



RAFi
MICROFINANCE



KASAMA SA BAWAT SIMULA

ANNUAL REPORT 2021

ABOUT THE COVER



The cover depicts RAFI MFI's desire for its clients toward sowing hope and love, and envisioning a bright future for the next generation of our clients (represented by the grandson). It is this vision that our clients bear in mind when they journey with us.

This shows that despite all the challenges they face in life, our clients continue to see hope that will motivate and inspire them to move forward toward business resilience and recovery. RAFI Microfinance, Inc. will serve as their partner and will guide them to pursue and achieve their dreams.

Hangad ng RAFI MFI na magsilbing kaagapay upang ang aming mga kliyente ay makapagsimula at makamit ang kanilang mga pangarap sa bawat simula.

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A smiling woman wearing a pink t-shirt and a tan bucket hat is pouring rice from a blue sack into a pink plastic basket. The sack has text on it, including "IVORY GRAINS CLASSIC" and "CESS BY". The basket is filled with rice. The background is a lush green outdoor setting with trees and a wooden fence.

MISSION

We are social entrepreneurs providing financial and non-financial services to empower the poor and elevate their lives.

VISION

Empowered clients who have elevated their lives and their families.

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 where transparency, proper communication, and adherence to ethical procedures are delivered in all transactions.



RESPECT

Maintains respect for all people without prejudice to status as they appreciate, recognize, and encourage innovations and contributions of others 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.

When uncertainty continues to prevail, you hold on to the hope that things will get better and that there will be people who will help you make that happen.

That is why we at RAFI Microfinance believe that more than a year after the COVID-19 pandemic and with health and safety protocols slowly easing up, we are always ready to carry out our mission to elevate people's lives by empowering and improving the economic well-being of our nanays and tatays. We are fully aware that while most of our clients are eager to get back on their feet, the situation brought about by the health crisis is still volatile.

Guided by our values of God-centeredness, integrity, respect, and service, we set realistic targets in 2021, and cautiously embarked on new undertakings that allowed us to optimize the benefits of digital technology. We also set in motion various strategic initiatives that have been planned years ago, hoping these would produce the anticipated results despite the challenging circumstances. We also continued implementing existing programs, but with a little tweaking to adapt to the demands of the current situation. In all these endeavors, it was clear to us that our strategy now would be to continue pursuing our targets in a safe and responsible manner.



Our numbers will tell you it was the right move. As of 2021, we have more than 400,000 entrepreneurs who have borrowed a total of P8.2 billion in capital to run their businesses. This capital, in addition to our other interventions, helped us exceed the overall target we set in terms of the number of jobs created, and children and households benefited. We believe the social impact we have created in our partner communities has contributed to our growth. There are now 278 RAFI Microfinance branches spread throughout Luzon, Visayas, and Mindanao.

Compassion

Because we value our clients like family, we have expanded our services to foster the holistic well-being of our clients and their families. We provided free medical consultations, psychosocial first aid to those affected by calamities, and financial assistance to help cover the costs of medicines for our nanays, tatays, and their family members. We also granted college education scholarships for the children of our clients, and provided a micro-insurance program to protect our clients during disasters. We collaborated with other organizations to promote financial literacy, train farmers, and extend health assistance.

We also made sure our more than 2,600 employees and their families were cared for during the pandemic. They were assisted with the COVID-19 vaccination, received care packages and medical assistance during the pandemic, underwent regular health monitoring, were provided with relief packs, monetary assistance, and transitioned to a hybrid work setup to adapt to the "new normal."

Mettle tested

Just when our nanays and tatays were slowly getting back on their feet from the pandemic, super typhoon Odette hit in December 2021 and wreaked havoc on some parts of Visayas and Mindanao. The typhoon came at a time when we were ready to celebrate the little triumphs that we managed to achieve early on in the year, pushing back anew whatever recovery efforts that have been started.

Once again, we heeded the call of those who came knocking at our door. We provided relief packs to our clients. Affected employees were

also given relief packs, as well as psychosocial support.

Strengthening our pillars

We at RAFI Microfinance are aware that to be able to efficiently serve our clients and help them elevate their quality of life and economic well-being, we need to keep on improving our systems and processes. In 2021, we took the time to increase our capacity as an organization, polish internal processes, and improve stewardship and sustainability.

Teamwork

We are grateful that from all these interventions, we can see the tremendous growth that the organization is experiencing. After 24 years in operation, we are now seeing the fruits of the hard work and heartwork that everyone in the team has put in. We have seen improvements in efficiency and effectivity through our digital transformation and process improvement projects.

To the RAFI Microfinance team, thank you for keeping the passion to serve our clients burning within you. Continue to be dedicated in helping our nanays and tatays achieve their dream of living a better life.

We would also like to thank our various partners whose generosity has allowed us to implement more programs for our clients.

To the Board of Trustees and the Executive Committee, thank you for continuing to guide the RAFI Microfinance as it strives to fulfill its mission and help its clients shape their future.

Lastly, and more importantly, thank you, our loyal nanays and tatays for your unwavering trust in RAFI Microfinance. With your continued patronage, we assure you that we are with you in every step of your journey to rebuilding a better future. *Kauban mi ninyo sa pagbugsay kanunay.*

Mikel Alberto M. Aboitiz
Chairman

The role of micro, small, and medium enterprises (MSMEs) in our efforts to recover from the crisis brought about by the pandemic and from the devastation caused by Typhoon Odette can never be understated. After all, they comprise most of the business establishments in the country and provide employment to a considerable number of Filipinos.

We at RAFI Microfinance recognize this potential so in 2021, we made it our goal to enhance the capacities of these MSMEs—our clients, the nanays and tatays. We believed it was imperative upon us to help our clients help themselves by equipping them with new skills and learnings so they could make a significant contribution in reviving the economy.

On our social media pages, we carry the hashtag #RAFIMFIWalanglwanan, so when our nanays and tatays came to us for help in getting back on their feet, we wasted no time in crafting strategic interventions to help them start anew. We cautiously set targets to ensure we weren't getting ahead of ourselves and affect whatever plans we had.

Enabler for resilience

During the pandemic, reliance on digital technology became pronounced—online shopping became the norm, as was e-payments. We at RAFI Microfinance took advantage of this shift in

consumer behavior and launched the Tindahan ni Nanay (TNN) on Facebook. TNN is a selling platform that serves as an alternative venue for our clients to sell their products and to continue earning despite the restrictions on movement. It showcases our clients' products and features success stories of TNN merchants in the hope of inspiring others to do well.

To ensure the sustainability of TNN, we provided our nanays and tatays with intensive coaching sessions, conducted promotional activities, and held online games. We also checked on our clients to assess and address whatever online selling gaps and challenges they have encountered. We also hooked up with other non-traditional marketing platforms so TNN merchants can reach new markets and new locations.

The response to TNN has been overwhelming. From having just some 20 merchants and a hundred members when it first started, TNN now has 172 merchants and more than 7,000 members who have generated a combined sales of more than PhP5 million.

Giving more

Aside from the TNN, we managed to implement new and existing programs and projects in key areas all over the country, despite health protocols and certain restrictions still in place. These interventions focused on microfinance/microcredit; health and nutrition; education; children's welfare; social enterprises; and capacity building, training, and skills development.

More than 600,000 beneficiaries that included existing RAFI Micro-finance members, farmers, youth, and women availed themselves of various microfinance products, health and scholarship programs, livelihood training, the TNN, and learning hubs, among others. All these allowed us to accomplish our targets on client development and business recovery.

When super typhoon Odette battered most parts of Central Visayas and some in Mindanao in December 2021, we responded to the pleas of help of our clients, who were already starting to recover what they lost at the height of the lockdowns. We distributed relief packs to clients, while affected employees were given relief packs, as well as mental health and psychosocial support.

Growing stronger

To be able to serve our clients better especially during these difficult times, we made sure we were prepared as an organization, and that systems and processes were in place to help us cope with the challenges. Strengthening our foundations was necessary because we were fully aware that the effects of the pandemic on our clients have been profound.

Guided by our values of God-centeredness, integrity, respect, and service, we embraced digital transformation and made several process improvements to allow us to operate more efficiently in the new normal. Notwithstanding our desire to reach more areas, we pushed for responsible expansion and saturation. More importantly, we enhanced our products and services so we can elevate the lives of more people.

All these efforts paid off. We exceeded our targets in number of jobs created, and children and households who benefited from our interventions. As of 2021, we now have more than 400,000 borrowers and a total of P8.2 billion in capital. We also have 278 branches spread throughout Luzon, Visayas, and Mindanao.

Solid RAFI MFI

To the 2,600 men and women who make up RAFI Microfinance team, thank you for your unwavering support and dedication to help our nanays and tatays elevate their quality of life.

To our loyal partners, thank you for your continued trust and support.

To the Board of Trustees and the Executive Committee, thank you for your guidance and wisdom, and for always pushing us to do better for the sake of our clients.

Lastly, and more importantly, thank you, our nanays and tatays for your continued trust in RAFI Microfinance. Your resilience and perseverance have been and will always be RAFI Microfinance's anchors to our way to a safer and better tomorrow.

