

# THE PRESIDENT'S REPORT

## BANGKO KABAYAN INC. (A PRIVATE DEVELOPMENT BANK)

Dear Fellow Stockholders,

It is my pleasure to welcome all of you to the 63rd Stockholders' meeting of Bangko Kabayan Inc. (A Private Development Bank).

### FINANCIAL HIGHLIGHTS

As of December 31, 2019, the bank's total assets stood at P3.26B with a 5.20% growth rate or P161M higher than the previous year. Majority of our total assets or 58.10% is composed of loans and receivables, 13.00% of cash & cash equivalents and 9.45% of investments.

The bank's deposit liabilities displayed continued growth with a 3.96% increase in level as compared to the previous year's level. Our total deposit liabilities is composed of 76.39% low cost funds and 23.61% high cost of funds.

The bank's net total loans and receivables stood at P1.89B as of December 31, 2019, slightly lower than the previous year's P1.96B.

There was a slight increase in the bank's past due ratio from 2.16% in 2018 to 3.89% in 2019. Microfinance and

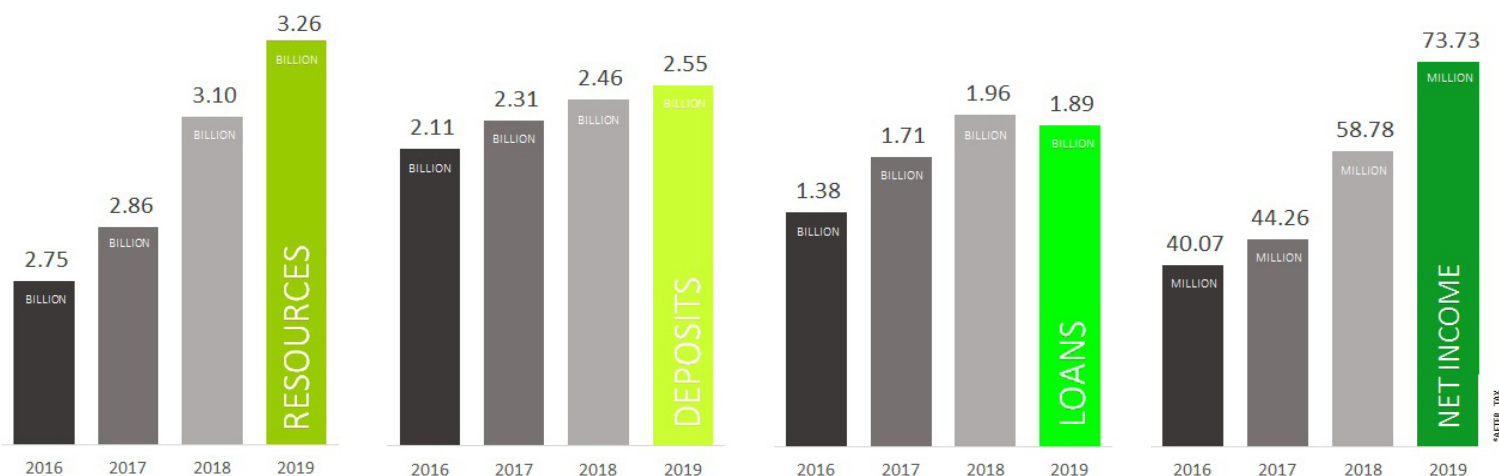
Supervised Credit were pursued more aggressively beginning last year - yielding higher growth rates - but was accompanied by a past due ratio that is higher than historical performance, albeit within the bank's risk threshold.

The bank generated a net income after tax of P73.73M, significantly higher than 2018's NIAT of P 58.78M. The growth rate of 25.43% was driven by a higher income on loans and investment, accompanied by a minimal 2.84% increment on expenses amounting to P 7.73M.

The bank's CAR at 20.03% remains above industry average. Our loans to deposit ratio of 71.13% decreased compared to last year's 77.36%. while the higher net income contributed to an increase in our equity ratio from 16.6% to 18.02%

### OPERATIONAL & ORGANIZATIONAL HIGHLIGHTS

True to our commitment of becoming the region's partner in economic development, the bank has been finding ways to keep on improving its products and services and to increase our market reach.



In 2019, we introduced two new loan products – the Business Builder Loan (BBL) and the Multi- purpose Loan (MPL). The BBL aims to provide businessmen access to credit to acquire fixed assets for their business, while the MPL is offered to existing clients to finance their consumption needs.

In the first 7 months after the introduction of these products, there were more than 1,000 loan availments and, together, these two brought in an additional of at least P23.6 Million in loan portfolio.

Following the success of the bank’s deposit generation campaign HATAW NA last 2018, the bank offered this promotion again in 2019 and generated an additional P247 million in new deposits.

