

# 2020 ANNUAL REPORT

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## About the Cover



The year 2020 was a difficult year for Bangko Kabayan. We started the year with the eruption of the Taal Volcano that placed the whole Batangas province under a state of calamity. In March 2020, the nation was declared under state of a public health crisis due to COVID-19, leading to a nationwide enhanced community quarantine. But despite all these, Bangko Kabayan remains resilient like the bamboo trees which symbolizes strength and flexibility. Strength to withstand any challenges that it may face and flexibility to adapt to different circumstances brought by the changing environment.

# Corporate Policy

## Vision

With a God-centered united workforce, we will be the preferred financial institution of MSMEs in Region 4, delivering relevant financial services with excellence.

## Mission

Bangko Kabayan is committed to become the region's partner in economic development by providing quality financial products and services to MSMEs and individuals in the communities we serve. Through continuous growth, we will provide optimum returns to our shareholders as well as opportunities for our employees to develop themselves as fulfilled and holistic individuals, aware of the important role they play in the lives of others.

## Core Values

- B - Belief in Divine Providence
  - Inspiration of Bangko Kabayan as an ECONOMY of COMMUNION (EOC)
  - Enterprise which is based on the Culture of giving.
- I - Integrity
  - Respect and adherence to ethical values.
- S - Service Excellence
  - Reciprocity.
- U - Unity
  - Relationship building.
- C - Commitment to Community
  - Development
  - Resource sharing.

## Business Model

Bangko Kabayan has positioned itself as a bank that will support the economic growth of the countryside by providing products and services that add value to businesses and households, while helping them improve their standard of living. The bank's key business activities are loan and deposit generation. For loans, its main target market is the micro, small, and medium enterprise (MSME) sector. The Microfinance Department handles the products and services for individuals and enterprises that fall under the classification of micro in terms of asset size. This is the group with the biggest manpower complement as it mostly comprises Community Development Specialists who serve as the sales arm of the products developed for this sector. The bank builds its mass market portfolio, and at the same time, increases its deposits by allowing the borrowers to allocate part of their amortizations as savings in their individual deposit accounts.

The Credit Group is in-charge of developing loan products and processing loan applications for SMEs and businesses in the agricultural sector that also fall within the classification of small and medium in terms of asset size. By building an expertise in determining the cash flow of each entrepreneur applicant and with deeper understanding of the capacity to pay of its clients, Bangko Kabayan is able to adopt flexible terms for SMEs that are successful in business but still lack hard collateral to offer as security for their much needed working capital and asset acquisition loans. This model entails greater cost in backroom procedures, but has nevertheless allowed BK to access an underserved but growing sector, and to do so minus the risks often feared by bigger financial institutions. A thorough credit assessment process based on cash flow and collateral plus a deeper knowledge of the client, his reputation in the community as a businessman, has become part of BK's formula to continuously grow its portfolio in this sector while properly managing the risks involved.

As for deposits, the bank offers the standard line up of deposit products such as Savings Account, Checking Account, and Time Deposit Accounts. All of these products and services may be accessed by clients through the bank's branches located in 24 municipalities within the region of CALABARZON.

Over the years, Bangko Kabayan has been able to steadily build its deposit base, particularly low-cost deposits. This can be attributed to the goodwill generated by the bank within its 60 years of operations, through its employees as well as long-time clients who have experienced BK's brand of personalized service. It is for this reason that the bank is able to maintain its low cost of funds, as it has not been necessary to borrow from other banks in order to service the funding needs of its borrowers. Another unique advantage of BK is that since its able to lend to a segment that is underserved and is not

yet purposefully targeted by bigger banks, it is also able to enjoy a yield on loans that is above-industry average. Managing its operational expenses remains as one of the main challenges as the current key business processes – such as customer acquisition, retention, loan processing and evaluation – still involve a lot of people.

Moving forward, the bank has embarked on a journey with the country's trailblazer in digital banking, UnionBank through its subsidiary CitySavings Bank, to improve its reach and transform its processes towards greater efficiency without sacrificing its risk management standards. Through this affiliation, it will be possible to provide more value adding products and services, improve service delivery, and strengthen market presence with the use of technology.

## Brand Positioning

Through the decades, BK has portrayed the concept of personalized service to its clients, no matter how big or small they are. This personal service has been inculcated in each BK employee, as we listen to the clients and let them feel valued regardless of the volume of business that they have with the bank. This is reflected in small but appreciated gestures such as assisting in account opening and filling up forms, or carefully understanding the needs of microentrepreneurs to be able to offer a product that is relevant for that client. This personalized service is also exhibited in the flexibility of terms offered to borrowers, especially SMEs whose cash flow needs vary. For this client base, the process of reconstructing financial statements is not only necessary for the bank to properly determine the cash flow and corresponding funding needs of an enterprise, but is also a unique service that comes with each loan application in the bank.

As Bangko Kabayan expands its reach not only through physical branches but through other channels such as partner outlets such as remittance companies and even digital applications such as Gcash, the challenge lies on how the bank will maintain this brand of personalized service. This will manifest in the bank's choice of channels and overall customer experience as the interactions with its client base eventually transforms into a mix of face-to-face and digital transactions. The bank's commitment to become the country's partner in economic development continues to drive its efforts in constantly looking for ways to serve the financial needs of MSMEs, through well-designed and appropriate products and services that are accessible through its branch network and partner channels. The goal is to let clients feel that though processes and interfaces evolve, we are still the same development bank that truly understands their needs. Dahil kami ay hindi basta Bangko, Kabayan pa.



# History & Timeline

1957

BK was established on August 19, 1957 and was first known as Ibaan Rural Bank, Inc. (IRB)

## FOUNDING FATHERS

**BIENVENIDO MEDRANO**  
Former President of Philippine Chamber of Commerce and Industry, Co-founder of Far East Bank

**MANUEL AGREGADO**  
Retired Auditor General

**ROMAN OZAETA**  
Retired Supreme Court Justice



1968

Introduced checking account services and participated in various Rediscounting Programs offered by BSP and LBP.

1980s



## ENTRY OF 2<sup>ND</sup> GENERATION

Through the leadership of Atty. Francis S. Ganzon and Mrs. Teresa M. Ganzon, IRB was placed in a premier position in the rural banking industry.

In 1980, the Human Resource Department was formally established and the first Vision and Mission Statements of IRB were crafted.

1990-1996

## EXPANSION

The bank became an Economy of Communion (EoC) Enterprise. Eight (8) branches were established in various municipalities of Batangas – Calaca, Cuenca, Mabini, Nasugbu, Rosario, San Jose, San Juan and San Pascual.



1997



**KASAMA SA BUHAY,  
KATULONG SA KAUNLARAN**

In celebration of its 40th Anniversary, Ibaan Rural Bank changed its name to Bangko Kabayan



1996

Ibaan Rural Bank Foundation was established to highlight the Corporate Social Responsibility of the bank with the purpose of extending micro- credit and scholarship program for poor but deserving students and sponsoring community-building seminars.

2001

## MICROFINANCE

Microfinance was adopted as a major credit product of the bank.



2005

Acquired Banco de Jesus in Marulas, Valenzuela.

Established 2 Loan Collection and Disbursement Points.



## NEW CORPORATE LOOK

Celebrated the bank's 50th anniversary and adopted the business name "Bangko Kabayan" with a resolve to be of service not only to Batangueños but also to other communities in nearby provinces.

2011-2012

## CONTINUOUS EXPANSION

Opened 5 more branches in Batangas - Balayan, Tanauan, Agoncillo, Calatagan, and Lipa.