Jonar B. Dorado
COO



THE YEAR IN REVIEW



585,714 CLIENTS
REACHED

RAFI Microfinance clients are empowered and equipped to start, grow, and sustain their own businesses

2,669 MANPOWER
COUNT

RAFI Microfinance employees continue fulfilling their life-long mission to elevate lives by empowering micro-entrepreneurs and their families

FINANCIAL SERVICES REACH

MAUSWAGON
LOAN  **407,731** borrowers

MAUSWAGON
LOAN  **728** borrowers

 **119** borrowers
SAGIPLOAN

KABUHAYAN
LOAN  **1,412** borrowers

MANEH
LOAN  **289** borrowers

 **HOUSING**
IMPROVEMENT
LOAN **75,566** borrowers

 **EDUCATION**
LOAN **371** borrowers

SOCIAL PROTECTION

CBU
Capital Build-Up **500,901** clients

Kaagabay
INSURANCE **672,157** clients & families

 **7,749** clients
Mylpon

 **494,622** clients & families covered
FAMILY
RELIEF PLAN

 **672,599** clients & families covered
PROtecSure
INSURANCE



40

clients' children

granted college education scholarships

TINDAHAN
—NI—
Nanay

250

client merchants

generated **PhP 5.3M** sales from their businesses



1,444

clients educated

on financial and digital literacy

SUKI
DELIVERY DRIVER

107,924

income generated

with 14 clients assisted

SUSTAINABLE LIVELIHOOD TRAINING

40

clients' hands-on training

on food processing, textile and agriculture



CLUSTERING FOR LIVELIHOOD PROGRAM

115,000

income generated

thru partnerships and linkages with 19 clients trained

AGRO ENTERPRISE CLUSTERING APPROACH

in partnership with

ONE TO TREE

Lamesa Farmers' Association of Balamban

members were trained on agro-enterprise cluster approach





SUSTAINABLE HEALTH PROGRAM

7,108
clients and
their families

availed themselves of free medical
consultation, psychosocial first-aid,
and medical support

SYNERGY WITH EJACC

Clients diagnosed with stage 2
breast cancer provided with
**treatment
assistance**



CLIENT CAPACITY BUILDING (training for clients)

4,022
clients educated
on financial and digital literacy



CLIENT REWARDS & RECOGNITION

155,110



TIGOM in partnership with DOLORES ABOITIZ CHILDREN'S FUND

2,000
clients' children
educated on Financial Literacy with the
TIGOM Storybook and Coin Bank



PhP 8.2B TOTAL CAPITAL FOR
MICRO-ENTERPRISES

278 BRANCHES

RAFI MFI BRANCHES IN THE PHILIPPINES

As of 2021, micro-enterprises were provided with a total capital of PhP 8.2 billion in 278 RAFI MFI branches across Luzon, Visayas, and Mindanao.





MICROFINANCE FOR LIVELIHOOD

PRODUCTION LOANS



The Mauswagon Loan is a primary loan that gives the client additional capital for the development of their business.



An improved business loan product that aims to give financial support to Micro and Small Entrepreneurs in all productive sectors of the economy for the growth and development of their businesses for more employment generation and economic growth.



The Kabuhayan Loan is made for hog raisers. It can be used for purchasing feeds and additional piglets, for the construction of pig pens, and for other necessary materials.



The Maneho Loan is for micro-entrepreneurs in transport services like pedicab/trisikad, tricycle, and habal-habal/motorcycle.

SUPPLEMENTAL LOANS



The Housing Improvement Loan assists clients with their home improvement needs, such as ensuring access to safe water and decent toilet facilities.



The Education Loan helps families by financing school-related expenses and ensuring that clients and/or their children are able to go to school or attend virtual and/or distance learning and finish their studies.



SAGIP Loan is a unique loan product that offers financial assistance to clients during health or calamity-related emergencies.



MICRO-SAVINGS

CBU Capital Build-Up

Capital Build-up helps clients develop the habit of saving for their financial security and have a safety net in cases of emergency.

Through their thrift and mandatory savings, clients can generate capital fund for their businesses without any assistance from financial institutions. They may also use their savings as a revolving loan fund, thereby promoting financial self-reliance.



Mylpon helps clients with their journey toward financial empowerment by providing protection in cases of financial emergency. It also seeks to help clients pay for large purchases to avoid debts and reduce financial stress, thereby providing a greater sense of financial freedom.





MICROFINANCE FOR ANCILLARY SERVICES

MICRO-INSURANCE



The enhanced Kaagabay provides comprehensive financial protection for the family in cases of accidental injury and death.



The Family Relief Plan assists families with burial services and provides them with financial aid in times of death.



PROtecSure ensures your home is protected in the event of damage or destruction due to natural calamities and other fortuitous events.



The Loan Redemption Fund is a mandatory micro-insurance product which provides financial coverage for liabilities in the event of a debtor's death so liability will no longer be inherited by the next of kin.

REMITTANCE



QuikRemit offers complementary domestic remittance and money transfer services, allowing clients to send money to loved ones or pay suppliers at competitive transaction costs.

CLIENT ENTERPRISE DEVELOPMENT

BUSINESS DEVELOPMENT SERVICES



CLIENT CAPACITY BUILDING

This program strengthens the micro-entrepreneurial skills of RAFI MFI clients through the distribution of printed learning modules containing Negosyo tips and concepts that can further boost their knowledge and self-esteem as entrepreneurs.



This is an exclusive Facebook group for RAFI MFI clients where they can access learning modules that can help boost their businesses. Clients are driven toward bridging digital transformation and maximizing the opportunities brought about by technological advancements.



SUSTAINABLE LIVELIHOOD TRAINING PROGRAM

This program aims to improve clients' business segments through face-to-face training, allowing them to explore more income-generating opportunities. It also provides support services, builds capacities of target communities, and enhances their capabilities based on marketable skills within the community.



TINDAHAN NI Nanay

This initiative helps our clients sell and offer their products through social media. Within this Facebook group page, RAFI MFI clients showcase their products such as food, clothing, and accessories.

CLUSTERING FOR LIVELIHOOD PROGRAM

Initiated through the Client Enterprise Development Team, this is a pilot program that provides access to learning opportunities through training interventions, and for product marketing and linkages to support sustainability.



BUSINESS DEVELOPMENT SERVICES

SUSTAINABLE LIVELIHOOD TRAINING PROGRAM



“Malaki ang pasasalamat ko sa RAFI Microfinance kasama ang CTU na nagsagawa ng Livelihood Training on Food Processing. Tinuruan kami kung paano gumawa ng siomai, tocino, at skinless longganisa. Marami akong natutunan na maaari naming i-apply sa aming negosyo.”

MARY JOY SOBRIO

Mary Joy Sobrio joined the Sustainable Livelihood Training Program (SLTP) in collaboration with Cebu Technological University (CTU), held in Inabanga, Bohol. Participants are now able explore more opportunities to gain additional income with their new skills and knowledge.

TINDAHAN —NI— Nanay



“Never lose hope. There is someone who can help us, like RAFI Microfinance. Let us continue to be dedicated because time will come for our businesses to boom. I did not expect sales during the lockdown, but RAFI Microfinance helped their members how to handle money and how to transition selling on media like Tindahan ni Nanay. I hope you continue to help more people like me.”

LORENA SOLLANO

Rattan Furniture Business

CLIENT RETENTION & ENGAGEMENT SERVICES



This is the scholarship program of RAFI Microfinance, in partnership with Philpacific Insurance Brokers & Managers - Cebu (Philinsure), which is exclusively granted to and used for the tertiary education of the underprivileged but deserving students of RAFI Microfinance clients belonging to indigent households.

CENTER PERFORMANCE INCENTIVE & LOYALTY TOKENS

CPI recognizes qualified center officers who outstandingly performed their key role in strengthening their respective center groups, as well as their other duties and responsibilities. On the other hand, Loyalty Tokens are awarded to clients that reached a specific year in RAFI Microfinance. Aside from celebrating the client's anniversary dates, it is also a way of showing gratitude for their loyalty and support of our products & services.



“ RAFI Microfinance is not only focused on aiding the financial needs of the scholars but is also there to support and guide us towards self-development. I was inspired by their heartwarming encouragement, and it became one of my motivations to strive harder for a better me and a better future. ”

KYLA MAY LUCIANO
Bugsay Scholar



CLIENT RETENTION & ENGAGEMENT SERVICES

TIGOM PROJECT

In synergy with RAFI Dolores Aboitiz Children's Fund (DACF), Tigom Project is a community project that educates RAFI MFI clients and their kids to help them understand the value of saving and becoming financially prepared and resilient, especially in this time of pandemic.



CANCER CARE FOR CLIENTS

In synergy with RAFI Eduardo J. Aboitiz Cancer Center (EJACC), the Cancer Care project provides clients in Cebu Province with access to cancer screening assistance for early detection and treatment assistance.



SUSTAINABLE HEALTH PROGRAM

The Sustainable Health Program prioritizes the well-being of RAFI Microfinance clients and their families through the implementation of health-related activities like free medical consultation with community doctors and subsidized medicine through Botika ng Masa.





One of the greatest struggles we faced in Operations in 2021 was helping clients who have been struggling to recover and restart their business after the pandemic and the typhoons that have hit a number of areas where we operate. But we focused on the goal so strategies were adjusted, constantly communicated with the team, and did a close monitoring of KPIs.

We were able to grow our outreach by more than 35%, impacting an additional 158,000 households, with a portfolio growth of 25%, and most importantly recovering the losses in 2020.

Being a RAFINIAN is about purpose. In the almost 8 years of working with RAFI Micro Finance, I feel very privileged that with the work that I do, I am able to help others uplift their lives. RAFI Microfinance has helped me provide for the needs of my family and, at the same time, given me the opportunity to subsidize the education of someone who is now graduating from college.

To RAFI Microfinance, congratulations. You have been doing a good job to help clients restart and sustain their businesses, as they recover from the impact of the pandemic. Thank you for touching many lives, including that of our staff. By expanding to the different provinces, you have not only touched the lives of your clients, but you have also uplifted the lives of your staff. You have helped both to realize their dreams and hopes for their family. Continue to fulfill your mission of elevating the lives of and empowering your clients.

AILYNE MAY LIM
VP For Operations

As District Head, I am committed to take care of not just my family, but also my staff. During the pandemic, I was unable to go home to ensure the safety of my family. Also, during the Typhoon Odette, I was on field when it happened. I had a hard time returning to my home, as the roads were blocked, and there was no electricity so I walked from Dalaguete to Argao just so I can be with my family. When I returned, our roof was shattered, and our sari-sari store was destroyed.

But my fate was stronger than my fears. Even before, I was already practicing SMILE—Service, Monitoring, Investing on Learning, Leading and Enjoying whatever life will bring. I trusted my team, my family, and the Lord to be able to provide despite the hardships faced.

In 2021, the district exceeded expectations, and delivered loan portfolio and borrower targets. We were at the acceptable level of PDR at yearend.

RAFI Microfinance has really helped not just my career but also my family because I was able to build our home and a sari-sari store. To RAFI Microfinance, walang iwanan sa bawat simula, continue deliver the mission to our social entrepreneurs. Our dream is your hope fulfilled! Bugsay!!!

JOHN PAULTER A. RIVERA
District Head





I started as a branch manager last 2012, and it was easier for me to blend in since I worked at a micro finance company before. But when I became an Area Head, it was a bigger avenue for me since I am working with a bigger team.

