a donation drive through her social media account which raised P120,000 to help provide essential goods as supplemental assistance to poor families in her barangay.

Because of her active community support and genuine concern for the welfare of others, Lucilla was designated as the focal person for the Refurbishment of the Health Center for Isolation funded by the Department of Social Welfare and Development- Kalahi.

## MOVING FORWARD

With the local economy gradually rising up from that instant drop, Lucilla barred that she has big plans for her businesses. This year, she plans to scale up her general merchandise store by expanding to a new location along the Poblacion Highway to gain better visibility.

She also intends to attract and deploy more resellers, and provide credit access to small vendors to help them recover and finance their businesses.

In her hog raising/fattening business, she eyes to increase the number of sows from four (4) to twenty (20), and increase fattening from sixty (60) piglets to 100. She also plans to buy another boar.

For her newly opened poultry business, Lucilla want to expand the lot area to accommodate more chickens. She plans to double the heads from the current 540 and become a direct supplier of eggs in the municipal public market.

Lucilla's plan to expand her business portfolio will continue. She plans to enter the water refilling business and invest in a fishing boat moving forward.

But in order to achieve these, she is resolved to immerse herself in trainings that will give her the opportunity to explore new techniques and strategies and deepen her business management skills to further sustain the businesses she had started and the new ones that she will enter into.

From a meager capital of P2,000, coupled by hard work, prayer and a generous heart, Lucilla's life had been transformed. She became an empowered and grounded entrepreneur.

And as she worked hard towards achieving her goals, she did not leave anyone behind. She brought with her, her family and the community, whose lives she touched. For Lucilla, success is meant to be shared. And how she navigated her business during these uncertain times powerfully reflects what the power of a "can-do" attitude and mindset can do.







## SUCCESS STORIES: RUBY EMMANUEL

### WINNING THE RACE

**Sometimes, it is not the acumen in business that brings entrepreneurs to success. More often, those who master the art of generosity win the race ahead of time. Fifty-year-old, Ruby Emmanuel is an example of reaping the fruits from the seeds of generosity she planted in the hearts of people in her community and even to strangers. Her shell craft buy-and-sell business which she started in 2011, blossomed into a little empire that attracts tourists here and abroad.**

Ruby does not have an impressive diploma from business schools, nor got herself a crash-course to learn the science of "achieving success." What she has is a heart that is willing to empower others, and help those who are struggling to put food on each meal for their families.

A resident of Brgy. Tagda, Hinigaran, Negros Occidental, a town blessed with beautiful capiz and nylon, Ruby joined other residents to make livelihood out of the resources her home-ground is wealthy of. Yet, among other men and women who are also making a similar livelihood, Ruby shines through, not because she is better than the rest, but her golden heart brought her to success she never even thought would happen to her.

The shell craft products mark a local tradition and have also become an attraction for both domestic and international tourists. This intricate shell craft business is not easy to get into, but Ruby, one of RAFI MFI assisted micro-entrepreneurs took this not as a barrier but as an opportunity to be more creative and resourceful.

Together with her husband and her three children, Ruby worked her way up in the business, while doing some other jobs during the day. Not long after she started the home-based business in 2011, she gained the courage to focus on the business now supported by the entire family. Consequently, she became her own boss.

In 2016, she expanded her business into shell craft and fiber lamination. Ruby thought of this as a way for her to not only earn but also help promote her town's pride—the unique and beautifully designed shell crafts.

### ACTIVE MICRO- ENTREPRENEUR

Charting her way to inspire and be able to give more, Ruby managed to squeeze in her busy schedule to attend upscaling sessions particularly those facilitated by the Department of Trade and Industry (DTI). This all the more empowered her to be an activist for change, at least in her inner circle of community women.

Her visibility as an active micro entrepreneur in her village got the attention of the local government unit (LGU) and she successfully inked a partnership deal with municipality of Hinigaran, which opened up more opportunities for her to sell her products to more individuals—locals and foreign tourists alike.

With help from the DTI and the LGU, Ruby found business partners who buy her handicrafts in bulk and showcase them in private sector resorts, government facilities, as well as in schools.

Her initial crowning glory is seeing her products installed at the Malacañang Palace, a fulfillment of a dream she never had. The sweeping fame led her to wider doors of opportunity, this time she enters the gateway to the global market.

In her speaking engagements as resource speaker for numerous trainings, such as Shell Craft Making and Workshops, Trade Fairs and Exhibits, and Technical Education and Skills Development Authority trainings, Ruby is generous in sharing herself and her not-so-easy journey as a 'Nanaypreneur'.

Because success is meant to be shared, Ruby was chosen as one of the VIP resource speakers of RAFI MFI's client trainings in 2019. By giving herself a little more than the ordinary, she can be facing a danger in molding her future competitors but her courage to share goes beyond the probable pitfall. Her heart knows no boundaries when it comes to paying forward.

With enough savings from the business and sideline income as a resource person, she continues to spread and strengthen her wings by acquiring sophisticated equipment and machinery to achieve cost efficiency and at the same time improving her products through innovations to be at par with global brands.



### TRUE WINNER

As if her hands are not full enough from family, business and mentoring activities, Ruby is making sure that she allots time to capacitate other fellow entrepreneurs, initiate feeding programs every December, and provide free shell craft training workshop for students.

Every month of April, Ruby offers summer jobs to deserving students in her community. She also gives off seasonal jobs for ten (10) unemployed people every month of August.

Today, Ruby employs fifteen (15) regular workers, eleven (11) from her buy-and-sell and shell craft and four (4) from her fiber lamination business. This includes her supportive husband and some helping hands from her children.

Without question, this inspiring Nanaypreneur is a true winner. The race still continues—in competition, market innovation, but she had already been marked as a winner to the hearts of people she touched along the way.



*“Her share to experiencing  
a miracle came to life  
when RAFI MFI offered  
a hand to help her get up  
and overcome the greatest  
testing of her courage and  
dream to succeed.”*

SECTION TITLE  
(MEET THE HEROES)

## MEET THE HEROES BEHIND THE VOICES:



## JOSEPHINE DE LARA

### WISH UPON A STORE

Josephine De Lara's world spiraled down when her small, yet thriving baking business suffered the brunt of COVID-19 outbreak in the early part of 2020. She could only wish to continue her store albeit the hard lockdowns, suspension of events and even less celebrations.

But almost instantaneously, her desire was heard, and she was able to turn her shattered world around when the opportunity of online store came her way.

Josephine, 54, is the owner of a promising home-based baking business, known for her delectable and pretty celebration goodies, such as cakes and pastries.

One of Rafi Microfinance (RAFI MFI) success story clients, certainly, RAFI MFI's trust staff did not leave her alone wallowing her distress during the health crisis, but walked her through and let her ride along the ravaging waters stirred by the pandemic.

Through RMF's Tindahan ni Nanay (TNN), the online store for RMF's clients' products, Josephine was able to see her wish came true—a store amid lockdown. She started posting photos of her delicious yet affordable cakes, wishing to connect with resellers. Her entry to online store saved her from the brink of business closure and her online store continuous to encourage customers to treat themselves with some sweet comfort food and celebrate life, nevertheless.

Opening a store in the online highway is something new for Josephine, she thought she could never catch up with doing business in a new and strange way.



### WORD-OF-MOUTH

This courageous woman pushed herself to earn extra while working an 8-5 job in a sales company, to feed her extended family.

Apart from her own children, Josephine took the responsibility of taking care of her late sister's children, a decision she took without doubt although her earning was not even enough to give a comfortable life for her own family.

She started to bake cakes and pastries to earn extra and sold them to friends, and eventually to her children's activities in school.

The powerful word-of-mouth brought her sideline business to more orders, until she decided to quit her office job and focus on the business.

Josephine's cakes and pastries venture became an entire family affair. In 2012, her husband joined in and together they worked to not just invest small savings to buy equipment, but to make themselves updated and equipped with the baking business. They both worked proactively by hopping from one office to another.

Attending trainings and workshops helped Josephine to elevate her business a notch higher, while the word-of-mouth advertising worked wonders to her business.

One day, Josephine found herself in the lobby of the Ramon Aboitiz Foundation, Inc, and learned about one of its programs that support small businesses and micro-entrepreneurs, RAFI Micro Finance Inc. She followed her gut to hand in an application, crossing fingers she could push her business some more with added capitalization.

Before long, Josephine became RMF's valued client. The capital she borrowed from RMF empowered the business to compete with the established names in the baking industry. From then on, she and her husband had one dream, to open a big store and carve Josephine's name in Cebu's specialty baking Sector. But this dream spiraled down when the pandemic hit. As everything ceased, so did their business and their sole livelihood. What was left was their courage and constant wish to continue baking and doing business.

From word-of-mouth, the pandemic opened up wider opportunities for Josephine to promote her business to broader digital crowd. Her wish just came true—opening a store in a digital highway.

She discovered that even when faced with uncertainties and threatening health environment, people still continue to celebrate life and what is a celebration without cakes and something sweet to lighten the otherwise somber times?



## MEET THE HEROES BEHIND THE VOICES:



# LORENA SOLLANO

## UNLOCKING OPPORTUNITIES

The gardening craze dubbed “plant-demic” has brought hope to the Sollano family whose rattan business was severely affected by the Covid-19 pandemic.

As people found joy in gardening while locked in their homes, Lorena Sollano’s rattan business was given a “second chance” at life when all other businesses had difficulty reopening, worse staying afloat. Looking back, the 50-year-old Nanay entrepreneur in Sogod, Cebu thought she would lose the business she built over the years and will never recover.

“I was really hopeless,” she says, recalling at how the pandemic slowly robbed them of their livelihood she held dearly since 2013, when she and husband Tatay Larry pursued rattan furniture making. “The streets were empty. There were limited travels. Few to no cars and buses were passing. Our sales were dwindling. Everything just stopped,” recalls Nanay Lorena, who at that time was so anxious on where she would get resources to meet their daily needs.

The lockdown became another hurdle because that prevented her from looking for alternate sources of income.

“The pandemic is a test of character. We are used to working hard to survive but we are not used to be kept off from working and the lockdowns did that,” she adds. Looking up to God and praying hard was Nanay Lorena’s only hope. “Nobody wanted this pandemic to happen. I just prayed that things will get better sooner.”

Until one day, a regular customer called Nanay Lorena and sent her designs of planters. At that time, houselocked Cebuanos were on high, buying and nurturing plants to relieve stress and boredom while the world was busy tackling the Covid-19 pandemic.



The handcrafted rattan planters became a hit as demand for greenery surge and as home and backyard projects suddenly sparked interest. A single order made by a loyal customer was followed up by more. Nanay Lorena was able to create a new customer base. When the restrictions were eased, Nanay Lorena brought her rattan furniture and planters back at the sidewalks of the highway. “Sales slowly returned since then.” RAFI MFI’s assistance also came quick.

Nanay Lorena was told by RAFI MFI’s trust staff that she’s already eligible to apply for another loan. “I borrowed another P15,000 to buy raw materials for our rattan business. I am grateful that God heard my prayers. He used RAFI to help me return to business,” she says.

While the Covid-19 pandemic has created a no-win situation for many small business owners, Nanay Lorena refused to give in. Like a newbie, she endured the new “birth pains” that came with operating under the new normal environment.

For one, she learned to diversify into other potential businesses such as hog raising. “This will be our other source of income while we navigate our way back in business,” she shares.

Through the help of her tech-savvy family members, Nanay Lorena also dipped her hands in social media marketing for the first time, to attract potential buyers who are always glued on their smartphones and tablets.

True enough by promoting handcrafted rattan furniture, planters and other houseware accessories on Facebook, Nanay Lorena’s business gained new following and traction. She proudly announced they even shipped rattan products to Ormoc and Leyte. She also joined the Tindahan Ni Nanay, an online community group on Facebook for RAFI MFI clients where she also got new orders from RAFI employees and fellow Nanay entrepreneurs.