Began expansion outside Batangas province - in Laguna and Quezon.

Acquired an online, real time and fully Integrated online banking system.



2016



Bangko Kabayan launched its new face as a Private Development Bank.

2017

In celebration of its 60th Anniversary, BK opened its very first Microfinance Banking Office in Lobo, Batangas.



2020

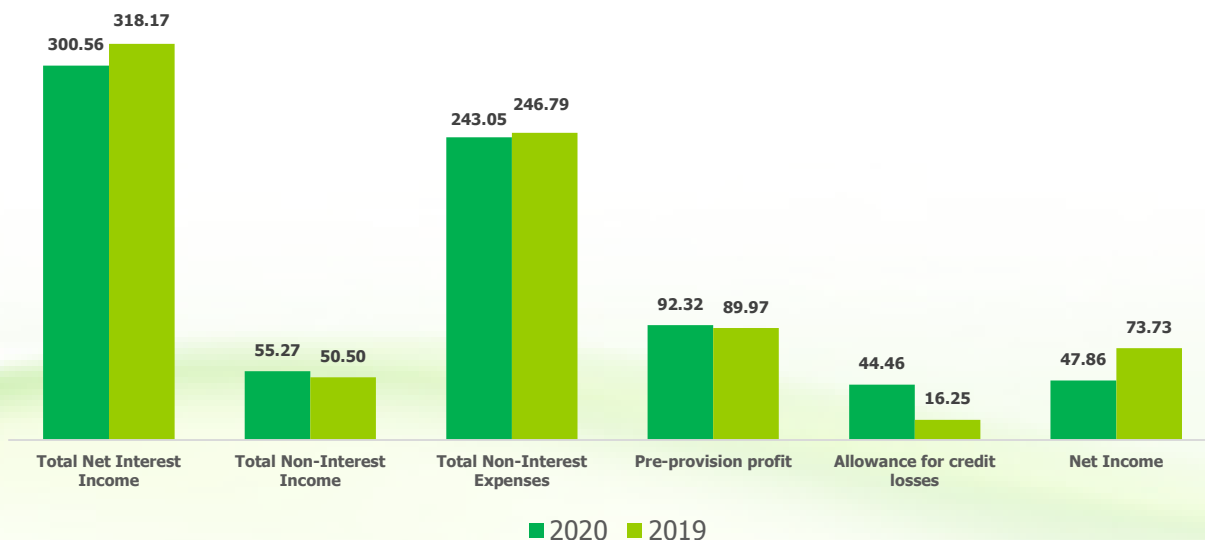


Union Bank Philippines Inc., through its subsidiaries, City Savings Bank and Union Properties Inc. acquired majority of the shares of Bangko Kabayan.

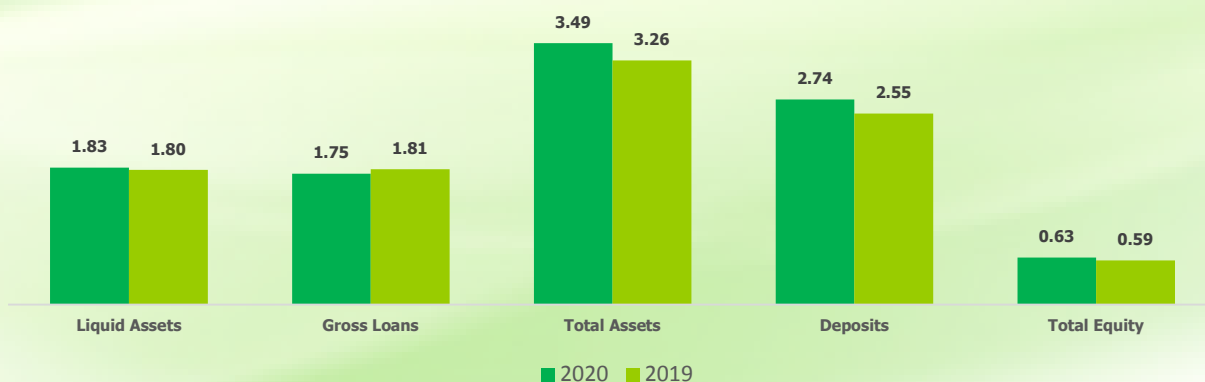


# Financial Highlights

## Profitability (in Mn Php)



## Selected Balance Sheet Data (in Bn Php)



## Selected Ratios



**Return on Equity**  
**7.86%**  
vs 13.40% in 2019



**Return on Asset**  
**1.42%**  
vs 2.30% in 2019



**Capital Adequacy Ratio**  
**21.73%**  
vs 20.20% in 2019



**Cash Dividends Declared**  
**-0-**  
same in 2019

## Workforce



# President's Report



Dear Fellow Stockholders,

2020 was truly an eventful, extraordinary and extremely difficult year in our history. We started off with the rare Taal Volcano eruption which affected many of us, employees, family members and customers. Another major development is the acquisition of Bangko Kabayan, Inc. by Union Bank of the Philippines, through its subsidiaries, City Savings Bank, Inc. and Union Properties, Inc., of the majority of the shares in BK. Almost

simultaneously with the Unionbank group take-over was the declaration of the Enhanced Community Quarantine due to the COVID-19 pandemic. Unprecedented disruptions in our way of life, business dealings, work protocols and over-all behavior were experienced and, in many ways, still persist up to today. But we survived and overcame these challenges together. We are under a new normal way of going thru our work, business and lives. But with BK becoming an affiliate of UBP Group, it is expected that BK will be able to offer more and better services making it more competitive as it can leverage on the digital capabilities of Unionbank. It is also our continued vision that BK will gain a stronger foothold in the areas

of its operation, making it the bank of choice in CALABARZON.

## Financial Condition

Despite the unfortunate calamity and pandemic, Bangko Kabayan still grew its resources by P228M or 7% from the previous year level of P3.26B. This was made possible by the unflinching trust and support of our depositors as our deposit base grew by 186M or 7.28% from 2019 levels.

The bank's total loan portfolio stood at 1.76B as of December 31, 2020, slightly lower than previous year level of P1.82B mainly due to the reduction of microfinance and supervised credit loans which stood at 292.87M. As these loan customer segments were most adversely affected by the pandemic, our collection efforts were very intensive in these segments. Moreover, the pandemic took a toll on many micro businesses as many had to close operations, furthering dampening demand for loans.

In light of the business lockdowns and the severely unfavorable economic landscape, the non-performing loan (NPL) ratio for 2020 is at 6.42% compared to the NPL ratio of 2019 which was only at 3.64%. The severe economic pressures on our SMEs resulted in a higher NPL ratio which, in turn, made us set up more loan loss provisions in 2020 in the amount of P44M. However, it is worth noting that the year-end ratio of 6.42% was already an improvement over the peak NPL ratio of 8.58% reached last October. The bank's NPL ratio is way

better than the industry ratio of 7.91% as of December 2020. As of February 2021, we have managed to further bring down the ratio to 5.62%. We will not stop exerting all efforts to bring the ratio to pre-COVID levels.

Consequent to the high level of loan loss provisions, the bank generated a net income after tax of 47.86M, significantly lower than 2019's NIAT of 73.73M. With the year 2020 behind us now, we look forward to a much better year with the resilience, hard work and dedication of our people and customers.

## Operational Highlights

### New Products, Services and Highlights

We embarked on a number of digital initiatives last year, paving the way to extend our reach as well as streamline and expedite processes. We started our participation in the SeekCap digital lending platform and Globalinker, a social media network composed of thousands of SMEs all over the country. Both are lead generation digital platforms where prospective clients can log-in loan applications and expect expedited loan approvals, among other services. We intend to broaden our loan product base, use alternative credit scoring models and re-engineer loan policies, procedures and documentation for a smooth, fast and efficient end-to-end loan origination and processing.