As Area Head, I always make sure I can constantly communicate with the branch staff, not until Typhoon Odette came, which became a struggle to our team. I was having difficulty with my internet connection and phone signal; even my means of transportation was also a struggle.

Throughout the challenges that 2021 brought, I kept my faith and trusted that my staff, managers, and I will survive the tough times as long as everyone in the team worked hand in hand. I had the mindset that this crisis will test my capability as a leader.

RAFI Microfinance has really changed my life, and the people behind the organization have really helped boost my capabilities as an employee. Thank you, RAFI MFI, for making me a part of this organization. Because of this I am able to achieve many things in life.

JERICA TAN
Area Head

When my wife became pregnant, I realized I needed to be financially stable already. I heard about RAFI Microfinance, I applied to the company because somehow my skills fit the requirements..

When Odette hit, I was worried for not just my family but for my staff and clients as well. I knew that they, too, were badly affected. Yet, we continued to bugsay together in facing the challenge.

RAFI Microfinance has played a big role in my life and that of my family. Thank you for your kindness and for trusting my capability to become a branch manager. More importantly, thank you for always being there in times of crisis. We appreciate it very much.

ALVIN R. LEYSON
Branch Manager





Being under the cluster of Client Training and Development of Business Development Services comes with the responsibility to provide technical know-how to our clients on financial and digital literacy, and entrepreneurial capacity. We strive to empower and equip our clients to avail themselves of the numerous opportunities they can tap.

With everyone still reeling from the pandemic and the devastation caused by Typhoon Odette, 2021 was indeed quite challenging for us, especially to our *nanays*. We adjusted plans and strategies according to the emergent needs of our clients and on how we can be of assistance to them. We had our fair share of delays in the beginning since movements were still limited and our reach was controlled.

We have treated these challenges as opportunities thus facing these head-on was the only option.

In 2021, we reached more than 2,000 clients as learners for our Client Capacity Building, trained 247 clients for various livelihood programs, and bridged more than 1,200 clients to digital transformation through our online platform which is the Learning Hub.

The teamwork that we have built has become our strength to overcome these challenges, knowing that what we are doing is for the benefit of the clients and communities we serve.

CHRISTINE ANGO
Client Training and Development Supervisor

During the pandemic and Typhoon Odette in 2021, I had to hurdle several challenges. Among these were having the courage to face problems, being kind to others, and being patient and understanding of other people's situation.

I got my strength, hope, and faith to face all these challenges from my kids and my family. I turned to them and to God during those times.

In 2021, I also learned the importance of focusing on your duties and responsibilities, and not to procrastinate.

My experience as a RAFInian has been challenging, exciting, and happy because there were challenges along the way that taught me to be patient and understanding.

As a RAFInian, RAFI has been an instrument of making people feel God's presence. RAFI is always there to sustain our needs. This is why I am motivated to dream of becoming an area head someday, because I know I am doing it for the good of others.

MARCELINO GIMARANGAN
Trust Staff





Grameen is an NGO with JP Morgan Chase that collaborated with RAFI Microfinance to provide immediate relief assistance and longer-term recovery support to individual entrepreneurs especially women running micro-enterprises in the Philippines.

During the project implementation, some clients were very busy with recovery thus the uptake for the redemption of vouchers for non-cash releases took longer than expected and because some of the numbers registered for the said assistance were unreachable and invalid. Thus, the need to update and collect secondary information was initiated to complete the target beneficiaries who passed the initial selection.

Last 2021 was a difficult year for my team since our initiatives and programs were dependent on our clients and branches. But if you have that determination to pause, re-think and recalibrate, you will surpass whatever hindrance you come across. The Client Engagement Team was able to continue our interventions through constant monitoring of branches and partners. One big milestone to consider was the distribution of our TIGOM book and coin bank to 1,000 under-served children of our clients.

I am immensely grateful that I found an organization that not only focuses on elevating the lives of our clients but also empowers its employees and makes them satisfied and happy. As a humanitarian development worker for the past 10 years, I am glad to be able to connect with RAFI Microfinance's mission and vision to serve the last, the least, and the lost and help in nation-building. RAFI Microfinance molded me into the person I am today. If you are looking for work that is challenging but exciting, and gives you opportunities to work with amazing people, and travel often to different branches, then consider working for RAFI Microfinance. I am grateful to have been given the chance to contribute to the social mission and help build a legacy in the hearts of our clients.

EDMAR WILSON L. ABELGAS
Client Engagement Officer

During the pandemic and the typhoon, the biggest challenge was facing clients, especially those who have lost their livelihood during the pandemic, and those who lost their homes during the Typhoon Odette.

Despite the challenges we all faced, I knew the clients needed me more than ever. I tried my best to accommodate and help the clients in need. It was hard for me to ask them to pay but I had to.

My efforts paid off because in 2021, I was able to achieve the Top Achievers as a Trust Staff. I was so delighted since the company saw my efforts although it was hard at that time.

My experience as a Rafinian is one of the best and unforgettable moments that I will always treasure. It is unforgettable especially when you are surrounded by good people. It has helped me provide for my family's needs, like their medical insurance coverage. It has helped me to be more vocal, to socialize more with people I face at work, and to help them. It has helped me to be more vocal and to socialize more to those people that I'm facing every day at work and give them a service that will help them on what they wanted.

In all these, I drew my strength from my family, my partner, my co-workers, and the Lord. Despite all the problems, I was able to stand strong.

It has been a privilege working in this company. I am truly thankfulthankful for the recognition and appreciation for my work. I promise to strive hard and contribute more for the company.

MARY ANJELIE QUIJANO
Trust Staff





“

I would like to thank RAFI Microfinance for continuously lifting my hopes and dreams to pursue business. Thank you also for helping my family through your non-financial services like our insurance, education, housing and business marketing programs. Truly, Walang Iwanan sa RAFI Microfinance.

”

Maylin Ligad

In the hopes of elevating the life of her family, Maylin Ligad, our 44-year old Nanaypreneur from Branch Mandaue 2, worked as a seamstress and sewed scrap bags into bags, wallets, and other accessories.

When she heard about RAFI Microfinance, she was very ecstatic as she needed the capital to be able to purchase raw materials and scraps for her bags. Maylin did not only receive financial aid, she was also introduced to social media as a tool to make her business grow.

“During 2021, my business was a hit because of how RAFI Microfinance posted my products on social media, specifically in the Tindahan ni Nanay Facebook Group. I was able to get clients online, and RAFI Microfinance never left me in my online journey. They would always ask about my situation, if my items were getting sold or not. I was also able to join online seminars from RAFI Microfinance, like how to change my life through my business and how CTU Barili can help. Even though I have a small business, I was able to learn many lessons,” said Maylin.

Despite her efforts to continue selling this during the pandemic, Maylin encountered difficulties, as bags and accessories were not a priority during this time. But Maylin was committed to continue sewing even with the littlest orders, and eventually overcame the struggles. Her brand, alongside RAFI Microfinance’s guidance, has been proven and tested to be of best quality. She has also developed the method of budgeting and saving, as she has not done this before entering RAFI Microfinance.

“I would like to thank RAFI Microfinance for continuously lifting my hopes and dreams to pursue my business, not just my business. Thank you also for helping my family through your non-financial services like our insurance, education, housing and business marketing programs. Truly, Walang Iwanan sa RAFI Microfinance.”

Partnerships with institutions and stakeholders have helped expand RAFI MFI's reach toward elevating lives of more people and communities.





TINDAHAN NI NANAY

UPLIFTING COMMUNITIES WITH EVERY CLICK

The pandemic has affected each one of us in almost all aspects of our lives. For entrepreneurs big or small, it has changed the way they run their businesses. For most, the impact of these changes has been negative but there are those who chose to face these changes to drive them to bounce back—stronger.

To those who shunned the idea of closing down amid the difficulties, like the *nanays* and *tatays* of RAFI Microfinance, Inc. (RAFI MFI), one major change they had to face was embracing eCommerce, specifically learning the ropes of navigating the online marketplace. Luckily for RAFI MFI's clients, there is *Tindahan ni Nanay* (TNN), a virtual platform that allows merchants to sell goods and services on Facebook.

TNN is RAFI MFI's Client Enterprise Development program that began when lockdowns were imposed in 2020, making it impossible for its clients to continue to reach their intended buyers or existing buyers of their products or services. TNN is a multi-channel approach that RAFI MFI clients used to shy away from before the pandemic. When the health crisis came and the clients had to look for alternative channels, they learned to embrace these channels as one of the ways to reach more buyers and go beyond the physical space. Aside from showcasing products, TNN has a product directory containing the merchant's name, contact details, and location. It also shares success stories of TNN merchants in the hope of inspiring others to do well.

HOW TO BE A MERCHANT

Becoming a TNN merchant is easy—one must be a RAFI MFI member or client, and have a smartphone, a Facebook account, and a consistent supply of the merchandise being sold.

Switching to online selling, though, wasn't as easy for some *nanays* and *tatays*. There were a number of concerns like not having the tools and skills needed, lack of understanding on how social media works and on the importance of branding, and how to operate efficiently to meet the demands of a discerning market. They learned that online selling is a totally different ballgame that required more than just posting photos and urging netizens to buy their products.

"Their product characteristics and presentation did not meet the quality demand of the market. They did not have enough knowledge on how important consistent and concise product posting is, and on virtual customer service," shares Larrez Arligue, RAFI MFI client business development and marketing specialist.



KAAGAPAY NI NANAY AT TATAY



RAFI MFI strongly believes that no client should be left behind, especially during difficult times, so through TNN, clients—mostly micro, small, and medium

entrepreneurs—are provided with intensive one-on-one coaching on the dos and don'ts of online selling; photoshoots; promotional activities such as featuring a particular product or seller; and holding of online games. A weekly one-on-one *Kamustahan Session* is also conducted by RAFI MFI administrators to assess and address challenges as well as gaps.

RAFI MFI has also established linkages with other non-traditional marketing platforms so TNN merchants can reach new markets and new locations in partnership with local government units and major establishments and join trade fairs and exhibits.

FRUITS OF SUCCESS

These interventions have paid off, as one can see in the *Tindahan ni Nanay* private group on Facebook—photos of products are now more attractive and sellers are getting savvier with their marketing skills.