For Nanay Lorena, there is no easy way out of this pandemic but she trusted the process and will continue trusting again – the same way she did until that one phone call happened. She’s forever grateful to the many hands God used – for RMF, Tindahan Ni Nanay and that sudden gardening craze they all call “plant-demic.”



## MEET THE HEROES BEHIND THE VOICES:



# MARICREZ CASAS

## GROWTH SPRINGS

This 31-year-old mother of five has a knack for cooking sweet comfort food she learned from her mother, particularly bukayo (sweetened grated coconut). And this became her pride, her source of income, and practically her life.

With a working capital of P5,000 she borrowed from RAFI Microfinance, Nanay Maricrez started her small store in Tuburan in 2009 with her signature bukayo, along with other consumer goods. This courageous mother managed to feed her family along the way, and saw her business grow despite challenges in between, until the pandemic hit in 2020.

Just like everybody else, her world crumbled when she was forced to close her store and lost the family's sole livelihood because of the lockdown. Nanay Maricrez anchored her inner strength and connection to God as her only security.

Her share to experiencing a miracle came to life when RAFI MFI offered a hand to help her get up and overcome the greatest testing of her courage and dream to succeed.

Nanay Maricrez's entry to MFI's "Tindahan Ni Nanay" or TNN, an online marketplace, served as her vessel to get through the unforgiving business environment. Here, she saw the other side of her pandemic journey and was able to see sparks of growth from the online highway.

"When I posted my bukayo products for the first time in TNN, I was not expecting anything but I was a bit hopeful that it would click. And with that one post I started to gain more orders," she recalls.

Her online store in TNN is one of the favorites among consumers. Needless to say, her market is not anymore confined within her touristic small town, but she has the world to see her products.

Now that anything local is trendy and fashionable, her miracle continues and orders grow every single day.

From a little make-shift bukayo store she started in a borrowed money, her little faith brought her to own a store which never closes and goes beyond borders.

Nanay Maricrez's small business maybe a casualty of the COVID-19 outbreak, but when she decided to hold on to her faith and turned her gaze to the other side, she started to see growth springs even from a far.



*“I learned to increase my faith. I learned to pray more for my family, for the organization and to the people I am working with. If there is one thing I can help to ease the burden, to lessen the anxiety, to reduce the pain of those people I know and work with, it is by way of lifting them up to our God Almighty.”*

## SECTION TITLE (SERVICE BEFORE SELF)



## SERVICE BEFORE SELF:

# RAFFY BALADJAY

## THE HIGHER CALL

**It's easy to lead in a familiar ground, territory and expertise, but it's another story when you are asked to guide a pack in an entirely new environment--fresh way of doing things, at the same time expect to perform your best lest excellence is elusive.**

Raffy Baladjay, manages the RAFI Microfinance Inc. (RMF) business excellence department, one of the most challenged departments under the notorious sovereignty of COVID-19. The very mandate of his job which singled out "excellence" as the core assignment already meant a bigger responsibility to fill in. But, for him the shift called him higher to learn and to lead at the same time.

"At the start of the pandemic it was a challenge for me as one of the leaders in this organization. Not just because I needed to shift strategies and working dynamics to maintain productivity but what made it more difficult was on how I was going to lead my team given the surprising turn of events," says Raffy, admitting that as a leader who is more comfortable on face-to-face kind of working dynamic, "it's quite hard for me leading virtually at first."

"For one, I don't have that level of experience yet on this kind of situation. Second, there is that trust issue with your team whether they can still deliver their individual deliverables with less supervision or not. Third, how will we maintain that level of collaboration with our stakeholders virtually? Lastly, there is that fear on the situation, particularly how the pandemic will affect your family. All of this, really made me pause and reflect how will I move forward as a leader," Raffy shares his journey in facing the unknowns of the new normal.

But as the days unfolded during the forced work-from-home arrangements, Raffy started to get the grip on the changes he needed to embrace-- being apt with the digital know-how and letting go of the "trust issues" he may have had towards his team mates or even to himself in working remotely and giving instructions via virtual meetings.

This higher call, put him in a space, which gave birth to a new person in him. Giving his best is an under-statement. After all, being on top of the game has been his way of life, otherwise, he will not be put in the position where he is now. But, in the time of pandemic, Raffy was pushed to the wall, the call was too big for him to tackle while he also had to take care of his sanity and protection of his family.

Ironically, hitting the rock bottom in his professional life made him a bigger person. Bigger, because not only did he "master" to manage and lead under a strange environment, but he also developed other strengths, particularly deeper empathy and compassion as a leader.

He discovered the beauty of being able to see his team mates, not as performers, yet as human beings. Raffy, was able to take his leadership beyond performance-driven, rather he transcended to feeling a profound sense of empathy looking at each member from the lenses of his heart. An epiphany he could not have seen in full clarity without the pandemic.

The lessons of the Covid-19 goes beyond polishing his intellect, shaping his management prowess and sharpening his resiliency, but of personal connection which brought about surprising results--emotionally and professionally.

Responding to the higher call while riding the tides of COVID-19 turned out not an added job, or pressure to him and his team. The change however, made everyone more connected, motivated and grounded.

Apart from being able to outstrip the health crisis' headwinds, Raffy together with his team discovered opportunities both in work and personal lives.

"Personally, I was able to manage my time more and I was able to balance my life efficiently. Spending quality time with my family at home is a treasure. Working at home, my days are longer and productive as I can have time to take care of myself with daily fitness activities," says Raffy, who seemed happier and more accomplished as ever before.

Leading with a sound mind, balanced life and deep personal connection, he continues his greatest discovery by far to overcome the suffocating pressures that COVID-19 has brought in. It is in these times when he is called higher to lead in an unfamiliar ground, where he unearthed the secrets to overcoming challenges-- personally and professionally.



## SERVICE BEFORE SELF:

# ERASTO PANES

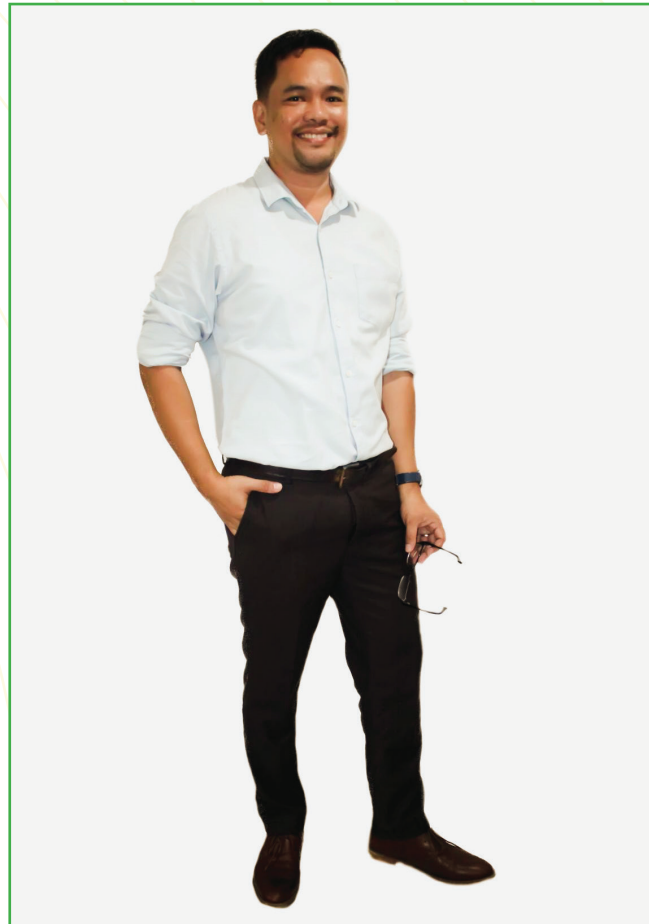
## EPIC TEST OF CHARACTER

**The COVID-19 pandemic is by far the toughest leadership test for a lot of leaders. Those at the helm of overseeing operations and managing people had to cope with extraordinary demands—from the sudden shift of work from office to home, internet connection, health and safety, meeting targets and the overall uncertainty of what lies ahead.**

For Erasto Panes, the pressures can seem daunting. He says despite the health and safety issue, figuring out how to restart in an uncertain environment was something he did not think of—even in his wildest dreams.

Erasto wasn't prepared. No one was. All he knew at that time was he needed to embrace change so he could think well of new strategies to still make the work-from-home setup productive, while showing empathy and kindness to teammates, who like him, struggled with the abrupt changes. Not being able to work together in the same room with colleagues became a major challenge.

Erasto found himself relying so much in technology and virtual meetings more than ever to get the work done. But the poor internet connection in his area tested his patience all the more his creativity.



"I remember climbing up a tree just to have a better connection and be able to attend virtual meetings and team engagements," Erasto recalls.

Mounting virtual training sessions didn't also come easy. Erasto feared attendees might not fully grasp the training due to intermittent internet connection.

"The internet connection wasn't stable; the bandwidth was not enough to allow participants to turn on their video cameras which led us to think if the discussions were effectively grasped by them and if the effectiveness of the virtual session wasn't compromised," he shared.

These challenges led Erasto's team to come up with new strategies fitting for today's requirement. He sent himself and his team to seminars on virtual training session delivery so they would know how to effectively mount them. They learn from other organizations the way virtual sessions are conducted and how they are effectively done.

"New strategies had to be rolled out; new steps had to be undertaken. I even remember calling up my cousins, former officemates, former professors, asking them of their opinions, their experiences in doing so," he says.

Erasto cared enough for his team and the organization that he is willing to unlearn to learn again. The pandemic has made him bravely step out from his comfort zone.

"I believe that when someone is dedicated and passionate about what he or she is doing and he or she cares enough for his or her team and the whole organization, he or she would do anything to really make things efficiently and effectively done," he says.

## FAITH BUILDING

To avoid burnout during those most stressful times of the pandemic, Erasto turned to God to walk him through every single day. He became more prayerful.

He realized to value life more and everything he has. He became more grateful even in small things. He became more compassionate and kind.

This pandemic has changed people, all for the better, he said. "I learned to increase my faith. I learned to pray more for my family, for the organization and to the people I am working with. If there is one thing I can help to ease the burden, to lessen the anxiety, to reduce the pain of those people I know and work with, it is by way of lifting them up to our God Almighty. A simple whisper of prayer: 'God help us bear all these. Enlighten everyone's feelings. We truly believe that you love us even more than loving the birds and the trees around us' was so powerful," says Erasto.

These trying times also taught him to be patient and more understanding of the feelings of others. Instead of feeling disappointed and irked right way over delayed submission of reports citing weak internet connection as one of the reasons, Erasto turns to prayer over things he no longer has control of. The same goes for interrupted virtual reporting and virtual training discussions.

"Yes, disappointments pile up but then again, we need to adjust to the situation. We need to adopt and utilize fully whatever resources available and excel. The learnings from the situation are important and necessary; as I always say, I have a big role in the foundation and my team members are expecting something from me. I have to be a role model so that everyone in my team may influence, follow and do the same thing, too."

## NEW OPPORTUNITIES BLOSSOMED

Amid the challenges he encountered and adjustments he went through, Erasto's sacrifices didn't go unnoticed. Because of his exemplary leadership skill, Erasto was entrusted with a bigger responsibility he gladly embraced.

"Pre-pandemic, I handled the Learning and Development Unit under Human Capital. We are the ones responsible for the on-boarding programs of our newly hired employees, capacity-building programs, developing more leaders and the like, but the opportunity to serve more opened up during the pandemic. The foundation called for a workforce maximization, which led me to handle the whole RMF Human Capital where Learning and Development unit is just one of its components," shares Erasto, beaming with pride, knowing that this bigger role would allow him to help the foundation achieve its purpose.