The bank also rolled-out the mobile ATMs in six (6) branches to allow clients to withdraw from their non-BK accounts without the need to look for an ATM machine. Apart from offering convenience to its clients, this is also an added source of income for the bank.

We also started the onboarding process with Pesonet, an interbank fund transfer service under the National Retail Payment System, which we expect to go live by the first quarter of 2021. This will allow our clients to transfer their funds from their other bank accounts to their account in BK. This will be an easier way for clients to move their funds around and result to additional deposit for the bank.

We are also in the process of becoming a Gcash merchant, targeted to be launched on the first quarter of 2021. This will be an additional channel for our clients to pay their loan dues but will be much convenient since they can make the payment using their mobile phones and without the need to go out of their residences.

### Process Streamlining

As part of the various alignment initiatives with UBP and CSB, BK also embarked on transferring our check clearing conduit arrangement along with other services such as payroll and cash management.

BK also participates in various UBP and CSB oversight committees such as Shared Services, Digital Integration, HR Oversight, Controllershship, Group Internal Audit, Subsidiary Risk and Group Compliance. These committees were organized by UBP to ensure

that our practices are aligned and so that we can all benefit from sharing of and leveraging on best practices and maximizing economies of scale.



### Organizational Development

As a response to the new normal, sessions on Developing Hope-based Resilience in the Time of Pandemic were given to all employees of the bank to uphold positivity despite the challenges. The bank also conducted the Refreshing Operations Toward Business Unusual Sessions which covered (1) rising to post-crisis leadership challenges; (2) business strategy and planning and (3) organizational transformation.

The first ever virtual general assembly of all BK employees, with the theme "Together, We Win," was also held to showcase the unwavering commitment and drive of the organization and its employees amidst the biggest challenge that the entire world has faced so far.

### Response to Calamity

During the year, the bank strengthened its BCP Committee to better respond to the changes brought by the pandemic – declaration of community quarantine



BANGKO KABAYAN ONLINE GROWTH SESSION

## See you! **DEVELOPING HOPE-BASED RESILIENCE IN THE TIME OF COVID**

*An online growth session (OGS) designed to help BK workforce engage life and work fully and meaningfully, especially during the pandemic, by developing hope-based resilience.*

Batch 1: May 29 & June 5, 2020, 9:30 AM

Batch 2: May 30 & June 6, 2020, 9:30 AM




Resource Persons:  
MIMO & AUBS PEREZ

and Bayanihan 1 and 2. The bank also assisted the clients in restructuring accounts particularly those who have temporary financial difficulty. The bank also launched the Bayanihan para sa Kapakanan ng Kabayan program to assist MF clients in rebuilding their businesses.

### Future Directions

Moving onwards, the year 2021 shall be the first year of transformation for BK. The bank will exploit all available technology in the market to follow the lead of our mother bank whilst maintaining our personalized service that propelled us through the years and thus our battle cry "High-Tech, High-Touch 2021".

Maraming salamat po sa inyong lahat!

  
**Beatriz B. Romulo**  
President / CEO

# Challenges, Opportunities and Responses

2020 was a difficult year for us. For the past three years, Bangko Kabayan (BK) was focused in growing its portfolio by increasing our reach and market share in the areas where we are present. We have steadily grown both our deposit and loan portfolio since 2017 up to 2019. In 2020, BK, due to the unfortunate circumstances, was focused on rehabilitating and maintaining its loan portfolio.

We started the year with 4 of our branches getting affected by the eruption of Taal Volcano. These branches are situated in municipalities within the 14km radius base surge. Due to this, the province of Batangas was placed under state of calamity. As we were starting to recover from the effects of the January calamity, in March 2020, the nation was declared under state of public health crisis due to COVID-19. The nationwide enhanced community quarantine which lasted for almost three months, affected businesses across industries hampering the movement of people, goods as well as operations of establishments.

The Bangko Sentral ng Pilipinas (BSP) under the guidance of Inter Agency Task Force (IATF), mandated two Bayanihan Acts to help ease the burden of loan payments of the consumers. The bank, in compliance to the Bayanihan Act, extended loan payments to help our borrowers during this difficult time. On top of this, BK re-evaluated most of its Small and Medium Enterprise (SME) and Microfinance (MF) accounts in order to address the issue brought about by the pandemic and the community quarantine to our clients and their businesses. Heavily affected accounts were repackaged and restructured in order for our clients to be able to meet their payment obligations. BK also granted additional loans to some of our existing clients who needed the funds to jumpstart their businesses after the three month shutdown.

Accounts that were restructured and repackaged were regularly monitored to understand the efficacy of our credit assessment and recommendations.

As of March 2021, 70% of the restructured and repackaged accounts are back to the current status. BK also increased our remedial unit capacity and capabilities by adding manpower into the team, as well as incorporating an SMS blast in our remedial procedure. Likewise, we increased the regularity of our bad debts monitoring and reporting to be able to address any significant issues as early as they come. Due to the dedication of our workforce under the lead and guidance of our Remedial Unit, BK was able to close the year 2020 with just 3.31% past due and 6.42 % NPL. Despite the promising outcome of our collection efforts, accounts crisis management and remedial activities, BK decided to update our ECL to incorporate the impact of all 2020 calamities and pandemic in the macroeconomic outlook as well as in our portfolio flow rates. This ensures that the bank is well provisioned coming into 2021. On top of updating our ECL, the management decided to add a provision overlay since we believe that the macroeconomic trend may still move sometime in the middle of 2021. The overlay should account for the many uncertainties involving the national economy brought about by the extended community quarantine in our efforts to battle COVID-19.

BK also learned many things in 2020 because of all the challenges we have encountered. BK was able to strengthen its business continuity plan (BCP) manuals to include protocols necessary to operate soundly and safely under a pandemic situation in our list of crisis management programs (which involves the usual crises caused by calamities natural or man-made). We were also able to develop work from home infrastructure and guidelines in our HR policies to enhance our BCP. This enabled the bank to operate on a skeletal workforce with minimal business disruptions. This also enabled us to promote the safety of our human resources while maintaining and managing the overall productivity of the company during any crisis.

The bank was able to develop new products to address the needs of a changing market. This

includes new delivery systems and channels. The pandemic affected the behavior of the consumers in many ways favoring the convenience of a digital channels in the access to financial services. This year, BK explored digital channels in delivering our products and services. BK is now accepting loan applications through online channels on a pilot basis. We have started onboarding PESONet receiving function which allows our clients to receive SSS pension as well as remittances from other banks straight to their BK accounts. We expanded our remittance partners to provide better access to financial services to our clients. Included in this expansion is our application with GCash as part of their billers. As soon as this is rolled out, our borrowers can pay their amortization dues via GCash. Our clients now have the option to pay their dues via Palawan Express Pera Padala, PESONet, over the counter and soon GCash.

Bangko Kabayan also tapped into additional guarantee mechanisms provided by the government. Aside from being our small Agri loans which is a part of the AGFP program of Landbank, our SME loans and Large Agri Loans are now a part of Philguarantee.

Bangko Kabayan is proud to report, that despite all the calamities that went our way, we were able to close the year 2020 with 47.86M NIAT, 7.86% ROE, 1.42% ROA, 21.73% CAR. The bank maintains a healthy 1.75B portfolio level and 1.67B ADB, with 2.74B deposit level and 2.63B ADB, with 58.21M PD and 112.22M NPL. With the adjustments and fine tuning we have done in 2020 as well as the insights we've learned from the evolving market, we look forward to growing the business in 2021. Bangko Kabayan remains to be a stable financial institution that has shown resilience amidst adversities. This is driven by the extensive knowledge of the market and the areas that we serve and the ability to quickly adapt external factors such as calamities, regulations, and market needs.