“Our clients learned to be flexible, adaptable, competent, and updated on people-engaging campaign mediums to level up their market reach. They gained confidence in their enhanced products, developed the ability to confidently negotiate with different market levels, and expand their businesses,” says Arligue.

More importantly, from having just about 20 merchants and a hundred members when it first started, TNN now has 172 merchants and more than 7,000 members who have generated a combined more than PHP 5 million in sales.



Joseph Diamante, a TNN merchant who sells lechon belly packages, attests the improvements have been tremendous—from just two orders when they started two years ago, they have already sold nearly 2,000 boxes. He was also able to buy new equipment that allowed him to expand operations.

“TNN has inspired me to become a better and professional entrepreneur. It has helped me leverage online and digital marketing...Truly, there are a lot of things in store when we learn to collaborate and add value to each other,” he shares.

Through TNN's interventions, Joseph says he has learned how to handle online transactions efficiently—targeting markets, creating an online ordering system, setting up processes to handle orders and inquiries.

LESSONS

Implementing TNN was also a learning experience for RAFI MFI.

Arligue says running TNN has taught them consistency in redefining their target audience. They also learned that it was vital to frequently conduct surveys and assessments to develop strategies that are appropriate to both the platform and the audience.

These learnings will come in handy for RAFI MFI especially since they are looking at rebranding the program and expanding its reach, making it more than just a means to cushion the effects of the pandemic on the merchants' businesses.

More than just being a Facebook page, brand or platform, the *Tindahan ni Nanay* will continue to offer business development services through the value chain approach, whether through clustering or curated products. From being a vehicle to respond to members' clamor for assistance to help them recover, TNN has evolved into the virtual hand that has been holding their hand and guiding them since the pandemic started until now, truly their *#KasamaSaBawatSimula*.





BUGSAY SCHOLARSHIP PROGRAM (BSP) AN INSTRUMENT OF CHANGE – A SCHOLAR'S HOPE

The learning process is a beautiful thing, but what do you do when you don't have access to it all? That's when the initiative of pursuing the Bugsay Scholarship Program of RAFI Microfinance, Inc. came to life. In which when, one of the many hopeful people for the students, Stephanie Bacus, made their dreams come true.

The Bugsay Scholarship Program (BSP) is a scholarship program of RAFI Microfinance Inc. (RAFI MFI) launched last 2020, in partnership with Philpacific Insurance Brokers & Managers-Cebu (Philinsure), which is exclusively granted and used for the tertiary education of poor but deserving students of RAFI MFI clients belonging to indigent household. The Bugsay Scholarship Program aims to contribute to the national government's thrust to effectively address poverty by increasing the number of graduates in higher education among poor households and by ensuring that these graduates are employed in high-value occupations.

As an aid to the students, Stephanie was the BSP secretariat who is responsible for the disbursement of funds for all of the scholars and the monitoring of their academic performances every semester. In line with her commitment to serve the scholars, she had always had difficulties in managing the funds, seeking approval for the budget, and monitoring the students, but she had found a solution that would benefit the students and the committee.

During those hard times, I get my strength, hope and faith from my will and dedication to help our scholars. If I would be defeated from my emotions, I cannot do my responsibilities for this program as well. If I don't do my job well, it will result to a negative domino effect in all the results," Stephanie added.

Now, with 40 scholars from Batch 1 and 2, has completely impacted the work life of Stephanie. This has fulfilled her life goal – to serve other people. This has been done through other client-focused programs, especially the Bugsay Scholarship Program. It gave her satisfaction and bliss knowing that she is part of something impactful not just for herself, but also the community.

"As a Client Engagement Specialist & BSP Secretariat, my hopes and dreams in my career, life, and RAFI MFI is to make it to the top. However, making it to the top for me does not necessarily mean I have to be promoted. It simply means that I love the work I do each day, I love my organization, colleagues treat me fairly and with respect, I make enough money to be comfortable, have excellent benefits for myself and my family, having work-life balance, and most importantly, serve the community with all my heart."

BUGSAY SCHOLARSHIP PROGRAM (BSP) HOPE FOR THE FUTURE

When the pursuit for success becomes a main priority of oneself, the idea of struggles and hardships become a little less intimidating, and a little more hopeful. Some of which are Jesyl Labajo and Cyra Dela Torre, who are hopeful students who makes their way to college and apply to one of universities here in Cebu with their chosen course.

As a kid, Jesyl was greatly immersed in writing poetries, essays and journal. Jesyl was always fond of school during oral recitations and reporting which eventually improved her speech that made her stand out. "So, when I reached the moment where I needed to choose what degree program I should pick, I realized the only thing I wanted to do for the rest of my life was talk, basically communicate," says Jesyl.

Despite the commitment to pursue her course, the experience of struggle and hardship, hit her as she try and find a college that will fund for it. "I was so happy and proud that my daughter was one of the chosen scholars. It is a huge help in terms of my child's education, from her tuition, school supplies and equipment which is fully covered by the scholarship," added Teresita, Jesyl's mother.

According to Teresita, as soon as she heard about the scholarship from the collector, she immediately compiled all the requirements needed. "This is a big blessing to our family. We are now worriless because of the provision RAFI MFI Bugsay Scholarship has given us. Thank you RAFI MFI for creating this program. It will help a lot of people like us who couldn't afford to send their children to school because of expensive tuition fees and other expenses. I hope many other people will be blessed to be part of the Bugsay Scholarship Program," thanked Teresita.

On the other hand, Cyra Dela Torre made a steadfast commitment to herself to attend college education no matter what. That's why she opted to apply to one of the state universities here in Cebu, since it offered her second most aimed course, Agricultural Engineering.

However, she went through quite the struggle since she greatly needed financial aid and communication tools, aside from the building pressure of the aggravating lack of enrolment assistance and others' expectations. It got to the point where she had second thoughts of attending college all in all. Despite all the challenges, though, Cyra did not give up and got into a college course she actually likes.

"I was motivated to enroll in this course, a Bachelor of Science in Business Administration, by my cousin, who had a wonderful career and a higher pay. However, as I review all the lessons that were provided to us and taught to us, I undoubtedly shift

my perspective because they have helped me to think more about business and creativity," says Cyra.

Nanay Cirila pointed out that, without the referral of the Trust Staff in RAFI MFI's Barili branch, she would have still been financially struggling in putting Cyra and her siblings in school. RAFI MFI's employees did not only help her start her piggery business, but they also helped her put her kids to school with the Bugsay Scholarship Program.

"I would like to express my gratitude to the founder and employees of RAFI MFI because without them I would not have been able to start my piggery business. I also thank you for creating the BSP because it has greatly helped me in pursuing my child's dream and attending college. Continue what you've started by assisting your children's clients and making it simpler for them to attain their life goals," thanks Nanay Cirila.

JESYL
LABAJO



Now, Jesyl is in her 2nd year and Cyra is in her 3rd year in college, and continuously proving that in every rain, there will always be a rainbow at the end. As what they said, education is like a tool, an oar, a binocular and a compass that provides the knowledge and direction to reach their destination, which is success. As they continue to pursue their dreams, they aim to be able to return the favor, to lend their whole heart and service to RAFI MFI. They are committed to also help other students like them who also have a dream to reach.

"I would like to express our heartfelt gratitude towards the people behind this program. The members of the scholarship program committee and the BSP Secretariat Team, as well as Ms. Steph, who has been extremely helpful and never gets tired of addressing our issues and concerns. To RAFI MFI, Philinsure, and all others who contributed to the success of this program. In behalf of the BSP Batch 2 scholars, thank you for making our dreams possible."

CYRA
DELA
TORRE





CLUSTERING FOR LIVELIHOOD PROGRAM (CLP)

JOURNEYING TO ENTREPRENEURSHIP THROUGH LEARNING

As Microfinance NGO (MFI NGO), RAFI Microfinance, Inc. (RAFI MFI) aims to provide the entrepreneurial poor holistic access to both financial and non-financial services to elevate the lives of its client, their families, and their community.

With its goal to equip and empower micro, small, and medium enterprises—both starter and restarters alike—to have sustainable and growing enterprises, the Client Enterprise Development Unit of RAFI MFI offers incubator services for our members, adapting the consolidated production for collective marketing approach.

One of its pilot programs for 2021 was the Clustering for Livelihood Program also known as CLP. CLP aims to provide access to learning opportunities by providing clients and non-clients with training interventions through the Sustainable Livelihood Training Programs (SLTP) and avenue for product marketing and linkages to support business sustainability. This intervention is done through a clustering approach or group where members are supported by RAFI MFI staff in their journey from skills training to collective marketing of their products as a cluster.

The pilot implementation of CLP in 2021 has activated two clusters in the towns of Sogod and Borbon in Cebu. During the pilot implementation, members forming the clusters were selected, and through the support of the branches, were trained and underwent a

livelihood training program through the SLTP. They were also awarded free livelihood kits as a starting capital.

After acquiring the necessary skills and knowledge needed to produce the products, each of the clusters started producing and rolling out their products to the mainstream market through test deliveries. Supplemental to the training and starting capital, RAFI MFI also provided market linkages and networks to potential market partners to support business sustainability.

“The Cluster for Livelihood Program has helped me a lot in my business. I really appreciated the assistance given to me especially in starting the business through the provision of the livelihood kits and the livelihood trainings,” said Corazon Dotillos, one of the program beneficiaries.

Three months into its implementation, the program was already slowly creating its recall to the market and consumers when Typhoon Odette struck and changed everything. Like other businesses affected by the typhoon, the clusters in Borbon and Sogod were also greatly impacted. The implementation and support to the cluster was suspended for about four months and disrupted business operations. The cluster-beneficiaries also lost hope and were having a hard time getting back on their feet. External factors such as price inflation and changes in the environment were two of the major hindrances that caused them to postpone their food production.



After four months, those who availed themselves of the program started working on getting back on track and building a stronger and better version of what was gone.

“Rebuilding was not an easy feat, as regaining the momentum was hard to achieve, but the cluster managed to overcome these difficulties. It was not an overnight process, but through time, and with the strong support provided to the clusters, they were able to slowly recover,” said Chantal Castanares, Client Business Services Officer and project lead of the Clustering for Livelihood Program.