"I was asked and trusted with a bigger responsibility of assuming the whole tasks for RMF Human Capital, assuming the lead roles for talent retention, learning and development, a bit part of talent optimization, and early this year the talent acquisition. It was quite hard in the beginning, but with the support and assistance of our very own Chief People Officer, sir Mike Godinez and by God's grace and guidance, I hope I am gradually doing it finer," he says.

Erasto's journey in 2020 may have had many setbacks, stress and anxiety but his willingness to thrive amid the difficulties sharpened his leadership skill, not only in completing tasks but more importantly in leading people and building deeper connection with them.

It was by far his toughest challenge, but it brought out the best in him. "For me, a true leader responds to whatever the situation is and assumes the tasks accordingly as needed."



*“And even though the pandemic has slowed the business down, she still managed to adapt to the times...through the help of social media and through the RAFI MFI Tindahan Ni Nanay”*

# Nanays Can Do It





# JIOVY ESPINOSA



## TURNING ORDINARY GARMENTS INTO EXTRAORDINARY APPAREL

Joivy's bustling apparel business started as a humble attempt to recycle old garments. She felt bad about throwing out her children's used garments. So, instead of letting them collect dust in the closet or find a new home in the dump, she decided to turn them into usable apparel instead.

She starts each day by checking her existing inventory. When she first started, she didn't have to worry that much about keeping track. Back then, all she cared about was creating something out of nothing. But now that so many people rely on her business, she has to stay on top of her game.



Every morning, she takes a little time to do just that. Keeping track of orders, checking her socials for new orders, managing the inventory, and of course, helping out with the sewing -- these are just some of the things that Jiovy has on her plate.

This busy bee finds herself doing a bunch of things for the business throughout the day. But perhaps the most rewarding part for her is the satisfaction of knowing that her hard work allows people to get the clothes that they want at a price that won't hurt their pockets.





# ANGELY COMENDADOR



## SUCCESS WITH HOT & CRISPY GINABOT

Angely starts her day with a prayer and of course, a big bag of pork ready for cooking. She heads to the market early in the morning to make sure she can set up just in time for the customers who flock her stall during the day.

Lunchtime is when her day gets really busy. Before the pandemic, she had to meet the demands of so many customers at once. Her place at the market is a spot that most customers know and love, some loyal regulars never miss a day of her delectable cooking. Most patrons swear by her well-prepared and deliciously cooked specialty. Her ginabot recipe, paired by puso, is definitely a Cebuano staple.



Now that she's mainly doing business from home, she also has managed to involve her kids with the preparations and has passed on her secret recipe to them. For the foodies that frequent Angely's ginabot place, they're on the look-out for what she has to offer next.

And even though the pandemic has slowed the business down, she still managed to adapt to the times by bringing her hot and crispy ginabot right in her customers' homes through the help of social media and through the RAFI MFI Tindahan Ni Nanay.



# MAYLIN LIGAD



**SEWING DREAMS ONE  
RETASO AT A TIME**

Maylin has a dream: to see her sons succeed in life. Through hard work and creative strides, she was able to come up with a business that utilizes retaso or cloth scraps. She wakes up even before the sun's early rays reach the skies just to collect retasos all around the small barangay that she currently resides in.

From these measly scraps of cloth, she then gets to work in front of her trusty sewing machine. Maylin then sets the gears to create a host of things. From kitchen rags to classy bags, she works her magic through that day's batch of cloth scraps. Before long, she has a pile of finished products underneath the machine -- all ready to get delivered to her customers or displayed in her store.

Her business operations end at dusk, just in time for her sons to arrive from school. Aside from her sewing business, one of the things that really light up Maylin's day is that small window of time she gets to spend with her beloved boys.





*“Finding ways to get involved no matter the situation, truly have the potential to create real connections and build long-lasting relationship... this is what RAFI MFI truly stands for.”*

## SECTION TITLE (SUPER YET HUMAN)



# SUPER YET HUMAN CHARLITO REMOROSO



## SPEAKING THE LANGUAGE OF SERVICE

Sometimes showing support does not need elaborate actions or uttering dozens of comforting words. More often, it is much appreciated when communicated in the language best understood by the people who desperately need it.

Charito Remoroso excels in speaking the language of service in his struggle on how to give support to his clients whose livelihoods were adversely affected by the long stretch of COVID-19 impact to the vegetable growers in the southern town of Sibonga, Cebu.

Charito, a Rafi Microfinance staff in charge of Sibonga operations managed to bring up the spirits of his otherwise discouraged clients, when he consistently showed up in the middle of a lockdown, traversing the border-to-border health protocols.

From his home town in Carcar, Charito travels to Sibonga frequently, to offer only his presence. He thought, the best way he could show support is "just to be with them."

Out of ideas on how to help the farmers sell their products as transport access is impossible, Charito convinced them to mount a door-to-door sales blitz in order to dispose of the fresh harvests, so they can continue earning even if it means losing profits.

Knocking at the doors of households from Sibonga to neighboring towns like Ronda was the only relief Charito and the farmers could think of, "vegetables, and other fresh products were dumped because there was no way they could transport them to Carbon market."

Charito became one with his clients. He served the farmers beyond what is expected of him. He led them to face the war of Covid-19 and market slump with courage and fearlessness. Charito spoke their language through his beyond-the-office-mandate service.

Bonding with his clients during the most difficult ordeal, resonated to the hearts of the farmers. Likewise, Charito also felt a deep connection with them, far more deep that he was willing to sacrifice time and sweat, even the vulnerability of infection just to lift their morale and help them see the positive side of what was happening.

Because he was able to speak their language through his hands-on service, Charito gained the respect of his clients influencing them to choose the high road of not giving up.

In their door-to-door sales expeditions, they faced the big waves of fear from COVID-19 infection. Giving up was not an option, he shared.

He needed not say anything more, he just showed up almost every day until the clients gained their confidence, and saw the results of their labor. Before long, Charito noticed the transformation of his clients' attitude in facing the snags of the pandemic becoming more creative in making a living and most of all being good stewards of the money they make.

Together, Charito and this clients learned a lot of lessons, particularly the kernel of truth in business and in life—to spare some for the future.

The pain and difficulties of the pandemic refined the relationship between Charito and the RMF clients. The language that Charito spoke in silence made his microfinance customers want to do more, aim for the best everyday realizing that even in bad times they are valued. Most of all they matter.

# SUPER YET HUMAN JAMES BARING



## MADE FOR MORE

Despite the real danger of the Covid-19 pandemic to everyone's lives and jobs, James Baring, a trust staff of RMF-Cebu Branch, has put his own safety and well-being aside to provide support to RMF's clients in dealing with the challenges arising from this global health crisis.

"Nobody was prepared for the pandemic. It caught all of us by surprise," says James, recalling of the company's announcement telling him not to report for work. This was at the height of the pandemic situation in Cebu in 2020 where the entire province was put in the strictest form of lockdown, while the healthcare system is racing against time to contain the Covid-19 transmission.

"I've never been so afraid in my life. I felt anxious because I am the head of the family. I was thinking about our day-to-day living, and the threats of this virus to my health and my family's health. But despite of the fears and uncertainties, RMF supported us. They were always ready to lend a hand," he says.

While on lockdown, James continued looking after RMF's clients answering all of their inquiries through online and phone calls. He said he never felt so close to them than in the past year. When the restrictions eased and the border controls were gradually lifted, James sought for a travel pass in his hometown in Carcar City so he could report back to work. But such move, according to James would prevent him from coming home to his family since the Carcar LGU wouldn't allow re-entry to the city due to the still surging Covid-19 cases.

"I was on a crossroad that time. The pandemic wants me to make a choice. Get the pass and work but I won't be able to see my family in the meantime or not report for work and face higher consequences," James recalled.

But he courageously picked the former, believing that he is made for more. "Deep in my heart I know I am not here for one purpose. I am here for many purposes and that is to help both my clients and my family," James said, explaining that it isn't only his family that is struggling but there are a lot of other families too that are wrestling from this crisis, and they needed his help.

Through his network, James linked the vegetable farmers of Sibonga to new buyers in Dumanjug and Toledo at the height of the lockdown. The RMF-Cebu Branch temporarily served as a drop off and pick-up points of their clients' fresh produce. More than just helping clients meet new buyers, the Covid-19 pandemic has helped James find deeper meaning in his job. He is humbled he is given the opportunity to extend help given the limited capacity.

James realized that a spark of encouragement could mean a lot, and showing clients that they truly matter, especially during these challenging times, could push them to unlock their potential to rise above this pandemic. "You can easily be discouraged in this kind of situation. But for us to overcome this ordeal, we need to encourage one another," he says.

James also took the opportunity to educate RMF clients about the importance of vaccination in beating this pandemic. "Many of them are still hesitant to get vaccinated," he said. "They'd rather believe on the 'fake news' about the vaccine. But I saw that as an opportunity to educate them so they'd have better perspective and they can make wiser decision."

Setting aside one's own interest for the benefit of others is indeed life-changing. James' one big decision to step out gave his clients hope at a hopeless, fearful time. He is convinced more than ever that he is indeed made for more.



# SUPER YET HUMAN SHAMIERA HABAGAT



## GOING THE EXTRA MILE

Shamiera Habagat, is not just a mere employee who has proven her dedication and commitment to her job over and over again. But she is a woman worth the applause of many, whose heart expands to save not only her family, her job, most of all the livelihood of the people she considers part of her life.

Shamiera is in-charge of the Rafi Micro Finance (MFI) branch in Barangay Mantalongon, Dalaguete, Cebu. This vegetable basket in Cebu has been her office ground for years, where she helps and provides small farmers needed capital to grow crops and vegetables to feed the entire Cebu province and neighboring islands.

Yet, everything changed when the Covid-19 outbreak hit Cebu in the early part of 2020. Aside from stay-at-home rule, the lockdown order in every border made the situation much harder forcing her to be stuck at home too, while her clients' livelihood back in the farm ceased.

A resident of Carcar, Cebu, a few kilometers away from Mantalongon, Shamiera could not abandon her job, much more the need to check out her clients-turned-friends' lives under the strict quarantine environment. While, she's also concern of the safety of her family back home, risking herself to go on field at the height of virus contamination was one of the bravest acts of service she could muster, only to be with the people who were also with her in good times.

Farm to market business was down, and farmers who have outstanding accounts can hardly earn a penny a day because of tight restrictions. Shamiera had to balance her attention towards saving her job, keeping the livelihood of the farmers afloat and at the same time protecting her family from the probable infection, considering that she had to travel far to do her job on field.

Reporting to her office ground knowing that nothing was moving, could be a waste of time, energy and resources. She could do the checking after tight health protocols are lifted, but her heart is urging her otherwise. Instead, she insisted on visiting her farmer friends in Mantongon—if only just to be with them, letting them know that MFI is not just there in better times, but most of all in worst times. Going extra mile is Shamiera's personal initiative, a heartfelt gesture of support to farmers, while she too has concerns and fears of her own.

Shamiera had to endure long hours of travel—border to border stop, and had to take a bath upon entry to Dalaguete as part of the town's health protocol. Her mission to collect payment had been put aside for a while. What was important for her was to hold the hands of her clients while they are experiencing market drought and zero income.

Her woman instinct as a nurturer and care giver was all the more refined, doing something humane, not just for the sake of keeping her job, but helping farmers go through life, every single day in the time of Covid-19.

While engaging with the farmers, Shamiera also was able to impart a lesson she learned experiencing the economic slump caused by the pandemic. "I learned that keeping savings is very important. What I spared in my savings helped me big time during the lockdown. I imparted this learning to the farmers telling them to be prepared because we don't know what is ahead of us," she shares.

She remained true to her clients with or without business. Going extra mile is not a burden for her, yet she considers it a joy to have been able to lead by example, continue the friendship and look forward to grow with them as the market recovers.