# Risk Management

Bangko Kabayan (BK) is exposed to several kinds of risks that increase probabilities of financial losses. To mitigate these risks as a financial institution, BK established its Risk Management (RM) system as a component of good governance and an integral part of its culture.

RM basic principles serve as an element of good governance that promotes transparency, accountability and control. Effectiveness of the RM system lies with the responsibility of the Board of Directors (BOD) through its Risk Oversight Committee (ROC) who oversees the bank's infrastructure, define, analyze, measure and report the effective control of the risks within the bank. BOD oversight includes monitoring of senior management's activities in managing credit, liquidity, operational, compliance, interest, market, strategic and reputational risks inherent in BK.

BK applies the Enterprise Risk Management (ERM) integrated approach to view risks, considering the risks at all levels of the organization and the inter-dependencies of its various units. BK's ERM aims to identify the risks associated with the core activities and business strategies of the bank and craft risk strategies to address these risks, at the same time inculcating RM as part of BK's culture while integrating RM as part of BK's good corporate governance and strategic management. It also aims to enhance operational efficiency, help sustain growth and optimize BK's earning potential.

BK's ERM encompasses strategic implementation of three line of defenses to define boundaries and clear responsibilities between each group. The first line of defense is the business line units who own and manage the risks. The second line of defense is the independent risk management and compliance function of the bank that oversees the risks. And the third line of defense is the internal audit which provides independent assurance.

To provide a system of checks and balances, BK separates the risk-taking decision from the risk

assessment and controls over it. The front office functions in charge of business execution and risk taking activities is segregated from back office functions where the latter performs support functions to increase efficiency, and implements control functions for discipline and risk mitigation. The core banking system of BK also set appropriate controls that serve as a back office in both functions by limiting the access of the users using the least privilege principle and separation of duties. Independent from front office and back office, BK established a middle office through the risk management officer who has a direct access to the BOD and has sufficient leverage to push through complex or uncomfortable risk issues to the highest levels of decision-making.

## Risk Appetite & Strategy

To be able to achieve BK's ERM objectives, BK defined its risk appetite as the maximum level of risk the bank is prepared to accept in order to achieve its corporate objectives. This ensures that identified risks shall be managed to acceptable levels set by the bank. Risk appetites are reviewed and approved by the BOD through its ROC and is communicated down to operational level by formulating related risk limits that form part of the BK's policies.

- BK shall pursue its 3-year business plan within a moderate risk appetite to support its vision of becoming the preferred financial institution of MSMEs in Luzon.
- BK Bangko Kabayan shall continue to take calculated risks to effectively serve its stakeholders, taking into consideration its overall sustainability and maintaining a capital adequacy ratio (CAR) of at least 15%, an acceptable annual Return on Equity (ROE) of at least 9%, a combined liquidity of at least 30% and a CAMELS rating of at least 3.
- BK plans to operate within moderate overall risk range, reducing risks emanating from competition, client relationship management,

information technology confidentiality, product pricing, BSP regulations, technology implementation, information technology availability / continuity, employee communication, and tone at the top.

Communication and reinforcement of BK's risk appetite throughout the bank help align all employees' risk taking decisions. For managing concentration of risk, prudent risk limits are set for strategic, credit, liquidity, reputational, compliance and operations risks in accordance with BK's size, complexity and risk profile. These risk limits are reviewed and approved by the BOD through its ROC. Through the risk management process, breaches of the risk appetite and risk limits can be identified. As the bank's risk management continuously monitors the limits, any breaches are reported to BOD and ROC for analysis and decision.

## Significant Risk Areas Exposures

### Strategic Risk

Technological Advancement

Challenges of improving the bank operations through the aid of secured, reliable and advance system architecture that will effectively support operational efficiency, product development and other future needs of the organization to gain market leverage

Competition

Actions of competitors or new entrants to the market affect the company's competitive advantage and/or ability to survive. Inability to maintain and grow market share due to failure to recognize and respond to competitive threats.

Customer Needs

Lack of awareness of the changes in customer needs and wants. Such needs and wants may apply to desired quality, willingness to pay and/or speed of execution.

## Credit Risk

### Credit and Collection

Failure to manage the risk if counterparty does not fulfill its financial obligations in accordance with the agreed terms (DEFAULT). This also includes PRE-SETTLEMENT, counterparty defaulting on a contract or agreement during the life of the transaction.

## Operational Risk

### Competencies and Skills

Lacking the required competencies/skillset to fulfill assigned roles on the basis of education, training, and/or experience/exposure that will support the bank on its technological advancement.

### Health and Safety

Failure to provide healthy and safe working environment for its employees causing bodily harm and sickness as well as psychological or mental problem like anxiety, depression and others

## Liquidity Risk

### Funding Liquidity

Failure to ensure that the company has access to sufficient funds to honor its cash outflow obligations or inability to meet investments and funding requirements arising from cash flow mismatches without incurring unacceptable losses or costs.

## Compliance Risk

Risks that arise when there is non-compliance with prescribed organization policies, procedures or laws and regulations that result in penalties, fines, etc. This includes regulations with BSP, SEC, AMLC, BIR, DOLE and other regulatory agencies.

## Reputational Risk

Risk of damage to a bank's image and public standing that occurs due to some dubious actions taken by the bank. Sometimes reputational risk can be due to perception or negative publicity against the bank and without any solid evidence of wrongdoing. Reputational risk leads to the public's loss of confidence in a bank.

## Market Risk

Failure to manage risk of changes in the value of a product, instrument or transaction from underlying market exposure. This also includes inability to appropriately plan for and react to fluctuations in foreign exchange rates.

## Interest Rate Risk

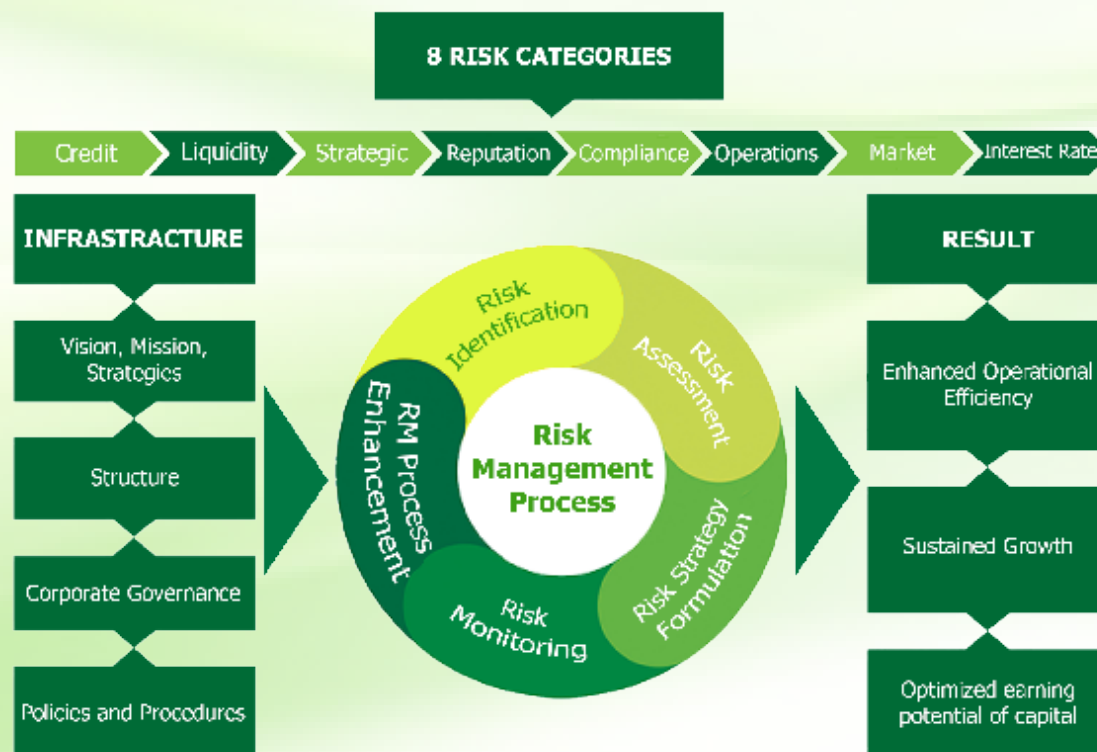
Inability to appropriately plan for and react to fluctuations in interest rates. Interest rate risks usually arises from the differences in the changing rate relationship and from the differences in the timing of rate changes and cash flows.