Lessons learned from the pilot run of the Clustering for Livelihood Program paved a way for better strategies and implementation plan for the 2022 runs in Dumanjug and Pinamugahan clusters. RAFI MFI hopes to implement this program more effectively and efficiently in order to better serve the needs of its clients through a clustering-based approach in their business recovery.





PROJECT TIGOM TIGOM FOR KIDS

“Saving is a great habit”

The financial difficulties that many Filipinos are experiencing is bringing out an unintended consequence for their children—helping them develop a money mindset at a young age.

In teaching children about money, concepts must be introduced in a way that is familiar to them and easy to understand. Only then can one begin instilling money values while they are young. This is what Project TIGOM is all about.

Project TIGOM is a joint community project of RAFI Microfinance, Inc. (RAFI MFI) and Dolores Aboitiz Children’s Fund (DACF) that aims to educate and empower RAFI MFI clients and their children to be financially prepared and resilient. This is done through the provision of TIGOM kits which is composed of a coin bank and a story and coloring book about a child named Andres who desires to buy a toy ball for himself through savings. The pilot implementation was done last 2021, across 10 RAFI MFI districts and has reached 2,000 children.

Tigom Story

Milcris C. Durango, 10 year-old son of Christie Durango – a RAFI MFI client, shared that he has learned how apart from being able to buy what he wants, he is also able to secure money for rainy days through saving.

Through Project TIGOM, Milcris was able to save the money he gets from his parents and

grandmother so he can buy school supplies. During the four-month implementation of TIGOM in 2021, Milcris saved PhP 3,600 earning him the Most Conscientious Saver award during the culmination of the program.

He said that he has learned that frugality is freeing and that living within our means will reward us eventually. “I am really grateful to RAFI MFI and Project TIGOM since I have learned more about becoming savings and attaining financial stability – one that I would like to attain in the future for myself and my family,” says Milcris.

Christie Durango, Milcris’ mother, finds the TIGOM Financial Literacy book important and relevant considering the various changes in the economy. “I really believe that it is best for my children like Milcris to learn the importance of savings while he is still young. I want him to grow up better in managing his finances, and soon become an entrepreneur like myself,” she said.

Christie said the pandemic and Typhoon Odette’s devastation reminded her the importance of savings especially during disasters and emergencies.

Aside from Milcris, Aldrin Cristal of Talibon 1, Bohol; Rishcha Nebrida of Bais, Negros Oriental; and Angelo Bandala of Gingoog, Misamis Oriental were also awarded as the Top Savers of the program.

Aldrin won the Big-time Saver Award for saving PhP 3,708.50; Rishcha won the Thrift Saver Award for saving PhP 4,148.50 in coins and bills; and Angelo was chosen as the TIGOM Ambassador for saving PhP 1,548.75 and strongly advocated Project TIGOM to family and friends.

Angelo, the Project TIGOM Ambassador, said he took to heart the value and importance of saving. “I advise my friends and playmates to have their own savings so they can have some money to buy whatever they like and, hopefully, help their family in the future”, he said. Whenever Angelo sees his older brother, Jeffrey, he always tells him to put some coins in his piggy bank. He also helps his father sell fish and as a reward, he gets a percentage of the amount sold, which he immediately puts in his piggy bank. Angelo’s parents also constantly remind them to value every peso and to strive to save for their future, as evidenced by having their own savings.

Teaching clients and their families “how to fish” is one of RAFI MFI’s principles of empowerment. Project TIGOM, as a financial literacy program helps build this foundational learning not just for RAFI MFI clients but including their young children as well. It’s what the usual saying goes, if we want to teach our children in the way they should go, we train them while they are still young.



KASAMA SA BAWAT SIMULA





RECOVERY THROUGH SAGIP

Holding on to the hope of surviving to be able to still manage and grow her business was what kept one micro-entrepreneur going amid perhaps what was the most challenging period of our lives in recent time.

For Nian Tresmilla Ginandoy, who owns an RTW business and sari-sari store in Valladolid, Negros Occidental, this was the only way she can move forward.

Having been in RAFI Microfinance, Inc. for three years already, Nian managed to persistently deliver loan credibility while successfully running her businesses so she can still help her family with their everyday necessities. “I was interested in joining RAFI MFI because of my peers who have joined way ahead of me, and I needed the capital to really pursue my business and make it happen,” said Nian.

When Typhoon Odette hit, businesses that were not a basic need during that time were affected. Nian’s business was one of them, which made her feel hopeless. “Typhoon Odette really affected my business because I was not selling basic goods, and those that I had in my sari-sari store were used for our own consumption since it was hard to buy outside. Income became tight since my goods were not selling enough,” said Nian.

It was also during this time that SAGIP Loan was reintroduced to RAFI MFI clients. Nian availed herself of the loan and received PhP 7,000 which she used to get back on her feet and for her family’s needs as well. “The SAGIP Loan couldn’t have come at a better time, as I was able to restart my business, extended the area of my store, and added flooring in our house,” she said.

Despite all the crises, Nian survived. This is what drives her, with the help of her family and guidance from her prayers to God, to continue keeping her dreams alive.



Transforming Mission Into Practice

What was supposed to be a traumatic experience surprisingly turned into an opportunity for an entrepreneur/homemaker to succeed in life.

In 2000, Rebecca Gacho or Ate Becky was duped by a fellow borrower in her town's small-scale lending program, forcing her to pay off debt amounting to Php 15,000. Not only did this hurt her emotionally and financially, it also angered her husband and discouraged her from joining any similar programs in the future. It wasn't a tough decision to make, though, because her then flourishing business in the town center had suffered greatly due to the financial loss so she had to move back to her hometown in the City of Naga. She also vowed to herself never to join any other "lending program" ever again, no matter the cost.

However, all this changed when she accidentally met a staff member of RAFI Microfinance, Inc. (formerly called CMEDFI - Cebu Micro-Enterprise Development Foundation Inc) in her neighborhood. She became very interested in the program after knowing that it is not just a mere lending company but a microfinance institution that also offers savings, microinsurance, and livelihood trainings to its members, apart from the loans to finance its clients' businesses. "It was the

first time that I heard that such program exists," says Rebecca. "Without hesitation, and even with my husband's initial disapproval, I joined the program and even volunteered to lead the center despite having only four members."

As one of the pioneer members of Naga-Cebu branch, Ate Becky had to religiously attend CMEDFI's one-hour financial literacy and orientation program for seven consecutive days. When asked why she wanted to venture into business even if her husband was employed, Ate Becky responded, *"I don't want to rely on my husband. I want to start my own business using my own capital."*

RAFI Microfinance, Inc. (RAFI MFI) became Ate Becky's answered prayer. With an initial Php 3,000 loan, she was able to start her hog fattening business. Not long after and with encouragement from one of RAFI MFI's staff, Ate Becky expanded her business and went into food vending, one that flourished and helped support her family's needs especially for the schooling of her then seven-year-old grade-school son and 17-year-old college daughter. "RAFI MFI has helped me a lot in letting my children finish school. RAFI MFI has also helped me improve our house by walls and tiles installed."

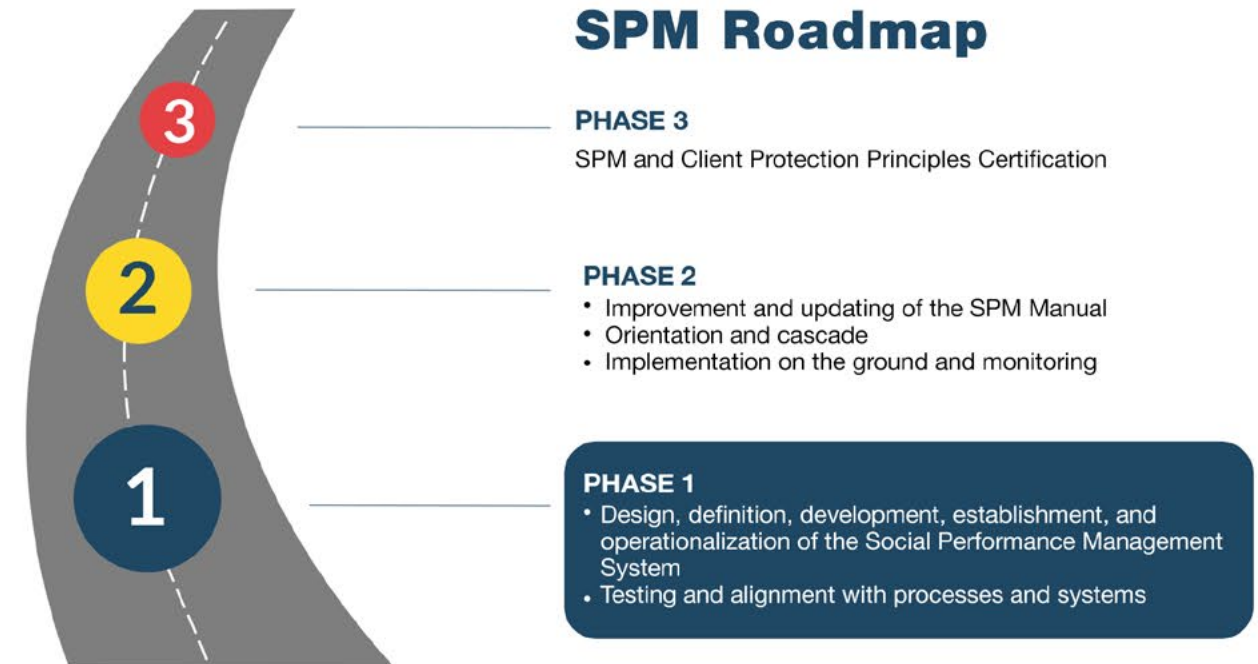
But life as an entrepreneur is not always easy and smooth sailing. In 2020, at the height of the lockdowns due to the pandemic, Ate Becky's business acumen was tested but managed to weather the crisis. She thanked RAFI MFI for the support, especially the two-month payment moratorium that gave her enough time to jumpstart her business. She was fortunate enough to have started her food vending business early, which became a hit and was very saleable at that time. This enabled her to continue paying off her loans while still helping provide for the needs of the family.

From a starting loan of Php 3,000, Rebecca is now one of RAFI MFI's Mauswagon Plus clients with a Php 100,000 loan which she used to finance her expanded bakeshop business in 2021, alongside her food packaging, hog fattening, and sari-sari store businesses.