Hoping to seeing them going extra mile too in managing their farm-business and becoming wise agri-business entrepreneurs in the future has become her personal dream.

# SUPER YET HUMAN MICO PUTON



## BEYOND THE CALL OF DUTY

At the heart of the Covid-19 pandemic is a brave soul and a dedicated employee who always goes above and beyond his call to serve the Nanays of RMF.

Amid the threats of transmission and stress caused by the lockdowns, Mico Puton chose to step out to help during the pandemic, and since then, he has become a ray of selflessness and optimism to the Nanays, whose lives and businesses were turned upside down because of the lingering effects of this global health crisis.

Since becoming part of the RMF, Mico's life changed for the better. More than thinking of himself and what he could get from this job, Mico found a new sense of purpose, one that can never be equated with money. As a trust staff, who serves as a frontliner at RMF, Mico poured his heart to helping people, making sure the Nanays still get the same quality of support to grow their businesses despite border controls, limited travel movement and work-from-home arrangement.

Technology was Mico's ally during that time as he constantly monitors the Nanays and their families virtually or through phone calls. He continued to nurture the relationship by staying connected with them while being physically apart.

"We remained to be of service despite the difficulties. We encouraged our Nanays to never lose hope," says Mico, adding that uttering such words during those times may seem difficult to take in when everything around them seems to be hopeless.

But he believed words have power. In this case, his gentle words bring life. "I told the Nanays that there is no way but up and that RAFI will hand-hold them to be victorious in this battle." I gave them that reassuring promise that, "We are in this together."

Mico never wasted time and helped the Nanays slowly bring back the livelihoods shattered by the pandemic, even if he encountered difficulties and frustrations when it comes to payment collections.

"We just need to be more understanding during these trying times and meet with them half way. More importantly, let us make our clients feel that they are valued and loved," says Mico, reminding his fellow-trust staff to persevere.

Going back and forth meeting the Nanays was also an opportunity he grabbed to educate them in doing businesses under the new normal, underscoring the importance of observing safety protocols at all times.

Mico realized that when someone is called to do the job, he should get about the business of fulfilling it no matter the difficulties and the circumstance. "It's true that when you don't love your job; it will become another chore that you will get tired of doing one day."

But he never felt it like a chore, knowing that RAFI has since treated him like a family. "When we were on lockdown not working, we still continue to receive our salaries. RAFI took care of us and our families. When our branch was quarantined they brought us the things we need. I'm just so grateful for this company," he says.

Fulfilling one's job amid the everyday threats on health and safety is no longer just considered a job. It's more than that. It's a calling that Mico bravely faces each day—to serve faithfully the people whose lives he touched—with or without the pandemic.



# SUPER YET HUMAN REYNARD BRIONES



## BUILDING EMOTIONAL CONNECTION

Showing empathy to the clients during this time of pandemic has allowed Reynard Briones to effectively communicate what RAFI MFI is all about. He believes showing sincere and genuine care can go a long way as it can build and strengthen relationship.

Reynard said this present pandemic taught him humility and customer empathy. He says the ability to see things from the client's perspective allowed him to fully understand the depths of their struggles, making him to communicate with care and compassion.

"I really had difficulty reaching to our clients. It was a struggle. For the past years, we were used to dealing with them face-to-face. We visit them personally and monitor their businesses. But this time around, it's different," says Reynard, recalling that travel restrictions had prevented them to reach out those micro- entrepreneurs living in far-flung areas.

"We learned that some survived and were able to bounce back. There were also some that until now are having difficulty getting back in business. But we are here, helping them recover and rebuild what they've lost," he adds.

Payment collection was a crucial task at the height of the pandemic because all businesses, big and small, have been practically wounded by the pandemic.

But Reynard's effective methods were to stay reachable and emotionally connected. "Understanding them really played an important role. What was clear to me was that RAFI MFI doesn't want to lose them. We want to keep them, especially during this season," he shares, adding that being considerate with the client's current financial position allowed him to come up with better options which are a win-win solution for both parties.

"If we are going to be so strict with them it's like we are driving them away when what we want is to keep them and help them survive this crisis."

Good thing, RAFI MFI has relaxed its payment policies allowing micro- entrepreneurs to buy some time to settle their dues. Reynard, in his own little way, also walked the extra mile to help these micro- entrepreneurs settle their loans.

He helped a client sell his firewood by putting his product online so he could pay for his loan. "I learned that he is having difficulty selling his firewood because his buyer, who is running a cenderia, stopped operating. To help him, I linked him to an online seller and fortunately, his firewood got sold," he shared.



Reynard was also instrumental in helping another client sold his lap machine by posting it on Facebook.

"I told my staff to help these people, to encourage them, especially those who don't have access to social media and technology," he says. For Reynard, small actions such as these speak volume in sending a strong, reassuring message that "RAFI MFI is here for them."

"We need to connect with them emotionally," he says. Navigating this pandemic wasn't also easy for Reynard who travels to work by motorcycle. He also endured being in quarantine after a neighbor exhibited Covid- 19 symptoms.

"The hassle alone of going through these safety protocols before hugging your children when you go home from work is already a big sacrifice. There were times when I get discouraged but I just keep on going," he recalls.

Reynard advised his co-workers in RAFI MFI to press on. "Padayon ta sa pagsabot sa atong mga clients. We need to help them," he told his office mates, reminding them that most of RAFI MFI's clients were in good financial position until this pandemic happened. Reynard is also thankful to RAFI MFI's efforts in alleviating financial stress as the pandemic continues to unfold.

He is grateful that the organization provided financial relief and flexible solutions to clients' financial challenges. It even expanded its coverage by setting up more

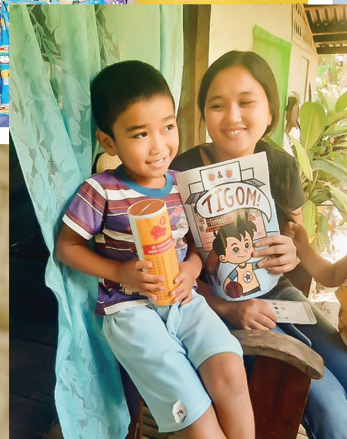
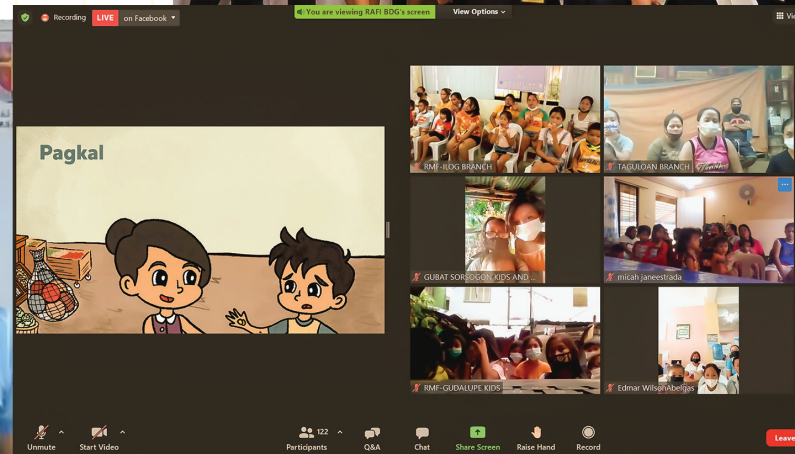
RAFI MFI branches nationwide to reach out to more communities. "I am happy kay nibati sila sa kahintang sa clients," says Reynard. "I am happy too nga wala mi nila pasagdi."

Companies that stay true to their vision, like RAFI MFI, regardless of season are worthy of emulation.

Finding ways to get involved no matter the situation, truly have the potential to create real connections and build long-lasting relationship.

And Reynard believes this is what RAFI MFI truly stands for.







# MANAGEMENT DIRECTORY

## BOARD OF TRUSTEES



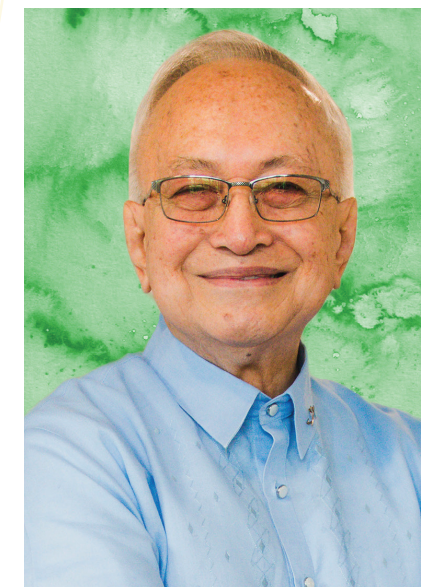
**MIKEL ALBERTO ABOITIZ**



**CARLOS RAMON ABOITIZ**



**DOMINICA B. CHUA**



**ATTY. MANUEL S. GO**



**FR. ERNESTO O. JAVIER**



# EXECUTIVE COMMITTEE



**MIKEL ALBERTO ABOITIZ**  
CHAIRMAN



**ANA ABOITIZ-DELGADO**  
MEMBER



**DOMINICA B. CHUA**  
MEMBER



**CARLOS RAMON ABOITIZ**  
MEMBER



**EDUARDO ALFRED ABOITIZ**  
MEMBER



**DAVID ABOITIZ**  
MEMBER



# MANAGEMENT COMMITTEE



**DOMINICA B. CHUA**  
PRESIDENT



**JONAR B. DORADO**  
CHIEF OPERATING OFFICER,  
RAFI MFI



**RIELLA MAE CHRISTA  
GUIOGUO**  
CHIEF OPERATING OFFICER, RAFI



**MIRAFIOR ENECIO**  
CHIEF BUSINESS  
EXCELLENCE OFFICER



**AILYNE MAY LIM**  
RMF HEAD OF OPERATIONS



**IRIS DORADO**  
BUSINESS AND  
DEVELOPMENT HEAD



**MICHAEL GODINEZ**  
CHIEF PEOPLE OFFICER



**PET JOHN ROM**  
HDPR HEAD/CREDIT AND  
FRAUD MANAGER



**WARREN TOMPONG**  
RISK MANAGER/  
DATA PRIVACY OFFICER



**RAMONCHITO JACA**  
CHIEF AUDIT EXECUTIVE



**ESTEE PLUNKET**  
AVP - BRAND  
DEVELOPMENT GROUP



**CARLOS KHAN**  
CHIEF FINANCIAL OFFICER



**JULIAN VALDUEZA**  
COMPTROLLER



**ERASTO PANES**  
RMF HUMAN CAPITAL HEAD



**ATTY. JASMINE CUIZON**  
CHIEF COMPLIANCE OFFICER






## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **RAFI MICRO-FINANCE, INC.** is responsible for the preparation and fair presentation of the financial statements for the year ended **December 31, 2020**, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Trustees reviews and approves the financial statements and submits the same to the stockholders or members.

Luis Cañete & Company, CPAs, the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

  
**Mikel Alberto M. Aboitiz**  
President/CEO

  
**Carlos B. Kahn**  
CFO/Treasurer

Signed this 30th of March, 2021  
Cebu City, Philippines

*Looking Back, Moving Forward*  
RAFI Micro-finance, Inc. (RMF) celebrates 20 years of elevating the lives

Certified Public Accountants



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
RAFI MICRO-FINANCE, INC.  
(A Non-Stock, Non-Profit Organization)  
35 Lopez Jaena Street  
Pari-an, Cebu City

### Opinion

We have audited the accompanying financial statements of RAFI MICRO-FINANCE, INC., (RMF), which comprise the balance sheets as at December 31, 2020 and 2019, and the statements of operations, statements of other comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RMF as at December 31, 2020 and 2019, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Emphasis of the Matter

We draw attention to Note 2 to the financial statements which disclosed that the accompanying financial statements of RMF have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs), as modified by the application of the following financial reporting relief issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic: straight-line amortization of the P39.8 million additional provision for expected credit losses over five years.