## Technology Risk

Failure to comply with corporate IT policies and controls, duplication of efforts, increased costs and inefficiencies, operational impacts and information security breach.

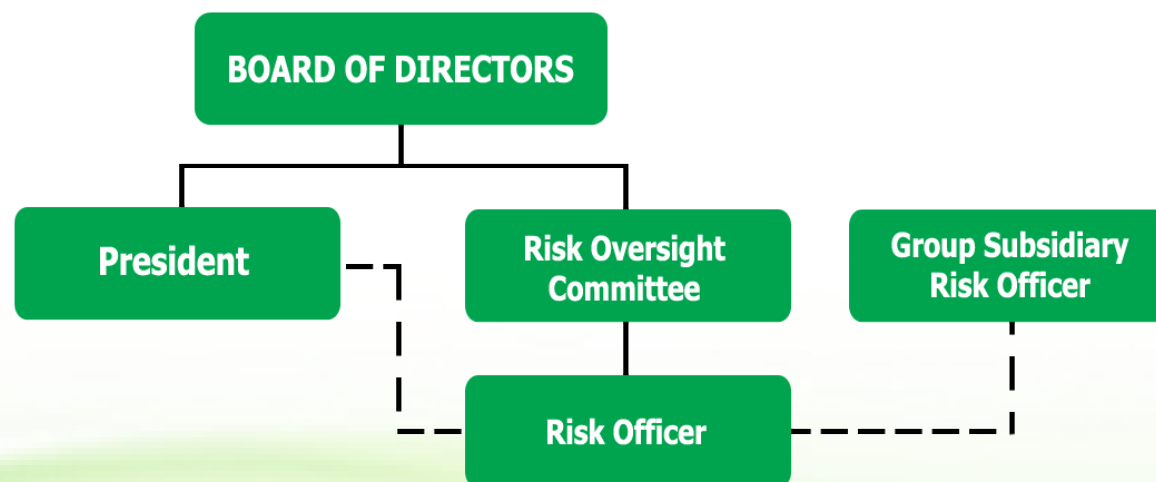
## Risk Management Process

BK sees RM as a function and process that utilizes its infrastructure such as vision, mission, strategies, organizational structure, corporate governance, policies and procedures, technology, communication and reporting system to achieve the RM objectives of enhanced operational efficiency, sustained growth, optimized earning potential of capital, optimized beneficiary reach and risk culture inculcation. There are 8 risk categories identified to be monitored by financial institutions namely credit, liquidity, strategic, reputation, compliance, operations, market and interest rate. These risks are inherent given the infrastructure and systems instituted which, if properly managed through an effective RM system should lead to the intended results.





## Risk Governance Structure



BK adheres with the above RM structure for efficient facilitation of the risk management process. The Risk Officer (RO) heads the risk management function and has direct access to the Board of Directors and Risk Oversight Committee. RO directly reports to the Board of Directors, but administratively reports to the President. There is also an oversight coming from the Group Subsidiary Risk Officer of the Parent Bank to ensure alignment between UBP and its subsidiaries' risk management activities and processes. The RO is responsible for overseeing the risk management function and should support the BOD in the development of the risk appetite and risk appetite statement of the bank, and for translating the risk appetite into a risk limit structure. The RO also proposes enhancements to risk management policies, processes and systems to ensure that the bank's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities.

The Risk Management Function is responsible for overseeing the risk-taking activities across the bank, as well as in evaluating whether these remain consistent with the bank's risk appetite and strategic direction.

It ensures that the risk governance framework remain appropriate relative to the complexity of risk taking activities of the bank. The risk management function is responsible for identifying, measuring, monitoring and reporting risk on an enterprise-wide basis as part of the second line of defense. It directly reports to the Risk Oversight Committee (ROC) or BOD.

The Board of Directors of Bangko Kabayan is responsible for approving the bank's risk governance framework and oversees management's implementation. The BOD defines the bank's risk appetite by taking into account the business environment, regulatory landscape and the bank's long term interests and ability to manage risk. The BOD also approves and oversees adherence to the risk appetite statement, risk policy and risk limits and defines organizational responsibilities following the three lines of defense framework. The BOD ensures that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively.

Bangko Kabayan designated a Risk Oversight Committee (ROC) who will primarily advise the BOD for BK's overall current and future risk appetite, oversee

senior management's adherence to the risk appetite and report on the state of risk culture of the bank. The committee's main responsibility is to oversee the risk management framework, adherence to risk appetite and risk management function and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It also ensures that corrective actions are promptly implemented to address risk management concerns and that the current and emerging risk exposure are consistent with the bank's strategic direction and overall risk appetite. The ROC also performs assessment on the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others. It is also responsible for the appointment/selection, remuneration, and dismissal of the Risk Officer (RO).

Risk governance requires effective information sharing and communication system enabling the timely, accurate, concise, and understandable transfer of information. This includes, educating, collecting feedback, reporting and engaging in fruitful discussion about risk. The risk management of BK is responsible for communicating risk information throughout the institution through the preparation and presentation of risk reports. This report is also presented during the regular monthly and quarterly meeting of the Risk Oversight Committee and the BOD. The risk report covers satisfactory content like areas of concern, emerging threats and opportunities and material risk areas within the organization that is being monitored. To ensure accuracy of the risk reports, the data being used is reconciled and validated from system generated reports and financial statements.

BK employs the use of risk measurement tools like Key Risk Indicator (KRI), Stress Testing and Incident Monitoring for determining the quantitative and/or qualitative impact or consequences of risk. Key Risk Indicators (KRI) is used to predict the occurrence of risks. Each of the identified top priority risks has a set of KRIs that measures the possibility of the identified priority risk happening. Stress testing is used to evaluate the financial position under unlikely,

yet possible events that could cause significant impact to capital. It covers various scenarios arising from identified risk events with a high probability of occurrence. BK performs stress testing for risk events that may affect large exposures and sources of funds. Results of these tests are included in the risk reports of the Risk Officer (RO) to the Risk Oversight Committee of the Board. Scenarios and assumptions are set by the RO based on current conditions and factual information. Monitoring of Incident Report involve actions that are not in compliance with existing policies and procedures of the bank, irregularities encountered on the systems or any action that is against the interests of the bank are monitored, summarized and reported quarterly to the Risk Oversight Committee as operational risk management tool for monitoring risk of loss resulting from inadequate or failed internal processes, people and system or from external events.