Ate Becky, however, has done more than just growing and diversifying her businesses. As one of the pioneer center chairwomen of the Naga-Cebu branch, her strong leadership, and belief in RAFI Microfinance's thrust to elevate the lives of the poor and their families, Ate Becky managed to increase the center's membership from four to more than 75. Her center has been repeatedly awarded as best center and she as best center chairwoman. When asked how she managed to grow her center this big, Ate Becky

humbly responded that she was inspired to help other microentrepreneurs like her grow their business and improve their quality of life. "I am very inspired to assist my fellow members in achieving their dreams," she said. For her, it was very fulfilling to see her fellow members own decent homes, buy vehicles and tricycles, see their children finish their education, and grow their businesses.

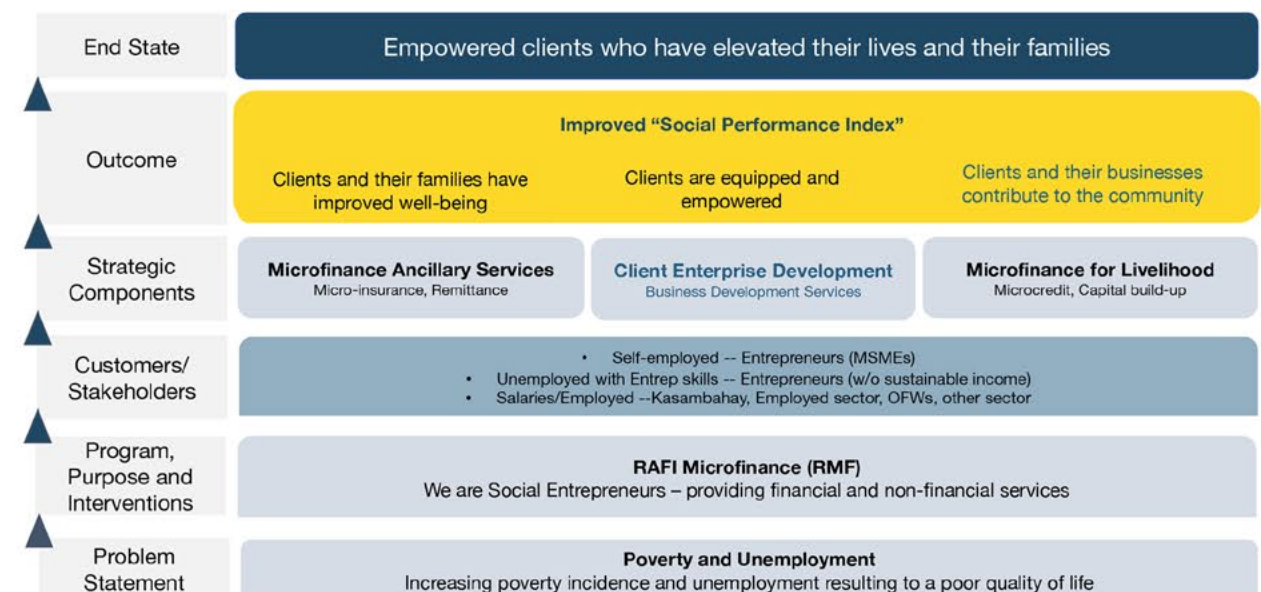
Ate Becky's 22-year journey with RAFI MFI is not only a testament of how the organization has helped elevate her life and that of her family, it has also inspired her to become a channel of blessing and inspiration for her fellow microentrepreneurs. She is an epitome of an empowered RAFI MFI client who showcases what paying it forward means and transforming RAFI MFI's social mission into practice.



RAFI Microfinance, Inc. takes its commitment to uphold the Social Performance Standards and Client Protection Principles seriously. As part of its goals to institutionalize Social Performance Management across the organization, RAFI MFI has established its Social Performance Management (SPM) Roadmap comprising three major phases starting in 2022.

RAFI MFI has also defined its social goal of empowered clients who have elevated their lives and their families by establishing an "improved social performance index" which shall also be established in 2022.

RAFI MFI Theory of Change



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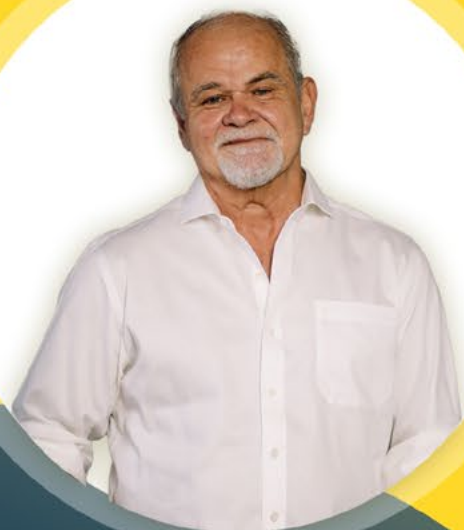


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District Heads

HUMAN CAPITAL TEAM



Health and Safety Committee



Learning and Development Team



Human Capital Compensation and Benefits Team



Talent Acquisition Team



Human Capital Operations Team



Talent Optimization Team

FINANCE, PROCUREMENT, GENERAL ACCOUNTING (FPG)



Finance Team



Procurement Team



General Accounting Team



Micro Insurance Team

BUSINESS DEVELOPMENT TEAM



BUSINESS EXCELLENCE TEAM



BRAND DEVELOPMENT TEAM



INTERNAL AUDIT TEAM



LEGAL AND COMPLIANCE TEAM



INFORMATION TECHNOLOGY TEAM



RISK TEAM



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, 2021 and 2020, 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, 2021 and 2020, 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.

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.

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.

AUDITED FINANCIAL STATEMENTS

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 24 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, 2025)

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

BIR AN 13-390712-003-2021 (Until August 4, 2024)

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. 3491259 – January 10, 2022, Cebu City

Cebu City
March 11, 2022

RAFI MICRO-FINANCE, INC.
(A Non-Stock, Non-Profit Organization)
BALANCE SHEETS
December 31, 2021 and 2020
(Amounts Expressed in Whole Philippine Pesos)

EXHIBIT "A"

	Note	2021	2020
ASSETS			
CURRENT ASSETS			
Cash	3	P307,940,547	P286,937,795
Loans receivable - net	4	2,995,692,779	2,411,777,264
Accounts receivable	5	90,868,026	93,164,163
Prepaid expenses and other current assets		52,153,754	27,246,023
Total Current Assets		3,446,655,106	2,819,125,245
NON-CURRENT ASSETS			
Property and equipment - net	6	246,873,595	204,047,499
TOTAL ASSETS		P3,693,528,701	P3,023,172,744
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	7	P202,824,332	P196,954,555
Short-term loans	8	1,518,000,000	1,432,333,333
Current portion of long-term loans	8	10,000,000	-
Members' fund	9	857,499,295	605,514,383
Income tax payable	13	7,987,277	7,826,598
Total Current Liabilities		2,596,310,904	2,242,628,869
NON-CURRENT LIABILITIES			
Non-current portion of lease liability	7	15,981,792	14,031,292
Non-current portion of long-term loans	8	8,750,000	-
Accrued retirement payable	15	50,651,832	68,625,237
Total Non-Current Liabilities		75,383,624	82,656,529
TOTAL LIABILITIES		2,671,694,528	2,325,285,398
FUND BALANCE (Exhibit "D")		1,021,834,173	697,887,346
TOTAL LIABILITIES AND FUND BALANCE		P3,693,528,701	P3,023,172,744

(See accompanying notes to financial statements)

RAFI MICRO-FINANCE, INC.
(A Non-Stock, Non-Profit Organization)
BALANCE SHEETS
December 31, 2021 and 2020
(Amounts Expressed in Whole Philippine Pesos)

EXHIBIT "A"

	Note	2021	2020
ASSETS			
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TOTAL LIABILITIES		2,671,694,528	2,325,285,398
FUND BALANCE (Exhibit "D")		1,021,834,173	697,887,346
TOTAL LIABILITIES AND FUND BALANCE		P3,693,528,701	P3,023,172,744

(See accompanying notes to financial statements)

EXHIBIT "B"

RAFI MICRO-FINANCE, INC.
 (A Non-Stock, Non-Profit Organization)
STATEMENTS OF OPERATIONS
 For the Years Ended December 31, 2021 and 2020
 (Amounts Expressed in Whole Philippine Pesos)

	Note	2021	2020
REVENUES			
Income from microfinancing activities	4	P1,730,687,283	P1,000,518,010
Interest income from banks	3	888,777	2,676,931
Other supports	10	2,079,499	1,964,840
		1,733,655,559	1,005,159,781
EXPENSES			
Expenses for microfinancing activities	11	1,273,027,384	981,949,493
Administrative expenses	12	136,697,570	141,433,050
		1,409,724,954	1,123,382,543
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE INCOME TAX		323,930,605	(118,222,762)
INCOME TAX EXPENSE	13	(34,718,786)	(20,003,112)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR		P289,211,819	(P138,225,874)

(See accompanying notes to financial statements)

EXHIBIT "C"

RAFI MICRO-FINANCE, INC.
 (A Non-Stock, Non-Profit Organization)
STATEMENTS OF COMPREHENSIVE INCOME
 For the Years Ended December 31, 2021 and 2020
 (Amounts Expressed in Whole Philippine Pesos)

	Note	2021	2020
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES		P289,211,819	(P138,225,874)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not subsequently reclassified to profit or loss			
Actuarial gain (loss) on retirement benefits	15	34,735,008	(37,710,578)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		P323,946,827	(P175,936,452)

(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, 2021 and 2020
 (Amounts Expressed in Whole Philippine Pesos)

	Cumulative actuarial gain (loss) on retirement benefits (Note 15)	Cumulative results of operations	Total
Balance at December 31, 2019	P8,293,532	P865,530,266	P873,823,798
Deficiency of revenues over expenses for the year	-	(138,225,874)	(138,225,874)
Other comprehensive loss			
Actuarial loss on retirement benefits	(37,710,578)	-	(37,710,578)
Balance at December 31, 2020	(29,417,046)	727,304,392	697,887,346
Excess of revenues over expenses for the year	-	289,211,819	289,211,819
Other comprehensive income			
Actuarial gain on retirement benefits	34,735,008	-	34,735,008
Balance at December 31, 2021	P5,317,962	P1,016,516,211	P1,021,834,173