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

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

3F Oftana Building, Jasmin Corner Don Mariano Cui Streets, Cebu City, Philippines  
Telephone (6332) 255 2491 (6332) 255 3428 Fax (6332) 254 3591  
Email luanete@lccpas.com.ph luanete@pldtel.net





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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RMF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RMF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause RMF to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair representation.

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

### Report on the Supplementary Tax Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary tax information in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LUIS CAÑETE & COMPANY

BOA/PRC Reg. No. 0127 (Until January 15, 2022)

SEC Accreditation No. 0379-F (Group A) (Until July 24, 2022)

BIR AN 13-004896-002-2018 (Until August 9, 2021)

For the Firm:

  
**ANDREW JOHN S. CAÑETE**  
 Partner

CPA Certificate No. 114711

SEC Accreditation No. 114711-SEC (Group A) (Until February 20, 2024)

BIR AN 13-009211-002-2020 (Until February 18, 2023)

TIN 240-785-319, PTR No. 1988021 – January 5, 2021, Cebu City

Cebu City  
 March 5, 2021



**RAFI MICRO-FINANCE, INC.**

(A Non-Stock, Non-Profit Organization)

**BALANCE SHEETS**

December 31, 2020 and 2019

(Amounts Expressed in Whole Philippine Pesos)

	Note	2020	2019
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	3	P286,937,795	P237,900,810
Loans receivable - net	4	2,411,777,264	1,627,199,072
Accounts receivable	5	93,164,163	71,777,886
Prepaid expenses and other current assets		27,246,022	40,165,636
Total Current Assets		2,819,125,244	1,977,043,404
<b>NON-CURRENT ASSETS</b>			
Property and equipment - net	6	204,047,499	135,581,442
<b>TOTAL ASSETS</b>		<b>P3,023,172,743</b>	<b>P2,112,624,846</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	7	P196,954,555	P94,776,405
Short-term loans	8	1,432,333,333	505,000,000
Members' fund	9	605,514,383	600,122,212
Income tax payable	13	7,826,598	6,528,157
Total Current Liabilities		2,242,628,869	1,206,426,774
<b>NON-CURRENT LIABILITIES</b>			
Non-current portion of lease liability	7	14,031,292	4,232,340
Accrued retirement payable	15	68,625,237	28,141,934
Total Non-Current Liabilities		82,656,529	32,374,274
<b>TOTAL LIABILITIES</b>		<b>2,325,285,398</b>	<b>1,238,801,048</b>
<b>FUND BALANCE (Exhibit "D")</b>		<b>697,887,345</b>	<b>873,823,798</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>		<b>P3,023,172,743</b>	<b>P2,112,624,846</b>

(See accompanying notes to financial statements)

EXHIBIT "A"**RAFI MICRO-FINANCE, INC.**

(A Non-Stock, Non-Profit Organization)

**STATEMENTS OF OPERATIONS**

For the Years Ended December 31, 2020 and 2019

(Amounts Expressed in Whole Philippine Pesos)

	Note	2020	2019
<b>REVENUES</b>			
Income from microfinancing activities	4	P998,190,756	P1,080,351,539
Interest income from banks	3	5,004,184	4,044,323
Other supports	10	1,964,840	3,089,443
		1,005,159,780	1,087,485,305
<b>EXPENSES</b>			
Expenses for microfinancing activities	11	981,949,493	792,391,294
Administrative expenses	12	141,433,050	88,356,292
		1,123,382,543	880,747,586
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>(118,222,763)</b>	<b>206,737,719</b>
<b>INCOME TAX EXPENSE</b>	<b>13</b>	<b>(20,003,112)</b>	<b>(21,668,820)</b>
<b>PROFIT (LOSS) FOR THE YEAR</b>		<b>(P138,225,875)</b>	<b>P185,068,899</b>

(See accompanying notes to financial statements)

EXHIBIT "B"



EXHIBIT "C"**RAFI MICRO-FINANCE, INC.**

(A Non-Stock, Non-Profit Organization)

**STATEMENTS OF COMPREHENSIVE INCOME**

For the Years Ended December 31, 2020 and 2019

(Amounts Expressed in Whole Philippine Pesos)

	Note	2020	2019
PROFIT (LOSS) FOR THE YEAR		(P138,225,875)	P185,068,899
OTHER COMPREHENSIVE LOSS			
Items not subsequently reclassified to profit or loss			
Actuarial loss on retirement benefits	15	(37,710,578)	(29,420,371)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>		<b>(P175,936,453)</b>	<b>P155,648,528</b>

*(See accompanying notes to financial statements)*EXHIBIT "D"**RAFI MICRO-FINANCE, INC.**

(A Non-Stock, Non-Profit Organization)

**STATEMENTS OF CHANGES IN FUND BALANCE**

For the Years Ended December 31, 2020 and 2019

(Amounts Expressed in Whole Philippine Pesos)

	Cumulative actuarial gain (loss) on retirement benefits (Note 15)	Cumulative results of operations	Total
Balance at December 31, 2018	P37,713,903	P680,461,367	P718,175,270
Profit for the year	-	185,068,899	185,068,899
Other comprehensive loss			
Actuarial loss on retirement benefits	(29,420,371)	-	(29,420,371)
Balance at December 31, 2019	8,293,532	865,530,266	873,823,798
Loss for the year	-	(138,225,875)	(138,225,875)
Other comprehensive loss			
Actuarial loss on retirement benefits	(37,710,578)	-	(37,710,578)
Balance at December 31, 2020	(P29,417,046)	P727,304,391	P697,887,345

*(See accompanying notes to financial statements)*



**RAFI MICRO-FINANCE, INC.**

(A Non-Stock, Non-Profit Organization)

**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2020 and 2019

(Amounts Expressed in Whole Philippine Pesos)

	Note	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income from microfinancing activities		P998,205,703	P1,068,698,877
Receipts from other supports	10	1,964,840	3,089,443
Cash paid to suppliers and employees		(958,985,102)	(919,167,496)
Cash generated from operations		41,185,441	152,620,824
Increase in loans receivable		(784,578,192)	(306,337,961)
Cash used for operations		(743,392,751)	(153,717,137)
Interest income from banks	3	5,004,184	4,044,323
Contribution to retirement fund	15	(16,028,415)	(14,643,142)
Income tax paid		(18,704,672)	(20,149,189)
Net cash used in operating activities		(773,121,654)	(184,465,145)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	6	(94,690,324)	(70,891,262)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in members' fund		5,392,171	129,706,798
Loan availments		1,499,000,000	505,000,000
Loan payments		(571,666,667)	(255,000,000)
Interest paid		(15,876,541)	(16,395,770)
Net cash provided by financing activities		916,848,963	363,311,028
NET INCREASE IN CASH		49,036,985	107,954,621
CASH BALANCE AT BEGINNING OF YEAR	3	237,900,810	129,946,189
CASH BALANCE AT END OF YEAR	3	P286,937,795	P237,900,810

(See accompanying notes to financial statements)

EXHIBIT "E"**RAFI MICRO-FINANCE, INC.**

(A Non-Stock, Non-Profit Organization)

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

(Amounts Expressed in Whole Philippine Pesos)

**1. CORPORATE INFORMATION**

RAFI MICRO-FINANCE, INC. (RMF) is a non-stock, non-profit organization organized under Philippine laws on December 10, 1998 with corporate name of Cebu Micro-Enterprise Development Foundation, Inc. Its articles of incorporation was amended changing its name to RAFI Micro-finance Inc. on September 6, 2011. Its principal office is located at 35 Eduardo Aboitiz Street, Barangay Tinago, Cebu City.

RMF was created in response to the need of coming up with a credit and savings program whose main task is to assist individuals and/or institutions in identifying, facilitating and co-financing feasible and viable income generating ventures.

RMF is presently engaged in the extension of financial services to Filipinos who are moderately poor to help them achieve self-sufficiency. It has two hundred sixteen (216) branches as of December 31, 2020 and one hundred seventy four (174) branches as of December 31, 2019 over six (6) provinces in the Visayas: Cebu, Leyte, Samar, Negros, Bohol, and Iloilo.

It serves as the microfinance arm of Ramon Aboitiz Foundation, Inc.

**2. BASIS OF PREPARATION, STATEMENT OF COMPLIANCE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Preparation.

The accompanying financial statements have been prepared under the historical cost basis. The financial statements are presented in Philippine peso, which is RMF's presentation and functional currency.

Statement of Compliance.

The accompanying financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs), as modified by the application of the following financial reporting relief issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic: straight-line amortization of the P39.8 million additional provision for expected credit losses over five years. The relief covers only current year transactions or events and do not impact the comparative year.



Quantitative impact of the relief availed of are as follows:

- a) The impact on the financial statements line items if the provision for expected credit losses was measured and recorded in accordance with PFRSs are as follows:
- |                                                            |               |
|------------------------------------------------------------|---------------|
| Loans receivable                                           | (P39,796,674) |
| Allowance for expected credit losses                       | 39,796,674    |
| Fund balance                                               | 39,796,674    |
| Provision for expected credit losses                       | 39,796,674    |
| b) Amount of allowance recognized / amortized for the year | —             |
| c) Balance of unrecognized / unamortized allowance         | 39,796,674    |

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretations which were applied starting January 1, 2020. RMF has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of the following new and amended standards and interpretations did not have any significant impact on RMF's financial statements:

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

Pronouncements issued but not yet effective are listed below. RMF intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on RMF's financial statements.

#### *Effective beginning on or after January 1, 2021*

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

#### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of PFRS* – Subsidiary as a first-time adopter
  - Amendments to PFRS 9, *Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*
  - PAS 41, *Agriculture – Taxation in fair value measurements*

#### *Effective beginning on or after January 1, 2023*

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 1: *Classification of Liabilities as Current or Non-current*

#### *Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Deferral of Philippines Interpretation Committee (PIC) Q&A No. 2018-12 on PFRS 15, *Revenue from Contracts with Customers*, for Real Estate Companies

#### Summary of Significant Accounting Policies

##### a. Fair value measurement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by RMF.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

RMF uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable



For assets and liabilities that are recognized in the financial statements on a recurring basis, RMF determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, RMF has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

b. Cash and cash equivalents.

Cash includes cash on hand and in banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

c. Financial assets and financial liabilities.

Initial recognition.

RMF recognizes a financial asset or a financial liability in the balance sheets when RMF becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that RMF commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets and financial liabilities are recognized initially at cost which is the fair value at inception. Transaction costs, if any, are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVTPL).

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, RMF recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of operations unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of operations when the inputs become observable or when the instrument is derecognized. For each transaction, RMF determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the balance sheet.

Contractual cash flows assessment.

For each financial asset, RMF assesses the contractual terms to identify whether the instrument is consistent with the concept of Solely Payments of Principal and Interest (SPPI).

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, RMF applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of business model in managing financial instruments.

RMF determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. RMF's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of RMF's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from RMF's original expectations, RMF does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Categories of Financial Assets and Financial Liabilities.

Financial assets and financial liabilities are further classified into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income (FVOCI), financial asset or financial liability at fair value through profit or loss (FVTPL), and other financial liabilities. RMF determines the classification at initial recognition and re-evaluates this designation at every reporting date, where appropriate.



*Financial assets at amortized cost.*

Financial assets at amortized cost are quoted or unquoted non-derivative financial assets that have contractual terms that are consistent with the concept of SSPI and which fit the business model of held-to-collect.

After initial measurement, these financial assets are carried at amortized cost less allowance for expected credit losses and impairment. Amortized cost is determined using the effective interest method, taking into account any discount or premium on acquisition and the fees that are an integral part of the effective interest rate. Gains and losses are recognized in the statement of income when the financial assets at amortized cost are derecognized or impaired, as well as through the amortization process. Financial assets at amortized cost are included in current assets if maturity is within twelve months from the reporting date. Otherwise, they are classified as non-current assets.