## Anti-Money Laundering Risk Management

Bangko Kabayan is committed to protect the integrity and confidentiality of the bank accounts of its depositors and ensure that the bank will not be used as a money laundering site and conduit for the proceeds of unlawful activity. Bangko Kabayan supports the concerted effort to combat money laundering.

In an effort to prevent money laundering activities, the Bank adopts a KYC policies and guidelines in order to comply with the policies of AMLA issued by BSP. Under the guidelines each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account may be opened. Likewise, the Bank required to risk profile its client to Low, Normal or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk based approach mandated by the MORB.

Decisions to enter into a business relationship with high risk customer and politically exposed person requires senior management approval.

Risk management policies and procedure are in place to ensure that risks associated with money-laundering such as counterparty, reputational, operational, and compliance risks are identified, assessed, monitored, mitigated and controlled, as well as to ensure effective implementation of the regulations, to the end that BK shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism.

The Bank's procedure for compliance with the AMLA are set out in its MLPP. The Bank's Chief Compliance Officer, monitors AMLA compliance and conduct regular compliance testing of business units.

The Compliance office requires all branch unit compliance Officer to submit certificate of compliance with the Anti-Money Laundering Rules and Regulations on a quarterly basis.

The Chief Compliance Officer regularly reports to the Corporate Governance Committee and the BOD results of monitoring of AMLA compliance.

## Corporate Governance

Corporate Governance, as an indispensable component of sound strategic business management. It is a system of rules, practices and process by which the Bank is directed and controlled. Bangko Kabayan institute the principle of corporate governance in the entire organization. To ensure continuous adherence on this principle, the Board of Directors created the Corporate Governance Committee in March of 2020.

The Board of Directors sets the tone at the top through directives and policies that is being communicated to its employee. Within their chartered authority, the directors acting as a board have the fullest powers to regulate the concerns of the Corporation according to their best judgement.

As subsidiary bank of UBP, the bank adhere to the Group Governance Policy that specifically covers Oversight of subsidiaries in the functional areas/units of Compliance, Risk, Internal Audit, Legal, Human Resources, Controllership and Information Technology.

## Selection Process for the Board & Senior Management

Bangko Kabayan (BK) believes in selecting the right candidates base on the a) the qualification of the candidates, and b) the hiring standards of the Bank. To ensure a healthy exchange of views and objective judgment, professionals with various expertise are considered to guide the strategic direction of the bank. The composition and term limits of the BOD is in line with the regulations set forth by the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission ensuring an appropriate structure of corporate governance in place.

Majority (8 out of 9 of BK's board members are non-executive directors, including three (3) independent directors. This promotes an environment that allows members of the board to challenge actions and proposals of management while exercising shared responsibility in managing the business.



The appointment of Senior Management members is also subject to hiring standards of the bank and on the rules set by the BSP. They must also uphold the vision and core values of Bangko Kabayan.

## Board of Directors' Over-all Responsibility

The Board of Directors is shaping the corporate culture and values of the bank by upholding BK's Vision, Mission and Core Values. They are highly involved in:

- Strategic planning and oversight on Management's implementation of the annual approved plan.
- Appointing key members of the senior management to ensure competence and accountability.
- Overseeing the corporate governance framework by meeting regularly and discussing relevant matters. And
- Adopting a robust compliance and risk governance framework.

## The Chairman of the Board

The Chairman of the Board is appointed by members of the Board and provides leadership and governance to ensure that the body discharges its mandate effectively. The Chairman sees to it that all members promote the highest standards of integrity and the board, as a whole, decides on matters collectively in order to steer the bank towards its strategic direction ensuring the achievement of its goals.

## Executive, Non-executive & Independent Directors

The Executive director is responsible to day-to-day operations of the bank while Non-executive and Independent directors are those who are not part of day to day management operations. BK Board composed of nine (9) members, majority of whom are non-executive. The bank promotes independent oversight function over management through committees such as Audit, Risk Oversight and Corporate Governance.

## Board Composition

The Board of Directors is composed of (9) Directors with at least three (3) Independent Directors, each holding at least 1 share. The composition of the Board is as follows:

Members of the Board of Directors (From March 12 2020 to March 2021)	Directorship	No. of Years	No. of Share (as of March 31, 2021)	Percentage (as of March 31, 2021)
<b>Lorenzo T. Ocampo</b>	Chairman of the Board (Appointed January 2021)	3 months	1	0.00%
<b>Maria Teresa M. Ganzon</b>	Non-Executive Director (former Chairman of the Board, resigned as Chairman January 2021)	33	520,069	14.14%
<b>Francis S. Ganzon</b>	Non-Executive Director	33	256,743	6.98%
<b>Beatriz B. Romulo</b>	Executive Director	1	1	0.00%
<b>Romeo C. Kagalingan</b>	Non-Executive Director	1	1	0.00%
<b>Teodoro M. Panganiban</b>	Non-Executive Director	1	1	0.00%
<b>Norberto M. Belen</b>	Independent Director	1	1	0.00%
<b>Carlos V. Valaarao</b>	Independent Director	1	1	0.00%
<b>Alan John B. Tantoco</b>	Independent Director	12	725	0.02%

## Board Qualification

The Board of Directors determines the appropriate number of its members to ensure that the number thereof is commensurate to the size and complexity of the Bank's operations. And abide on the fit and proper rule of the Bangko Sentral ng Pilinas (BSP) and those defined by the Securities and Exchange Commission (SEC). To the extent practicable, the members of the board of directors are selected from a broad pool of qualified candidates. Non-executive directors, including the independent directors, comprises majority of the board of directors to promote the independent oversight of management by the board directors.

## Board-Level Committee

To comply with the principles of good governance, the Board constitutes the following Committees:

### 1. Audit Committee

The Audit Committee aims to enhance its oversight capability over the Bank's financial reporting, internal control systems, internal and external audit processes.

Name	Designation
Alan John B. Tantoco	Chairman
Norberto M. Belen	Member
Teodoro M. Panganiban	Member

### 2. Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the Board in the performance of its corporate governance responsibilities by reviewing and evaluating the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. It also ensures compliance with and proper observance of corporate governance principles and practices as required by the regulatory bodies.

Name	Designation
Carlos V. Valarao	Chairman
Norberto M. Belen	Member
Alan John B. Tantoco	Member

### 3. Risk Oversight Committee

The Risk Oversight Committee oversees the Bank's enterprise risk management system and ensure its functionality and effectiveness.

Name	Designation
Norberto M. Belen	Chairman
Carlos V. Valarao	Member
Teodoro M. Panganiban	Member

### 4. IT Steering Committee

The IT Steering Committee is ultimately responsible for understanding the IT risk confronted by the bank and ensuring that they are properly managed through institution of policies and procedures. They have overall responsibility for establishing and maintaining an independent, competent and effective IT audit

function commensurate with the scope, complexity and sophistication of its environment.