Last year, we successfully pilot tested the i2i platform in partnership with UB>X, a wholly owned subsidiary of Unionbank of the Philippines. i2i is a platform powered by technology that allows the bank to offer services other than deposit taking and loan granting, like the acceptance of bills payment, real-time transfer of funds within the i2i network with has more than 700 branches nationwide, same day transfer of funds to 53 PESONET members in the Philippines and real-time transfer of funds to 44 INSTAPAY members in the Philippines.



This service is targeted to be rolled-out to the other branches of the bank within the first half of this year and we believe that this will be a catalyst for financial inclusion through the use of technology for those in the countryside.

### Staff Development

We continue to invest in the development of our employees. Bangko Kabayan currently employs 375 individuals, with 30% (123) of the workforce having undergone and successfully completed the Leadership and Management Training Program (LMTP). 77% (95) of the graduates have been promoted and are now occupying middle management positions.



Bangko Kabayan’s “study now/pay later” program has also encouraged more employees to pursue their masteral studies. There are currently 3 pursuing their MBA degrees and one manager going ahead towards a Doctorate Degree. Upon their completion, they will join 18 other members of the BK workforce armed with post-graduate degrees and hopefully will impact on increased professionalism and competence of BK.

### Client Recognition

Our microfinance clients continue to gain recognition for their persistence, hard work and focus, helped along with a credit accommodation from Bangko Kabayan, Inc.

Last year, BK submitted 3 entries for the Microentrepreneur of the year award (MOTY) and one of them, Mr. Romualdo “Ejay” Blanco was chosen as Youth Microentrepreneur of the Year awardee.



In the year 2011, at the age of 20, Ejay started vending fruits but failed to generate adequate income to support his family. Later on he entered into another venture of selling isaw and fish ball and was given additional capital through the help

of Bangko Kabayan. In 2014, on his 4th availment of KABAYAN loan, he and his wife started their dream business of manufacturing kakanin specializing in maja, puto and kutsinta. Through his hard work and good payment record, he was able to acquire five (5) motorcycles that deliver kakanin on consignment basis, with each motorcycle delivering to around 50 stores per day.

For the past years, BK was able to produced eight (8) MOTY awardees. These awardees were recognized because of their significant contributions to their respective local economies. This only proves that BK is not just a financial partner, but also a sustainable partner of their growing businesses.

### Corporate Social Responsibility

As Bangko Kabayan's partner in advancing the culture of sharing among BK staff and local communities, BK Foundation Inc. (BKFI) supported 22 Bayani ng Komunidad projects for almost 30,000 beneficiaries last 2019. These projects include coastal clean-up and tree planting for preservation of the environment, cooking lessons for sweet delicacies as livelihood program, installation of solar lights along pathways for safety, and using eco bricks for rebuilding safe pathways with canals, sinks, tables and benches in schools.

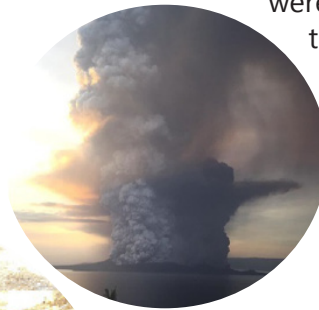
Another project of BKFI was "Bigay Kalinga". The proceeds of the Honesty Garage Sale was used to buy school supplies that benefited 618 students from 3 different schools.



In pursuit of sustainable development and innovative social entrepreneurship, BKFI had two (2) runs of its 4 day Entrep Eskwela program last 2019. Attendees for the two (2) batches totaled 35 individuals coming from various parts of Batangas and Quezon.

### Taal Eruption

Early this year, the province of Batangas declared a state of calamity following the eruption of Taal volcano. Some of the bank's clients and employees were greatly affected particularly those residing within the 14 kilometer danger zone. The areas within the 14 kilometer danger zone were eventually locked-down for safety reasons forcing the residents to evacuate.



During the volcano's unrest, operations of some of the bank's branches were also affected, causing the temporary closure of some of its branches such as Talisay, Lemery and Agoncillo - to ensure the safety of both clients and employees. To date, Agoncillo branch remains closed owing to the damage in the building caused by the eruption but we target to resume operations by April 1.

Despite some setbacks, it remains BK's primary objective to keep our client's welfare at the forefront of our attention and help him recover in the soonest possible time, for our mutual benefit.

Yes, multiple challenges greeted us in the first quarter of 2020. But we remind ourselves that Bangko Kabayan has always remained guided and protected by Divine Providence which has allowed it to overcome various other difficulties in the past. Thus we remain confident that working together with all stakeholders - with a strong faith, hard work and dedication to our clients' and each other's welfare, Bangko Kabayan will not only survive but grow stronger in the coming weeks and months that remain in 2020.

Maraming salamat po sa inyong lahat!

  
**Atty. Francis S. Ganzon**  
President