Included in this category are RMF's cash, loans receivable, and accounts receivable.

*Financial assets at FVOCI.*

Financial assets at FVOCI includes quoted non-derivative financial assets that have contractual terms that are consistent with the concept of SSPI but do not fit the business model of held-to-collect or held to maturity. These are recorded in the balance sheet at fair value. Interest income is recognized in profit or loss and fair value changes are recognized in other comprehensive income. Upon disposal, fair value changes are recycled to profit or loss.

Financial assets at FVOCI also includes equity instruments not held for trading and which RMF opted not to designate as financial assets at FVTPL. These are recorded in the balance sheet at fair value. Dividend income is recognized in profit or loss and fair value changes are recognized in other comprehensive income. Upon disposal, there is no recycling of fair value changes.

RMF has no financial assets at FVOCI as of reporting date.

*Financial asset or financial liability at FVTPL.*

Financial assets at FVTPL are all financial assets whose contractual terms are not consistent with the concept of SPPI, with the exception of equity instruments not held for trading which RMF opts to designate as financial assets at FVOCI without recycling. Financial liabilities at FVTPL are liabilities acquired for the purpose of selling and repurchasing in the near term or are those designated by RMF as such.

Financial assets and liabilities at FVTPL are recorded in the balance sheet at fair value. Subsequent changes in fair value are recognized in profit or loss. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

RMF has no financial asset or financial liability at FVTPL as of reporting date.

*Other financial liabilities.*

Financial liabilities not designated as FVTPL are measured at cost or amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. The amortization is included in interest expense in the statement of comprehensive income.

Included in this category is RMF's accounts payable and accrued expenses, short-term loans and members' fund.

Reclassifications of Financial Instruments.

RMF reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by RMF and any previously recognized gains, losses or interest shall not be restated.

RMF does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and,
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

RMF does not reclassify its financial liabilities.

Impairment of financial assets at amortized cost.

RMF recognizes expected credit losses (ECL) for the following financial assets that are not measured at FVTPL:

- Debt instruments that are measured at amortized cost and FVOCI;
- Loan commitments; and,
- Financial guarantee contracts

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and,
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.



Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

- Stage 1: 12-month ECL. For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.
- Stage 2: Lifetime ECL - not credit-impaired. For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.
- Stage 3: Lifetime ECL - credit-impaired. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; or,
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

RMF considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

*Determination of the Stage for Impairment.* At each reporting date, RMF assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. RMF considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

## Derecognition of Financial Assets and Liabilities.

### *Financial assets.*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- RMF retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- RMF has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where RMF has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of RMF's continuing involvement in the asset.

### *Financial liabilities.*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized through results of operations.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized through results of operations, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### d. Prepaid expenses.

Prepaid expenses are carried at the amounts paid and are amortized as they are used in operations or as they expire with the passage of time.

#### e. Property and equipment.

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses.



Cost of property and equipment comprises its net purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

Subsequent expenditures that improve asset performance are capitalized. Other expenditures are expensed.

Depreciation and amortization is computed on the straight-line method over the estimated useful lives of the assets. Annual rates are as follows:

	Annual rates (%)
Leasehold improvements	10%
Furniture, fixtures and equipment	20%
Motorcycle	20%
Computer and financial software	33%
Right of use asset	20% to 50%

The useful lives of the assets and depreciation method used are reviewed periodically for any significant change in utility of the assets and in the expected pattern of economic benefits to ensure that current and future depreciation charges are adjusted accordingly.

Gain or loss on disposal or retirement of property and equipment are generally reflected in the statement of operations.

At each reporting date, property and equipment are assessed for any indication of impairment in value based on internal and external sources. If any indication exists, recoverable amount of the asset is estimated and an impairment loss is recognized through results of operations.

f. Deferred credits.

Funds received that are restricted by the donors for specific purposes are reported as deferred credits. These are deemed donated and reported as income only upon the occurrence of the events specified by donors.

g. Fund balance.

Cumulative excess of supports and other gains over expenses includes the current and prior period results reported in the statements of operations.

h. Revenue and expense recognition.

Revenues are recognized when it is probable that the economic benefits associated with the transaction will flow to RMF and the amount of revenue can be reliably measured on the following basis:

- Interests on loans are recognized on accrual basis using the effective interest method.
- Fees charged for servicing of loans are recognized when the service is provided.

- Membership fees are recognized when a new member is admitted.
- Grants and sub-grants are recognized as receipts over periods to match them with the related costs which they are intended to compensate. Grants related to depreciable assets are recognized as income over the periods and in proportion in which depreciation on those assets is charged.
- Other income is recognized as earned.

Expenses are recognized when incurred.

i. Retirement benefits.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of operations. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of operations.

Remeasurements comprising actuarial gains and losses and return on plan assets are recognized immediately as other comprehensive income in the period in which they arise. Remeasurements are not reclassified to statement of operations in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of RMF, nor can they be paid directly to RMF. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher



than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

j. Leases.

RMF assesses whether a contract is, or contains, a lease at the inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For leases, where RMF acts as the lessee, RMF recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability with certain adjustments, and subsequently depreciated using the straight line method, with depreciation expense recognized in profit or loss. The lease liability is initially measured at the present value of lease payments over the term of the lease using a discount rate that is based on the prevailing borrowing rate. The discount rate is specific to each lease and is determined by various factors, such as the lease term and currency. The lease term includes the non-cancellable period and the optional period where it is reasonably certain we will exercise or not exercise an extension or termination option, considering various factors that create an economic incentive to do so. Subsequently, the lease liability is measured at amortized cost using the effective interest method, with interest charged to interest expense in profit or loss. Lease liabilities and right-of-use assets are measured upon lease modifications.

Leases of low value assets or with relatively short terms are expensed when incurred.

k. Provisions.

Provisions are recognized when RMF has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statements of operations.

l. Contingencies.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

m. Events after reporting date.

Post year end events that provided additional information about RMF's position at reporting date (adjusting events) are reflected in the financial statements. Post year end events that are not adjusting events are disclosed when material.

## Judgments and Accounting Estimates.

In the process of applying the accounting policies of RMF, management has made following judgments and estimates which have the most significant effect on the amounts recognized in the financial statements:

### Judgments.

#### *Provisions and contingencies.*

RMF applies judgment on when to recognize provisions or contingent liabilities. Provisions are recognized when RMF has a present obligation (legal or constructive) as a result of a past event, it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### Estimates and Assumptions

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Allowance for expected credit losses.*

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to RMF in accordance with the contract and the cash flows that RMF expects to receive.
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- *Undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to RMF if the commitment is drawn down and the cash flows that RMF expects to receive.
- *Financial guarantee contracts:* as the expected payments to reimburse the holder less any amounts that RMF expects to recover.

RMF leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows RMF to identify whether the credit risk of financial assets has significantly increased.

Allowance for expected credit losses amounted to P155,879,966 and P61,553,574 as of December 31, 2020 and 2019, respectively. Loans and accounts receivables net of allowance for expected credit losses amounted to P2,504,941,427 and P1,698,976,958 as of December 31, 2020 and 2019, respectively.



#### *Retirement benefits.*

The determination of the obligation and cost of pension is dependent on certain assumptions used in calculating such amounts. Those assumptions are described in Note 15 — Retirement benefits and include among others, discount rates and future salary increases. While management believes that its assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and post-employment obligations. Retirement benefit expense amounted to P18,801,141 and P8,500,484 in 2020 and 2019, respectively. Accrued retirement payable amounted to P68,625,237 and P28,141,934 as of December 31, 2020 and 2019, respectively.

#### *Useful lives of property and equipment.*

RMF estimates the useful lives of depreciable assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence. It is probable that the results of future operations could be materially affected by changes in the estimates due to changes in aforementioned factors. Reduction in estimated useful lives of depreciable assets would increase depreciation expense and decrease non-current assets.

Carrying value of depreciable assets amounted to P204,047,499 and P135,581,442 as of December 31, 2020 and 2019, respectively.

#### *Impairment of non-financial assets.*

RMF assesses the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The impairment review requires an estimation of the present value of the expected future cash flows from continued use of the assets and selection of an appropriate discount rate that can materially affect the financial statements.

Carrying values of non-financial assets as of reporting date are as follows:

	December 31 2020	December 31 2019
Prepaid expenses and other current assets	P27,246,022	P40,165,636
Property and equipment – net	204,047,499	135,581,442

#### *Fair value of financial instruments.*

PFRSs requires that certain assets and liabilities be carried at fair value which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence, the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in fair value of these financial assets and liabilities would directly affect results of operations or fund balance. As of December 31, 2020 and 2019, fair value of financial assets amounted to P2,791,879,222 and P1,936,877,768, respectively, and fair value of financial liabilities amounted to P2,248,833,563 and P1,204,130,957, respectively.

### 3. CASH

This account consists of:

	December 31 2020	December 31 2019
Cash on hand	P60,322,532	P41,867,260
Cash in banks	226,615,263	196,033,550
	P286,937,795	P237,900,810

Cash on hand consists substantially of revolving funds and other cash funds.

Cash in banks earn interest at annual bank rates. Interest income earned from cash in banks amounted to P5,004,184 and P4,044,323 in 2020 and 2019, respectively.

### 4. LOANS RECEIVABLE

This account consists of:

	December 31 2020	December 31 2019
Gross loans receivable	P2,568,499,399	P1,689,498,475
Less: Deferred loan interest income	842,169	745,829
Allowance for expected credit losses	155,879,966	61,553,574
	156,722,135	62,299,403
	P2,411,777,264	P1,627,199,072

Changes in allowance for expected credit losses were as follows:

	2020	2019
Balance beginning	P61,553,574	P46,450,538
Expected credit losses charged to operations (Note 11)	108,578,064	36,094,268
Written off	(14,251,672)	(20,991,232)
Balance end	P155,879,966	P61,553,574

The Philippine Finance Association (PFA) and the Microfinance Council of the Philippines, Inc. (MCPI) requested for prudential accounting relief measures for licensed financing companies (FCs) and lending companies (LCs), and accredited microfinance NGOs (MF-NGOs).

Pursuant to R.A. No. 11494, Bayanihan to Recover as One Act, the SEC is allowed to adopt measures to enable companies to cope with the impact brought by Covid-19 pandemic. It is of this purpose that the Commission en banc, in its meeting held on December 22, 2020,



decided to provide relief to the subject institutions by allowing staggered booking of provision for credit losses calculated in accordance with the requirements of Philippine Financial Reporting Standards (PFRS), PFRS for Small and Medium-Sized Entities (SMEs), or PFRS for Small Entities (SEs), as applicable, for annual period ending on or after December 31, 2020 for a maximum period of five (5) years using straight-line amortization method to be recognized in the profit or loss. FCs, LCs and MF-NGOs shall continue to report actual past due and non-performing loans and provision for credit losses.

The financial statements have been modified by the application of the following financial reporting relief issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic. The relief covers only current-year transactions/ events and do not impact the comparative period/s. (see Note 2)

Income from microfinance activities consists of as follows:

	2020	2019
Interest income earned from loans	P881,878,406	P966,345,167
Commission income	96,552,682	106,470,715
Service and general fees	19,759,668	7,535,657
	<b>P998,190,756</b>	<b>P1,080,351,539</b>

Loans earn interest at annual rates ranging from 24.00% to 77.82% in 2020 and 2019. Interest rates are based on loan type and term, which may range from three months to twelve months.

Commission income is mainly from the insurance coverage of the members.

Service and general fees, which are deducted from the loan proceeds, are charged at a rate of 1% of the loan amount in 2020 and 2019, based on the loan type. Service charge is no longer charged for Mauswagon and Kabuhayan loans effective December 3, 2018. New loan products introduced in 2019 are also not charged with service charge.