Name	Designation
Teodoro M. Panganiban	Chairman
Beatriz B. Romulo	Member
Leandro B. Ofrecio	Member

## Board of Directors' Attendance April 2020 to March 2021

Name of Directors	Board number of meetings	Corporate Governance Committee	IT Steering Committee	Audit Committee	Risk Oversight Committee
Attended (%)					
Lorenzo T. Ocampo*	100%				
Maria Teresa M. Ganson	100%				
Francis S. Ganson	100%				
Beatriz B. Romulo	100%		100%		
Romeo C. Kagalingan	75%				
Teodoro M. Panganiban	100%		100%	100%	100%
Norberto M. Belen	100%	100%		100%	100%
Carlos V. Valarao	100%	100%			100%
Alan John B. Tantoco	100%	100%		100%	
<b>Total Number of Meetings Held During the year</b>	12	6	5	5	6

\*Attended 2 out of 2

## Board of Directors



**Lorenzo T. Ocampo, 56, Filipino**

Serves as the Chairman of the Board in Bangko Kabayan Inc. and the President, CEO and Director of CitySavings. He holds directorship in various companies such as Banana Fintech Services Corp. and First Agro-Industrial Rural Bank, Inc. He was formerly President of Banana Fintech Services Corp. Director of Philippine Resources Savings Banking, President and CEO of Waybetter, Inc., Member, Board of Trustees of Dualtech Training Center, Director of Family Alliance, Inc., Margarita Land, Inc., East Offices, Inc. from 2005 to 2018, Chairman of A.V. Ocampo-ATR Kimeng Insurance Broker, Inc. from 2005 to 2017, and President and CEO of PET Plans, Inc and PETNET, Inc. from 2003 to 2018. Mr. Ocampo is a graduate of Georgetown University with a degree in Bachelor Science in Business Administration, Major in Finance and proceeded to the University of Asia and Pacific to take up Strategic Business Economics program.



**Maria Teresa M. Ganzon, 66, Filipino**

Was the Chairman of the Board prior to the appointment of Lorenzo T. Ocampo (March 2020 to January 2021). She currently serves as a Director of Bangko Kabayan Inc. Past positions held include: Bangko Kabayan Inc. Director from 2019 to 2020; Chairman of the BOD from 2018 to 2019; Corporate Secretary from 2015 to 2017; Managing Director for Human Resource from 2012 to 2017; Managing Director for Strategic Planning for the year 2012; Corporate Secretary from 2019 to 2013 and Director from 2007 to 2018. Ms. Ganzon graduated from the University of the Philippines with a degree in AB Journalism and a Master in Entrepreneurship at the Asian Institute of Management.



**Beatriz B. Romulo, 66, Filipino**

Holds the position of Director, President and CEO of Bangko Kabayan Inc. She is also currently a Director of PETNET, Inc., UBX Philippines Corporation, UBP Investments Corporation, Strongview Inc., and Independent Director of Finscore Inc. She also serves as Senior Adviser/Consultant of Union Bank of the Philippines. In the past, she was a director of Progressive Bank and PR Savings Bank. Executive Vice President of Union Bank of the Philippines from 2006 to 2017. Ms. Romulo is a graduate of St. Paul College with a degree in AB Economics and a Master in Business Administration at Ateneo Graduate School.





**Teodoro M. Panganiban, 69, Filipino**

Serves as a Director of Bangko Kabayan Inc. He is also currently the Chairman of the BOD of First Agro-Industrial Rural Bank, Inc. and holds a directorship in First Union Direct Corporation. His work experience includes: Director (Nominee/ Representative of UBP) of Philippine Clearing House Corporation from 2003 to 2019; Senior Adviser to the Board of CitySavings from 2018 to 2019; Vice Chairman of Philippine Resources Savings Banking Corporation from 2018 to 2019; Special Assistant to the Chairman (Consultant) of Union Bank of the Philippines from 2014 to 2019; Director of CitySavings from 2013 to 2018; EVP – Chief Risk Officer of Union Bank of the Philippines from 2011 to 2014; and EVP – Head, Channels Management Center of Union Bank of the Philippines from 2001 to 2011. Mr. Panganiban graduated from the University of the Philippines with a degree in BSBA Accounting.



**Romeo C. Kagalingan, 75, Filipino**

Serves as a Director of Bangko Kabayan Inc. He is also currently the President of First Union Plans, Inc. and First Union Direct Corp. He served as First Vice President – Sales Director and First Vice President 1 – MM South Region Head for Union Bank of the Philippines from 2000 to 2019. Mr. Kagalingan is a graduate of Mapúa Institute of Technology with a degree in BSBA Accounting.



**Francis S. Ganzon, 70, Filipino**

Serves as a Director of Bangko Kabayan Inc. He served as President, Chairman and Vice Chairman of the BOD of Bangko Kabayan Inc. from 2007 to March 11, 2020. Mr. Ganzon graduated from De La Salle-Bacolod with a degree in AB Political Science and a degree in Bachelor of Law at Ateneo De Manila.



**Norberto M. Belen, 73, Filipino**

Serves as a Independent Director of Bangko Kabayan Inc. He is also currently employed at ZMG Ward Howell. He served as Consultant/Chief Organization Transformation Officer and Senior Vice President / HR Director for Union Bank of the Philippines from 2003 to 2013. Mr. Belen is a graduate of the University of Santo Tomas Central Seminary with a degree in AB Philosophy and a Licentiate (Masters) in Philosophy. He proceeded to San Beda College to take some Liberal Arts Units and a Master in Business Administration at the University of the Philippines.



**Carlos V. Valarao, 54, Filipino**

Serves as an Independent Director of Bangko Kabayan Inc. He also holds directorship in various companies such as Progressive Bank Inc., Alchemy Education Solutions Inc., Alchemy Creative Communications Studio, and CitySavings. He served as Managing Director from 2011 to 2014 and Consultant/Columnist from 2008 to 2010 for Educator Magazine for Teachers. Mr. Valarao graduated from the University of the Philippines with a degree in BA Major in Philosophy.



**Alan John B. Tantoco, 55, Filipino**

Serves as an Independent Director of Bangko Kabayan Inc. since 2018. He also holds directorship in various companies such as OBS Restaurant Philippines Corporation, Corliammarc, Inc., 102T, Inc., and The Happy Gallery Inc., He is also part of Tantoco Villanueva and De Guzman Law Offices. Mr. Tantoco graduated from Ateneo de Manila with a degree in BS Management Engineering and a Juris Doctor.

Atty. Tantoco was an Independent Director since 2009, and his last term in 2020 as he reached the maximum term of 9 years reckoned from 2012.

## Change in the Board of Directors

BK entered into share purchase agreement with City Savings Bank (CSB) and Unionbank Properties Inc, (UBPIC) approved by BSP in September 2019. The actual buy out was in March 12, 2020 simultaneous to the actual take-over of management. This is where the change of Board of Directors happened, wherein six directors resigned and they are:

Resigned Directors	Period	Directorship	New Directors
<b>Jose Roman S. Ozaeta</b>	March 17, 2019 to March 12, 2020	Chairman of the Board (replace by Maria Teresa M. Ganzon from March 12, 2020- January 21, 2021)	<b>Beatriz B. Romulo</b>
<b>Gregorio O. Ozaeta</b>	March 17, 2019 to March 12, 2020	Non-Executive	<b>Romeo C. Kagalingan</b>
<b>Ma. Fides Concepcion Ganzon-Ofrecio</b>	March 17, 2019 to March 12, 2020	Non-Executive	
<b>Ma. Consuelo Francesca G. Costa</b>	March 17, 2019 to March 12, 2020	Non-Executive	<b>Teodoro M. Panganiban</b>
<b>Leonardo P. Sangalang Jr.</b>	March 17, 2019 to March 12, 2020	Independent	<b>Carlos V. Valarao</b>
<b>Tita D. Puangco</b>	March 17, 2019 to March 12, 2020	Independent	<b>Norberto M. Belen</b>



## Senior Management



**Beatriz B. Romulo**  
**66, Filipino**

Serves as the President and CEO of the bank effective March 12, 2020. She is also currently a Director of PETNET, Inc., UBX Philippines Corporation, UBP Investments Corporation, Strongview Inc., and Independent Director of Finscore Inc. She also serves as Senior Adviser/Consultant of Union Bank of the Philippines. She was formerly a director of Progressive Bank and PR Savings Bank. Executive Vice President of Union Bank of the Philippines from 2006 to 2017. Ms. Romulo graduated from St. Paul College with a degree in AB Economics and a Master in Business Administration at the Ateneo Graduate School.