(See accompanying notes to financial statements)

EXHIBIT "E"

RAFI MICRO-FINANCE, INC.
 (A Non-Stock, Non-Profit Organization)
STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2021 and 2020
 (Amounts Expressed in Whole Philippine Pesos)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income from microfinancing activities		P1,731,310,834	P1,000,532,957
Receipts from other supports	10	2,079,499	1,964,840
Cash paid to suppliers and employees		(1,251,403,609)	(958,985,103)
Cash generated from operations		481,986,724	43,512,694
Increase in loans receivable		(583,915,515)	(784,578,192)
Cash used for operations		(101,928,791)	(741,065,498)
Interest income from banks	3	888,777	2,676,931
Contribution to retirement fund	15	(25,780,769)	(16,028,415)
Income tax paid		(34,558,107)	(18,704,672)
Net cash used in operating activities		(161,378,890)	(773,121,654)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	6	(101,490,303)	(94,690,324)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in members' fund		251,984,912	5,392,171
Loan availments		2,444,000,000	1,499,000,000
Loan payments		(2,339,583,333)	(571,666,667)
Interest paid		(72,529,634)	(15,876,541)
Net cash provided by financing activities		283,871,945	916,848,963
NET INCREASE IN CASH		21,002,752	49,036,985
CASH BALANCE AT BEGINNING OF YEAR	3	286,937,795	237,900,810
CASH BALANCE AT END OF YEAR	3	P307,940,547	P286,937,795

(See accompanying notes to financial statements)

RAFI MICRO-FINANCE, INC.
(A Non-Stock, Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
December 31, 2021
(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 poor to help them achieve self-sufficiency. It has two hundred seventy-eight (278) branches as of December 31, 2021 and two hundred sixteen (216) branches as of December 31, 2020 in the provinces of Bicol in Luzon, Misamis Oriental in Mindanao, and in the Visayas: Cebu, Bohol, Leyte, Southern Leyte, Biliran, Negros Oriental, Negros Occidental, Siquijor, Western Samar, Northern Samar, Eastern Samar, Iloilo, Capiz, Aklan and Guimaras. In 2021, new branches were added in Cam Sur, Albay and Masbate in Bicol, Bukidnon and Agusan Del Norte in Mindanao and Antique in the Visayas.

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).

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, 2021. 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 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

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, 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 SSPI, 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, long-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 P207,744,038 and P155,879,966 as of December 31, 2021 and 2020, respectively. Loans and accounts receivables net of allowance for expected credit losses amounted to P3,086,560,805 and P2,504,941,427 as of December 31, 2021 and 2020, 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 P42,542,372 and P18,801,141 in 2021 and 2020, respectively. Accrued retirement payable amounted to P50,651,832 and P68,625,237 as of December 31, 2021 and 2020, 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 P246,873,595 and P204,047,499 as of December 31, 2021 and 2020, 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 2021	December 31 2020
Prepaid expenses and other current assets	P52,153,754	P27,246,023
Property and equipment – net	246,873,595	204,047,499

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, 2021 and 2020, fair value of financial assets amounted to P3,394,501,352 and P2,791,879,222, respectively, and fair value of financial liabilities amounted to P2,613,055,419 and P2,248,833,563, respectively.

3. CASH

This account consists of:

	December 31 2021	December 31 2020
Cash on hand	P53,083,135	P60,322,532
Cash in banks	254,857,412	226,615,263
	P307,940,547	P286,937,795

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 P888,777 and P2,676,931 in 2021 and 2020, respectively.

4. LOANS RECEIVABLE

This account consists of:

	December 31 2021	December 31 2020
Gross loans receivable	P3,204,898,149	P2,568,499,399
Less: Deferred loan interest income	1,461,332	842,169
Allowance for expected credit losses	207,744,038	155,879,966
	209,205,370	156,722,135
	P2,995,692,779	P2,411,777,264

Changes in allowance for expected credit losses were as follows:

	2021	2020
Balance beginning	P155,879,966	P61,553,574
Expected credit losses charged to operations (Note 11)	52,059,009	108,578,064
Written off	(194,937)	(14,251,672)
Balance end	P207,744,038	P155,879,966

Income from microfinance activities consists of as follows:

	2021	2020
Interest income earned from loans	P1,548,680,132	P884,205,660
Commission income	159,788,986	96,552,682
Service and general fees	22,218,165	19,759,668
	P1,730,687,283	P1,000,518,010

Loans earn interest at annual rates ranging from 24.00% to 77.82% in 2021 and 2020. 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 2021 and 2020, for housing improvement loans.

5. ACCOUNTS RECEIVABLE

This account consists of:

	December 31 2021	December 31 2020
Claims receivable	P50,601,876	P66,368,728
Accrued interest receivable	11,817,249	11,821,636
Deposits receivable	7,531,883	5,582,760
Receivable from Social Security System	1,844,701	1,122,155
Other receivables	19,072,317	8,268,884
	P90,868,026	P93,164,163

Claims receivable represents insurance claims that are not yet collected.

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

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

Other receivables include operational advances subject to liquidation.

6. PROPERTY AND EQUIPMENT

As of December 31, 2021

	Leasehold improvements	Furniture, fixtures and equipment	Motorcycle	Computer and financial software	Right of use of assets (Note 20)	Total
Cost						
Balance, beginning	P2,868,937	P93,073,496	P102,495,865	P97,992,246	P38,695,448	P335,125,992
Additions	—	22,389,040	39,361,230	39,740,033	—	101,490,303
Additions to ROU assets	—	—	—	—	55,506,725	55,506,725
Amortization	—	—	—	—	(43,262,530)	(43,262,530)
Write-off	—	—	—	—	—	—
Balance, end	2,868,937	115,462,536	141,857,095	137,732,279	50,939,643	448,860,490
Accumulated depreciation						
Balance, beginning	2,282,732	49,494,014	46,257,586	33,044,161	—	131,078,493
Depreciation	392,620	18,554,644	21,791,448	30,169,690	—	70,908,402
Write-off	—	—	—	—	—	—
Balance, end	2,675,352	68,048,658	68,049,034	63,213,851	—	201,986,895
Net book value	P193,585	P47,413,878	P73,808,061	P74,518,428	P50,939,643	P246,873,595

As of December 31, 2020

	Leasehold improvements	Furniture, fixtures and equipment	Motorcycle	Computer and financial software	Right of use of assets (Note 20)	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

Depreciation charged to operations amounted to P70,908,402 and P44,493,404 in 2021 and 2020, respectively. (see Note 11)

Amortization of right of use assets amounted to P43,262,530 and P30,628,225 in 2021 and 2020, 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 2021	December 31 2020
Accounts payable	P91,719,960	P105,286,305
Lease liability (Note 20)	52,075,327	39,417,706
Insurance payable	25,047,084	14,723,621
Employee bonds payable	24,881,182	18,307,046
Loan redemption fund	12,731,076	13,248,164
Accrued interest payable	4,045,375	2,520,838
Accrued expense payable	—	166,454
Other payables	8,306,120	17,315,713
	218,806,124	210,985,847
Less: Non-current portion of lease liability	(15,981,792)	(14,031,292)
	P202,824,332	P196,954,555

Accounts payable includes 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. LOANS PAYABLE

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 2021	December 31 2020
Union Bank of the Philippines (UBP)	3.75%	02/23/2022	P900,000,000	—
	3.75%	01/17/2022	18,000,000	—
	5.75%	05/11/2021	—	P99,000,000
	5.75%	05/10/2021	—	500,000,000
	5.75%	03/02/2021	—	333,333,333
Philippine National Bank (PNB)	3.75%	02/23/2022	200,000,000	—
	5.75%	03/22/2021	—	100,000,000
Security Bank Corporation (SBC)	3.75%	02/23/2022	200,000,000	—
Robinsons Bank	4.00%	03/10/2022	100,000,000	—
	4.00%	03/10/2022	100,000,000	—
Land Bank of the Philippines (LBP)	5.00%	06/09/2021	—	200,000,000
	5.00%	12/10/2021	—	200,000,000
			P1,518,000,000	P1,432,333,333

Long-term loans.

These are loans from Small Business Corporation which have interest of 2% per annum and are payable in quarterly installments of principal and interest as follows:

Maturities	Amount availed	Quarterly principal amortization	Outstanding balance	Current	Non-current
09/06/2023	P10,000,000	P1,250,000	P8,750,000	P5,000,000	P3,750,000
12/17/2023	10,000,000	1,250,000	10,000,000	5,000,000	5,000,000
	P20,000,000	P2,500,000	P18,750,000	P10,000,000	P8,750,000

These are unsecured, clean loans. RMF was not in default on any of its loan commitments throughout 2021 and 2020.

Interest expense from short-term and long-term loans amounted to P46,868,964 and P16,143,074 in 2021 and 2020, 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 10% of the loan balance can be withdrawn anytime. A member has the option to deposit more than the required balance.

Members' fund normally earns interest at the rate of four percent (4%) per annum. However, this was temporarily suspended in 2020 and re-implemented in 2021. In August 2021, RMF introduced a new type of members' fund called MyIpon Savings which earns interest at the rate of six (6%) per annum. Interest expense on members' fund amounted to P27,185,206 and P9,918 in 2021 and 2020, respectively. (see Note 11)

10. OTHER SUPPORTS

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

	2021	2020
PhilPacific Insurance Brokers & Managers, Inc.	P1,600,000	P800,000
Water Org. Inc.	479,499	838,011
Grameen Foundation USA	—	50,000
Others	—	276,829
	P2,079,499	P1,964,840

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 used 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.

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. In 2021, RMF received two tranches of grants from Philinsure which amounted to P1.6 million.