## 5. ACCOUNTS RECEIVABLE

This account consists of:

	December 31 2020	December 31 2019
Claims receivable	P66,368,728	P48,207,026
Accrued interest receivable	11,821,636	11,740,243
Advances to officers and employees	8,061,404	6,814,352
Deposits receivable	5,582,760	4,114,920
Receivable from Social Security System	1,122,155	901,345
Other receivables	207,480	—
	<b>P93,164,163</b>	<b>P71,777,886</b>

Claims receivable represents insurance claims that are not yet collected.

Accrued interest receivable pertains to the accrual of interest income on loans receivable.

Advances to officers and employees include operational advances subject to liquidation.

Deposits receivable are rental deposits refundable to RMF at the end of the lease term.

## 6. PROPERTY AND EQUIPMENT

As of December 31, 2020

	Leasehold improvements	Furniture, fixtures and equipment	Motorcycle	Computer and financial software	Right of use of (ROU) assets	Total
Cost						
Balance, beginning	P2,673,620	P92,706,438	P77,963,806	P28,404,440	P20,426,311	P222,174,615
Additions	195,317	375,142	24,532,059	69,587,806	—	94,690,324
Additions to ROU assets	—	—	—	—	48,897,362	48,897,362
Amortization	—	—	—	—	(30,628,225)	(30,628,225)
Write-off	—	(8,084)	—	—	—	(8,084)
Balance, end	2,868,937	93,073,496	102,495,865	97,992,246	38,695,448	335,125,992
Accumulated depreciation						
Balance, beginning	1,874,156	48,143,490	30,100,021	6,475,506	—	86,593,173
Depreciation	408,576	1,358,608	16,157,565	26,568,655	—	44,493,404
Write-off	—	(8,084)	—	—	—	(8,084)
Balance, end	2,282,732	49,494,014	46,257,586	33,044,161	—	131,078,493
Net book value	P586,205	P43,579,482	P56,238,279	P64,948,085	P38,695,448	P204,047,499

As of December 31, 2019

	Leasehold improvements	Furniture, fixtures and equipment	Motorcycle	Computer and financial software	Right of use of assets	Total
Cost						
Balance, beginning	P1,333,986	P74,566,110	P58,452,821	P9,049,704	—	P143,402,621
Additions	1,581,614	24,487,936	22,494,246	22,327,467	—	70,891,263
Adoption of PFRS 16	—	—	—	—	P42,616,298	42,616,298
Amortization	—	—	—	—	(22,189,987)	(22,189,987)
Write-off	(241,980)	(6,347,608)	(2,983,261)	(2,972,731)	—	(12,545,580)
Balance, end	2,673,620	92,706,438	77,963,806	28,404,440	20,426,311	222,174,615
Accumulated depreciation						
Balance, beginning	1,326,840	33,227,461	20,771,454	7,944,667	—	63,270,422
Depreciation	789,296	21,263,637	12,311,828	1,503,570	—	35,868,331
Write-off	(241,980)	(6,347,608)	(2,983,261)	(2,972,731)	—	(12,545,580)
Balance, end	1,874,156	48,143,490	30,100,021	6,475,506	—	86,593,173
Net book value	P799,464	P44,562,948	P47,863,785	P21,928,934	P20,426,311	P135,581,442

Depreciation charged to operations amounted to P44,493,404 and P35,868,331 in 2020 and 2019, respectively. (see Note 11)

Amortization of right of use assets amounted to P30,628,225 and 22,189,987 in 2020 and 2019, respectively. (see Notes 11 and 20)

RMF has no idle property and equipment as of reporting date.



## 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of:

	December 31 2020	December 31 2019
Accounts payable and other current liabilities	P105,286,305	P21,320,232
Lease liability (Note 20)	39,417,706	20,844,067
Employee bonds payable	18,307,046	13,083,472
Insurance payable	14,723,621	39,735,942
Loan redemption fund	13,248,164	1,572,568
Accrued interest payable	2,520,838	2,254,306
Accrued expense payable	166,454	19,013
Other payables	17,315,713	179,145
	210,985,847	99,008,745
Less: Non-current portion of lease liability	(14,031,292)	(4,232,340)
	P196,954,555	P94,776,405

Accounts payable and other current liabilities include payable to other entity for expenses paid in behalf of RMF, suppliers' credits, and amounts due to government agencies.

Employee bonds payable is a security bond collected from trust staff and branch managers to be refunded upon resignation.

Insurance payable represents insurance premium of members for their life insurance policy for remittances to insurer.

Loan redemption fund is a percentage of amounts borrowed by the member, established to serve as a security on loan principal in case of death of a borrower during the term of the loan.

## 8. SHORT-TERM LOANS

These are loans from banks with terms ranging from two months to one year as follows:

	Interest rate	Maturity date	December 31 2020	December 31 2019
Union Bank of the Philippines (UBP)	5.75%	05/11/2021	P99,000,000	—
	5.75%	05/10/2021	500,000,000	—
	5.75%	03/02/2021	333,333,333	—
	6.00%	03/02/2020	—	P310,000,000
Land Bank of the Philippines (LBP)	5.00%	06/09/2021	200,000,000	—
	5.00%	12/10/2021	200,000,000	—
	5.00%	03/02/2020	—	145,000,000
Philippine National Bank (PNB)	5.75%	03/22/2021	100,000,000	—
	6.50%	02/03/2020	—	50,000,000
			P1,432,333,333	P505,000,000

These are unsecured, clean loans. RMF was not in default on any of its loan commitments throughout 2020 and 2019.

Interest expense from short-term loans amounted to P16,157,499 and P4,226,497 in 2020 and 2019, respectively. (see Note 11)

## 9. MEMBERS' FUND

Members with or without loan outstanding are required to make a weekly deposit of at least fifty pesos (P50.00). Any amount of deposit in excess of 20% of the loan balance can be withdrawn anytime. A member has the option to deposit more than the required balance.

Members' fund earns interest at the rate of four percent (4%) per annum but was temporarily suspended in 2020. Interest expense on members' fund amounted to P9,918 and P16,856,560 in 2020 and 2019, respectively. (see Note 11)

## 10. OTHER SUPPORTS

RMF is the recipient of the following grants and sub-grants:

	2020	2019
Water Org. Inc.	P838,011	P3,089,443
PhilPacific Insurance Brokers & Managers, Inc.	800,000	—
Grameen Foundation USA	50,000	—
Others	276,829	—
	P1,964,840	P3,089,443

On November 6, 2017, Water.org entered into a grant agreement with RMF for the implementation of its new project called Water, Sanitation and Hygiene (WASH). Water.org grants the total amount of \$126,828 (the "Program Funds") to RMF. The Program Funds will be disbursed to RMF in amounts and timing to be determined at Water.org's sole discretion but may adjust its timing or amount based upon written request from RMF. The Program Funds will be use by RMF for the implementation of sustainable water and sanitation projects for health and environmental education, organization development, and the introduction of potable water and sanitation. The agreement will expire on February 28, 2021.

In 2020, RMF received a grant from PhilPacific Insurance Brokers & Managers, Inc. ("Philinsure") for the implementation of a project called Bugsay Scholarship Program. The project shall establish a scholarship program for the children of RMF's clients who meet the criteria set by the Scholarship Program Committee. The scholarship shall cover the cost of tuition and other school fees, academic and extracurricular expenses, purchase of textbooks, board and lodging, transportation, clothing, medical needs and other valid related education expenses and support services to complete the student-grantee's degree program. The project aims to provide scholarship to a total of ten (10) scholars per year over the course of ten (10) years. Philinsure will provide RMF with a grant of P80,000 net of tax for each scholar per year. This project has a duration of ten years subject to an annual evaluation. Both parties shall have the option to continue the grant after each evaluation.



RMF also received a grant from Grameen Foundation USA in the amount of \$1,000 for Covid-19 response to enhance livelihoods of individual entrepreneurs and families.

Other grants substantially consist of Covid-19 related donations.

#### 11. EXPENSES FOR MICROFINANCING ACTIVITIES

This account consists of:

	2020	2019
Personnel management	P626,488,599	P482,871,559
Branch expenses	130,271,852	163,837,330
Expected credit losses (Note 4)	108,578,064	36,094,268
Depreciation (Note 6)	44,493,404	35,868,331
Amortization (Notes 6 and 20)	30,628,225	22,189,987
Interest expense (Notes 8, 9, and 20)	17,995,976	22,216,726
Client retention	16,375,387	22,725,839
Fixed asset management	7,117,986	6,587,254
	P981,949,493	P792,391,294

Personnel management consists of:

	2020	2019
Salaries and wages	P537,016,852	P421,011,960
Retirement benefits expense (Note 15)	18,801,141	8,500,484
Other employee benefits	70,670,606	53,359,115
	P626,488,599	P482,871,559

Branch expenses consists of:

	2020	2019
Finance charges	P25,479,732	P15,496,402
Maintenance and office supplies	22,954,682	42,074,716
Gasoline and oil	18,381,850	20,091,958
Utilities	15,897,745	15,751,255
Communications	11,648,142	11,748,786
Rent (Note 20)	10,226,241	14,669,157
Fare and toll fees	10,117,300	16,507,594
Freight and delivery expenses	2,851,553	2,081,860
Miscellaneous	12,714,607	25,415,601
	P130,271,852	P163,837,329

Client retention consist of:

	2020	2019
Client training and intervention	P7,588,526	P3,897,758
Advertising and promotions	6,931,724	790,476
Market research and development	1,124,253	2,043,891
Gifts and tokens	727,084	10,749,289
General assembly expenses	3,800	5,244,425
	P16,375,387	P22,725,839

#### 12. ADMINISTRATIVE EXPENSES

This account consists of:

	2020	2019
Membership fees and dues	P71,630,293	P1,704,442
Taxes and licenses	36,672,386	7,425,538
Professional fees	18,912,810	61,129,232
Contracted services	9,395,466	—
Branch pre-operating expenses	1,871,939	946,113
Representation	526,381	5,087,162
Program monitoring and evaluation	80,088	7,054,807
Computerization project expense	—	2,247,120
Miscellaneous	2,343,687	2,761,878
	P141,433,050	P88,356,292

Professional fees consists substantially of consultancy fees paid to a third party for process review and improvement.

#### 13. INCOME TAX

Republic Act No. 10693, provides that a duly registered and accredited NGO whose primary purpose is microfinance and only on their microfinance operations catering to the poor and low-income individual in alignment with the main goal of the Act to alleviate poverty is subject to a preferential tax treatment of 2% based on its gross receipts from microfinance operations in lieu of all national taxes.

On March 21, 2019, the Microfinance NGO Regulatory Council (Council) issued a certificate of accreditation to RAFI Micro-Finance, Inc. (RMF). The certificate shall be valid for three (3) years from the date of issuance unless earlier revoked by the Council. As such, RMF is subject to the preferential tax rate of 2%.

Income tax expense amounting to P20,003,112 and P21,668,820 in 2020 and 2019, respectively, represents 2% preferential tax on gross receipts of RMF.

Income tax payable amounting to P7,826,598 and P6,528,157 as of December 31, 2020 and 2019, respectively, represents the current income tax net of income tax credits.



#### 14. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The members of the Board of Trustees do not receive any compensation from RMF.

The aggregate compensation and benefits paid to key management personnel were as follows:

	2020	2019
Short-term employee benefits	P48,250,828	P30,067,024
Post-employment benefits	3,668,550	1,894,222

#### 15. RETIREMENT BENEFITS

RMF has a non-contributory benefit plan providing for retirement, death and disability benefits to permanent and regular employees. Retirement benefits under the plan is equal to 100% of final monthly salary for every year of service for services rendered prior to January 1, 2006 and 150% of final monthly salary for every year of service rendered starting January 1, 2006.

Components of accrued retirement obligation recognized in the balance sheet and retirement cost recognized in the statement of operations, and actuarial loss recognized in other comprehensive income (OCI) are as follows:

	2020	2019
Changes in present value of obligation		
Balance, January 1	P73,096,150	P35,256,408
Current service cost	17,379,973	8,093,835
Interest cost	3,691,356	2,947,436
Withdrawals	(6,424,521)	—
Actuarial loss	36,123,677	26,798,471
Balance, December 31	123,866,635	73,096,150
Changes in fair value of plan assets		
Balance, January 1	44,954,216	30,392,186
Interest income	2,270,188	2,540,788
Contributions	16,028,415	14,643,142
Withdrawals	(6,424,521)	—
Actuarial loss	(1,586,900)	(2,621,900)
Balance, December 31	55,241,398	44,954,216
Liability recognized in balance sheet	P68,625,237	P28,141,934

	2020	2019
Retirement cost		
Current service cost	P17,379,973	P8,093,835
Net interest cost	1,421,168	406,649

Retirement benefits expense included in personnel management (Note 11)	P18,801,141	P8,500,484
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	2020	2019
Cumulative actuarial gain (loss)		
Balance, beginning	P8,293,532	P37,713,903
Actuarial loss for the year	(37,710,578)	(29,420,371)
Balance, end	(P29,417,046)	P8,293,532

	2020	2019
Assumptions used to determine retirement benefits		
Discount rate	4.09%	5.05%
Rate of salary increase	6.00%	6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the accrued retirement obligation as of December 31, 2020, assuming all other assumptions were held constant:

	Effect on 2020 accrued retirement payable
Change in discount rates	
1% increase	(P19,573,740)
1% decrease	24,261,091
Change in salary rate increase	
1% increase	24,178,464
1% decrease	(19,879,917)

#### 16. PERFORMANCE STANDARDS

As required under the Regulatory Framework for Microfinance Institutions, a common set of performance standards for all institutions engaged in microfinance was formulated to allow greater transparency in the operations of MFIs.



The performance standards of RMF as of and for the years then ended calculated based on the Regulatory Framework for Microfinance Institution are as follows:

	2020	2019
Portfolio quality		
Portfolio at risk	8%	3%
Loan loss reserve	80%	102%
Efficiency		
Administrative efficiency	51%	58%
Operational self-sufficiency	81%	110%
Loan officer productivity	269	196
Sustainability		
Financial self-sufficiency	89%	119%
Loan portfolio profitability	(6%)	14%
Outreach		
Growth in number of active MF clients	31%	16%
Growth in microfinance loan portfolio	52%	23%
Depth of outreach	19%	13%

## 17. CAPITAL MANAGEMENT

The primary objective of RMF in managing capital is to ensure RMF's ability to continue as a going concern so that RMF can continue to support its projects and programs and thus achieve the purpose for which it was created.

RMF manages its capital structure and makes adjustments to it in the light of changes in economic condition. To maintain or adjust capital, RMF may assess its members or sell its assets to reduce debt. No changes were made in the objective, policy or processes in 2020 and 2019.

RMF considers fund balance as capital. Fund balance amounted to P697,887,345 and P873,823,798 as of December 31, 2020 and 2019, respectively.

## 18. FINANCIAL INSTRUMENTS

RMF's principal financial instruments comprise of cash, loans receivable, accounts receivable, accounts payable and accrued expenses, short-term loans, and members' fund.

The carrying value of RMF's financial asset and financial liabilities approximates fair value due to their relatively short term maturities.

## 19. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The financial assets and financial liabilities of RMF comprise of cash in banks, loans receivable, accounts receivable, accounts payable and accrued expenses, short-term loans, and members' fund. The main risks arising from these instruments are credit risk and liquidity

risk. The Board of Trustees has set policies on management of each of these risks and has appointed a committee to implement the policies and monitor compliance thereof.

### *Credit risk.*

Credit risk is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The lending policies of RMF include among others that all loan applicants be required to make a weekly deposit which earns interest if member is active, and a loan redemption fund deducted from proceeds of the loan to serve as a security on the principal in case of death of a borrower. The Credit Committee undertakes the implementation of credit policies and monitors loans receivable on an ongoing basis to minimize exposure to bad debts. Loans receivable net of allowance amounted to P2,411,777,264 and P1,627,199,072 as of December 31, 2020 and 2019, respectively.

RMF's exposure to credit risk from other financial assets which comprises cash is mitigated by maintaining depository accounts and cash investments with financial institutions of high credit rating. Furthermore, the Board of Trustees sets limits on deposits that could be placed with a single institution. Cash amounted to P286,937,795 and P237,900,810 as of December 31, 2020 and 2019, respectively

The credit quality per class of financial assets that was neither past due nor impaired is as follows:

	December 31, 2020				
	Neither past due nor impaired			Past due or Impaired	Total
	High	Medium	Low		
Financial assets at amortized cost					
Cash	P286,937,795	—	—	—	P286,937,795
Loans receivable	—	P2,371,595,098	—	P196,904,301	2,568,499,399
Accounts receivable	—	93,164,163	—	—	93,164,163
	P286,937,795	P2,464,759,261	—	P196,904,301	P2,948,601,357
	December 31, 2019				
	Neither past due nor impaired			Past due or Impaired	Total
	High	Medium	Low		
Financial assets at amortized cost					
Cash	P237,900,810	—	—	—	P237,900,810
Loans receivable	—	P1,635,890,082	—	P53,608,393	1,689,498,475
Accounts receivable	—	71,777,886	—	—	71,777,886
	P237,900,810	P1,707,667,968	—	P53,608,393	P1,999,177,171



Aging analysis per class of financial assets that were past due but not impaired and impaired were as follows:

December 31, 2020

	90 days or less	Over 90 less than 1 year	Over 1 year	Impaired	Total
Loans receivable	P32,352,939	P137,340,502	P27,210,860	—	P196,904,301

December 31, 2019

	90 days or less	Over 90 less than 1 year	Over 1 year	Impaired	Total
Loans receivable	P12,942,817	P25,822,802	P14,842,774	—	P53,608,393

#### *Liquidity risk.*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

RMF is exposed to daily calls on its available cash resources from its members' funds and loan draw downs. It maintains sufficient cash at each operating unit to cover withdrawals at unexpected levels of demand.

To manage this risk, RMF regularly monitors its projected and actual cash flows information and, if necessary, obtains additional short-term funding from banks.

As of reporting date, the RMF's accounts payable and accrued expenses, short-term loans, and members' fund are payable within one year and their carrying values are equal to their total contractual undiscounted payments.

As of reporting date, the RMF's cash, loans receivable, and accounts receivable are collectible within one year and their carrying values are equal to their total contractual undiscounted collections.

#### *Interest rate risk.*

Floating rate financial instruments are subject to cash flow interest rate risk while fixed rate financial instruments are subject to fair value rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rate.

RMF's exposure to market risk for changes in interest rates relates primarily to its short-term loans.

The following table sets out the carrying amount, by maturity, of RMF's financial instruments that are exposed to interest rate risk:

As of December 31, 2020

	< 1 year	1 to 5 years	> 5 years	Total
Short-term loans	P1,432,333,333	—	—	P1,432,333,333

As of December 31, 2019

	< 1 year	1 to 5 years	> 5 years	Total
Short-term loans	P505,000,000	—	—	P505,000,000

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of RMF's profit before tax:

	Increase (decrease) in basis points	Increase (decrease) in profit before tax
December 31, 2020	100 (50)	(P5,755,620) 2,877,810
December 31, 2019	100 (50)	(830,833) 415,417

## 20. LEASES

RMF leases its office and branch premises from third parties for a term ranging from one (1) year to ten (10) years renewable upon mutually acceptable terms.

Set out below are the carrying amounts of RMF's right-of-use assets and lease liabilities and the movements during the year:

December 31, 2020

	Right-of-use asset (Note 6)	Lease liability (Note 7)
As at January 1	P20,426,311	P20,844,067
Additions	48,897,362	48,897,362
Amortization	(30,628,225)	—
Interest	—	1,828,559
Payments	—	(32,152,282)
As at December 31	P38,695,448	P39,417,706



December 31, 2019

	Right-of-use asset (Note 6)	Lease liability (Note 7)
As at January 1	—	—
Additions	P42,616,298	P42,616,298
Amortization	(22,189,987)	—
Interest	—	1,133,669
Payments	—	(22,905,900)
As at December 31	P20,426,311	P20,844,067

The carrying amounts of RMF's right-of-use asset as of December 31, 2020 and 2019 are presented as part of property and equipment. (see Note 6)

Set out below are the amounts recognized in the statements of comprehensive income:

	2020	2019
Amortization expense of right of use assets (Note 6 and 11)	P30,628,225	P22,189,987
Rent expense – short-term leases (Note 11)	10,226,241	14,669,157
Interest expense on lease liability (Note 11)	1,828,559	1,133,669
	P42,683,025	P37,992,813

The future minimum rental payments per contract provisions are as follows:

	December 31 2020	December 31 2019
Within one year	P26,717,534	P17,487,908
More than one year but less than 5 years	14,582,410	4,232,340

## 21. IMPACT OF COVID-19 PANDEMIC ON THE FINANCIAL STATEMENTS

With the outbreak of the 2019 Novel Corona Virus Acute Respiratory Disease, now known as COVID – 19, the Philippine government has been undertaking measures to contain its spread by imposing community quarantine and protocols that include compliance of minimum public health standards, strict home quarantine, prohibition of mass gatherings, suspension of face to face or in person classes at all levels, suspension of public transportation and strict regulation of operating businesses, among others. No economic activities were allowed during enhanced community quarantine (ECQ) except those involved in the provision of essential goods and services. Depending on industry classification, some businesses were allowed to operate partially or in full during modified enhanced community quarantine (MECQ) and general community quarantine (GCQ).

RMF's income from microfinancing activities decreased due to the suspension of operations caused by the community quarantines and the availment of the borrowers of the grace period provided by Bayanihan 1 and 2. Expenses for microfinancing activities increased due to

branch expansion initiatives which resulted to a higher personnel costs and salaries which were still given throughout the community quarantine period.

Portfolio at risk at the end of the year is at 7.6%. The loan portfolio is covered with an allowance for expected credit losses of P156 million. RMF focuses on initiatives that would impact on the improvement of the loan portfolio quality.

RMF is continuously providing interventions to clients particularly those with diminished or no family income, transferred residence, and unstable businesses.

## 22. NOTES TO CASH FLOWS

Non-cash transactions include recognition of right of use asset and lease liability amounting to P48,897,362 and P42,616,298 in 2020 and 2019, respectively.

## 23. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2019 financial statements were reclassified to conform with the 2020 presentation.

## 24. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of RMF as of and for the year ended December 31, 2020 (including the comparatives for the year ended December 31, 2019) were authorized for issue by the Board of Trustees on \_\_, 2020.

## 25. SUPPLEMENTARY TAX INFORMATION

Revenue Regulation No. 15-2020.

RMF reported the following tax types:

Withholding taxes

	Amount
Compensation	P20,879,235
Expanded	10,569,117
	P31,448,352



*Other taxes and licenses*

	Amount
Documentary stamps tax	P24,668,817
Business permit and other fees	8,161,536
Vehicle registration	3,757,759
Community tax	55,134
BIR annual registration	29,140
	P36,672,386

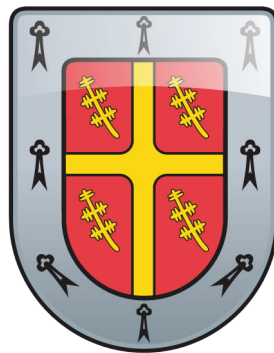
Revenue Regulation No. 34-2020.

RMF is not covered by the requirements and procedures for related party transactions provided under Revenue Regulation No. 34-2020.

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RAFI



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