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:

	2021	2020
Personnel management	P772,182,277	P626,488,599
Branch expenses	211,897,000	130,286,277
Interest expense	76,982,291	17,981,551
Depreciation (Note 6)	70,908,402	44,493,404
Expected credit losses (Note 4)	52,059,009	108,578,064
Amortization (Notes 6 and 20)	43,262,530	30,628,225
Client retention	34,722,648	16,375,387
Fixed asset management	11,013,227	7,117,986
	P1,273,027,384	P981,949,493

Personnel management consists of:

	2021	2020
Salaries and wages	P641,822,687	P537,016,852
Retirement benefits expense (Note 15)	42,542,372	18,801,141
Other employee benefits	87,817,218	70,670,606
	P772,182,277	P626,488,599

Branch expenses consists of:

	2021	2020
Maintenance and office supplies	P52,020,740	P22,954,682
Finance charges	41,057,939	25,479,732
Gasoline and oil	29,474,042	18,381,850
Utilities	22,430,570	15,897,745
Communications	21,135,117	11,648,142
Fare and toll fees	10,553,251	10,117,300
Rent (Note 20)	8,558,643	10,226,241
Freight and delivery expenses	5,154,129	2,851,553
Service fees on electronic payments	18,190	14,425
Miscellaneous	21,494,379	12,714,607
	P211,897,000	P130,286,277

Interest expense was incurred from the following:

	2021	2020
Short-term and long-term loans (Note 8)	P46,868,964	P16,143,074
Members' fund (Note 9)	27,185,206	9,918
Lease liability (Note 20)	2,928,121	1,828,559
	P76,982,291	P17,981,551

Client retention consist of:

	2021	2020
Advertising and promotions	P13,546,740	P6,931,724
Client training and intervention	13,359,127	7,588,526
Gifts and tokens	6,160,157	727,084
Market research and development	1,656,624	1,124,253
General assembly expenses	—	3,800
	P34,722,648	P16,375,387

12. ADMINISTRATIVE EXPENSES

This account consists of:

	2021	2020
Subscription fees and membership dues	P64,680,215	P71,630,293
Taxes and licenses	51,713,101	36,672,386
Contracted services	11,947,244	9,395,466
Professional fees	2,037,355	18,912,810
Insurance expense	493,137	—
Branch pre-operating expenses	123,359	1,871,939
Program monitoring and evaluation	89,752	80,088
Representation	66,195	526,381
Miscellaneous	5,547,212	2,343,687
	P136,697,570	P141,433,050

Professional fees consist 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. All other income which are not generated from lending activities and insurance commissions shall be subjected to all applicable 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% on its gross receipts from microfinancing operations.

Income tax expense amounting to P34,718,786 and P20,003,112 in 2021 and 2020, respectively, represents 2% preferential tax on gross receipts from microfinance operations

of RMF and 25% for income and expenses which were not generated from lending activities and insurance commissions.

Income tax payable amounting to P7,987,277 and P7,826,598 as of December 31, 2021 and 2020, 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:

	2021	2020
Short-term employee benefits	P29,132,751	P48,250,828
Post-employment benefits	4,822,390	3,668,550

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:

	2021	2020
Changes in present value of obligation		
Balance, January 1	P123,866,635	P73,096,150
Current service cost	39,735,600	17,379,973
Interest cost	5,066,145	3,691,356
Withdrawals	(841,680)	(6,424,521)
Actuarial loss (gain)	(36,700,246)	36,123,677
Balance, December 31	131,126,454	123,866,635
Changes in fair value of plan assets		
Balance, January 1	55,241,398	44,954,216
Interest income	2,259,373	2,270,188
Contributions	25,780,769	16,028,415
Withdrawals	(841,680)	(6,424,521)
Actuarial loss	(1,965,238)	(1,586,900)
Balance, December 31	80,474,622	55,241,398
Liability recognized in balance sheet	P50,651,832	P68,625,237

	2021	2020
Retirement cost		
Current service cost	P39,735,600	P17,379,973
Net interest cost	2,806,772	1,421,168
Retirement benefits expense included in personnel management (Note 11)	P42,542,372	P18,801,141

	2021	2020
Cumulative actuarial gain (loss)		
Balance, beginning	(P29,417,046)	P8,293,532
Actuarial gain (loss) for the year	34,735,008	(37,710,578)
Balance, end	P5,317,962	(P29,417,046)

	2021	2020
Assumptions used to determine retirement benefits		
Discount rate	5.09%	4.09%
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, 2021, assuming all other assumptions were held constant:

	Effect on 2021 accrued retirement payable
Change in discount rates	
1% increase	(P20,700,014)
1% decrease	25,532,544
Change in salary rate increase	
1% increase	25,741,327
1% decrease	(21,222,400)

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:

	2021	2020
Portfolio quality		
Portfolio at risk	6%	8%
Loan loss reserve	100%	80%
Efficiency		
Administrative efficiency	46%	51%
Operational self-sufficiency	111%	81%
Loan officer productivity	277	269
Sustainability		
Financial self-sufficiency	123%	89%
Loan portfolio profitability	12%	(6%)
Outreach		
Growth in number of active MF clients	37%	31%
Growth in microfinance loan portfolio	25%	52%
Depth of outreach	15%	19%

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 2021 and 2020.

RMF considers fund balance as capital. Fund balance amounted to P1,021,834,173 and P697,887,346 as of December 31, 2021 and 2020, respectively.

18. FINANCIAL INSTRUMENTS

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

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.

Long-term loans.

The carrying value of long-term loans approximates its fair value due to periodic repricing of interest.

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 P2,995,692,779 and P2,411,777,264 as of December 31, 2021 and 2020, 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 P307,940,547 and P286,937,795 as of December 31, 2021 and 2020, respectively.

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

	December 31, 2021				
	Neither past due nor impaired			Past due or Impaired	Total
	High	Medium	Low		
Financial assets at amortized cost					
Cash	P307,940,547	—	—	—	P307,940,547
Loans receivable	—	P3,007,678,553	—	P197,219,596	3,204,898,149
Accounts receivable	—	90,868,026	—	—	90,868,026
	P307,940,547	P3,098,546,579	—	P197,219,596	P3,603,706,722

	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

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

December 31, 2021

	90 days or less	Over 90 less than 1 year	Over 1 year	Impaired	Total
Loans receivable	P26,997,084	P69,275,725	P100,946,787	—	P197,219,596

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

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 cash, loans receivable, and accounts receivable are collectible within one year and their carrying values are equal to their total contractual undiscounted collections.

The following tables present the RMF's financial liabilities contractual maturities and settlement dates:

December 31, 2021

Financial liabilities	On demand	Contractual undiscounted payments			Total	Carrying value
		Less than 1 year	1 to 5 years	> 5 years		
<i>Operating</i>						
Accounts payable and accrued expenses	—	P202,824,332	P17,672,405	—	P220,496,737	P218,806,124
Members' funds	—	857,499,295	—	—	857,499,295	857,499,295
<i>Financing</i>						
Short-term loans	—	1,526,877,709	—	—	1,526,877,709	1,518,000,000
Long-term loans	—	10,369,445	9,076,805	—	19,446,250	18,750,000
	—	P2,597,570,781	P26,749,210	—	P2,624,319,991	P2,613,055,419

December 31, 2020

Financial liabilities	On demand	Contractual undiscounted payments			Total	Carrying value
		Less than 1 year	1 to 5 years	> 5 years		
<i>Operating</i>						
Accounts payable and accrued expenses	—	P196,954,555	P15,362,413	—	P212,316,968	P210,985,847
Members' funds	—	605,514,383	—	—	605,514,383	605,514,383
<i>Financing</i>						
Short-term loans	—	1,463,328,150	—	—	1,463,328,150	1,432,333,333
	—	P2,265,797,088	P15,362,413	—	P2,281,159,501	P2,248,833,563

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, 2021

	< 1 year	1 to 5 years	> 5 years	Total
Short-term loans	P1,518,000,000	—	—	P1,518,000,000
Long-term loans	10,000,000	P8,750,000	—	18,750,000
	P1,528,000,000	P8,750,000	—	P1,536,750,000

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

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, 2021	100 (50)	(P2,689,959) 1,344,980
December 31, 2020	100 (50)	(5,755,621) 2,877,811

20. LEASES

RMF leases its office and branch premises from third parties for a term ranging from one (1) year to five (5) 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:

Right-of-use asset (Note 6)

	2021	2020
As at January 1	P38,695,448	P20,426,311
Additions	55,506,725	48,897,362
Amortization	(43,262,530)	(30,628,225)
As at December 31	P50,939,643	P38,695,448

Lease liability (Note 7)

	2021	2020
As at January 1	P39,417,706	P20,844,067
Additions	55,506,725	48,897,362
Interest	2,928,121	1,828,559
Payments	(45,777,225)	(32,152,282)
As at December 31	P52,075,327	P39,417,706

The carrying amounts of RMF's right-of-use asset as of December 31, 2021 and 2020 are presented as part of property and equipment. (see Note 6)

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

	2021	2020
Amortization expense of right of use assets (Note 6 and 11)	P43,262,530	P30,628,225
Rent expense – short-term leases (Note 11)	8,558,643	10,226,241
Interest expense on lease liability (Note 11)	2,928,121	1,828,559
	P54,749,294	P42,683,025

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

	December 31 2021	December 31 2020
Within one year	P37,784,147	P26,717,534
More than one year but less than 5 years	17,672,405	15,362,413

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 various levels of community quarantine and different health mandates.

RMF's income from microfinancing activities increased by 75% due to the increase in the average loan balance and the elimination of the effect of the 60-day mandatory grace period implemented last year. Expenses for microfinancing activities increased due to the additional 62 branches opened during the year and other branch expansion initiatives which resulted to a higher personnel costs, supplies expenses, permits and licenses, and most activities in 2020 were put on hold due to the lockdowns.

22. NOTES TO CASH FLOWS

Non-cash transactions include recognition of right of use asset and lease liability amounting to P55,506,725 and P48,897,362 in 2021 and 2020, respectively.

23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of RMF as of and for the year ended December 31, 2021 (including the comparatives for the year ended December 31, 2020) were authorized for issue by the Board of Trustees on March 11, 2022.

24. SUPPLEMENTARY TAX INFORMATION

Revenue Regulation No. 15-2010.

RMF reported the following tax types:

Withholding taxes

	Amount
Compensation	P18,013,653
Expanded	15,112,439
Final	5,644,616
	P38,770,708

Other taxes and licenses

	Amount
Documentary stamps tax	P40,634,929
Business permit and other fees	8,539,143
Vehicle registration	2,436,324
BIR annual registration	52,666
Community tax	50,039
	P51,713,101

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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