**Leandro B. Ofrecio**  
**40, Filipino**

Serves as the Executive Vice President/ Chief Operating Officer of the bank. He has been with Bangko Kabayan Inc. since 2012 and held key positions namely: Branch Banking Group Head, Strategic Support Group Head, Branch Banking Group Head, and General Services and Administrative Department Head. Mr. Ofrecio is a graduate of the University of the Philippines with a degree in BS Industrial Engineering and a Master in Business Administration Major in Marketing at the Asian Institute of Management.



**Liza V. Mercado**  
**57, Filipino**

Serves as the Executive Vice President/ Chief Financial Officer of the bank. She is a Certified Public Accountant. She held key positions in Bangko Kabayan Inc. from 1987 to 2018 as Director, Vice President for Operations, Assistant General Manager/Cashier, Chief Accountant, and Internal Auditor. Ms. Mercado is a graduate of Western Philippine Colleges with a degree in BS Accountancy and a Master in Business Administration at the Batangas State University.



**Vic P. Gutierrez**  
**38, Filipino**

Serves as the Corporate Planning Head of the bank. He has been with Bangko Kabayan Inc. since 2004 and held key positions namely: Risk/Information Security Officer from 2015 to 2019, Branch Administration and Development Officer from 2012 to 2015, Application Support Specialist/Core Banking System Member from 2012 to 2014, Auditor from 2010 to 2012, and Branch Accountant/ Microfinance Bookkeeper from 2008 to 2010. Mr. Gutierrez graduated from Batangas State University with a degree in BS Financial Management and a Master in Business Administration.



**\* Ma. Genelyn R. Dimaculangan  
37, Filipino**

Serves as Credit Group Head. She held key positions in Bangko Kabayan Inc. from 2005 to 2020 as Credit Management Head, Corporate Planning and Business Continuity Officer, Special Assistant to Credit Group Head, Loans Monitoring Unit Head, Credit Support Department-Assistant Department Head, Credit Processing Unit Head, and Assistant Private Banking-Assistant Manager. Ms. Dimaculangan graduated from Batangas State University with a degree in BS Financial Management and a Master in Business Administration at the Golden Gate Colleges.



**Cherry Lou B. Benedicto  
37, Filipino**

Serves as Treasury Officer/MIS Head. She is a Certified Public Accountant and a Certified Treasury Professional. She has been with Bangko Kabayan Inc. since 2005 and held key positions namely: Comptroller/Budget Officer from 2015 to 2018 and Chief Accountant from 2008 to 2015. Ms. Benedicto is a graduate of Lyceum of the Philippines University with a degree in BS Accountancy and a Master in Business Administration.



**Eulalia G. Perez  
48, Filipino**

Serves as the Strategic Support Group Head/ Chief Information Officer of the bank. She held key positions in Bangko Kabayan Inc. from 1993 to 2018 as Corporate Support Head, HRAD Manager, Past Due/LIL Manager, and EDP Manager. Ms. Perez graduated from Polytechnic University of the Philippines with a degree in BS Computer Data Processing and Management and a Master in Business Administration at the Batangas State University.

\*Former: Zernan T. Zaballa (until January 2021)



**Norma P. Cometa**  
**47, Filipino**

Serves as the Chief Compliance Officer of the bank. She is a Certified Public Accountant. She has been with Bangko Kabayan Inc. since 2003 and held key positions namely: MIS Group Head/ Treasury and Budget Officer from 2014 to 2015, Microfinance Department Manager from 2006 to 2014, Microfinance Supervisor from 2005 to 2006, and Senior Accountant from 2003 to 2005. Ms. Cometa is a graduate of Philippine School of Business Administration with a degree in BS Accountancy and a Master in Business Administration at the University of Sto. Tomas.



**Patrick John K. Vergara**  
**31, Filipino**

Serves as the Internal Audit Head of the bank, He is a Certified Public Accountant. He is also a Certified Bookkeeper, Cost Accountant, Accounting Technician, Internal Auditor, Internal Controls Auditor, and Information Systems Auditor. He served as Auditor 2 from 2011 to 2012. Mr. Vergara graduated from the University of Sto. Tomas with a degree in BS Accountancy.



**Marieta B. Patal**  
**40, Filipino**

Serves as the Risk Officer of the bank. She is a Certified Data Protection Officer Ace Level 1. She has been with Bangko Kabayan Inc. since 2002 and held key positions namely: Information Technology Department Head from 2018 to 2019, IT Operations Head 2017 to 2018, System Administrator from 2013 to 2017, Information Security Officer from 2012 to 2013, and Senior MIS Assistant from 2007 to 2012. Ms. Patal graduated from the Batangas State University with a degree in BS Computer Science.



# Performance Assessment Program

Periodically, the Board of Directors conduct a self-assessment of its performance against established criteria for purposes of assessing its effectiveness. Performance assessment serves as the board's tool to improve its structure, composition, practices and procedures.

The Chief Compliance Officer prepares the overall report and submits the same to the board for discussion and action to improve effectiveness.

## Performance Assessment for Senior Management

On an annual basis, each member of the Bangko Kabayan's Senior Management is being evaluated in accordance with the Bank's performance on achieving its organizational objectives and goals.

## Performance Objectives & Targets

Organizational Objectives and Targets are being decided during the yearly Strategic Planning session which is used as basis in rating the performance of all the members of the organization the following year. Organizational objectives and targets usually include financial achievements in terms of Income Generation, Loan Portfolio Management and Deposit Generation. Apart from financial targets, other key result areas include service delivery, job performance and compliance to set policies and procedures. Depending on the job requirements, the factors above are assigned individual weights to determine the final rating of each individual.

Following the doctrine of command responsibility, rating of the members of the senior management is arrived at based on the rating of all the personnel under his/her supervision. Members of the Senior Management are currently assessed against the following KRA:

### President

- Bankwide PMS Rating

### Chief Operating Officer

- Rating of Microfinance Dept. Head
- Rating of Strategic Support Group Head
- Rating of Credit Group Head
- Rating of Area Manager
- Rating of Operations & Control Officer
- Rating of Branch Admin. & Dev't. Officer

### Chief Financial Officer

- Rating of the Chief Accountant
- Rating of the Treasury Officer

### Corporate Planning Head

- Bankwide PMS Rating
- Product Development & Management

### Credit Group Head

- Past Due Ratio
- Rating of Credit Management Department
- Rating of Credit Support Department
- Rating of Remedial Management Unit
- Rating of Asset Management and Real and Other Properties Department

### Treasury Officer

- Profitability
- Fund Management
- Reports Submission
- Audit Rating

### Strategic Support Group Head

- Rating of HR Head
- Rating of IT Head
- Rating of Marketing Head
- Rating of GSAD Head

### Chief Compliance Officer

- Rating of the Board
- Share of Compliance in BSP Findings
- CAMELS Rating
- Internal Audit Rating

### Internal Audit Head

- Accomplishment of Audit Plan
- Rating of the Board
- Share of IA on Recent BSP Findings
- CAMELS Rating
- Staff Rating

### Risk Officer

- Timeliness of Risk Assessment Report Delivery
- Rating of the Board
- CAMELS Rating
- Share on BSP Findings
- Audit Rating

# Management Committees

## Executive Committee (ExCom)

The executive committee provides a mechanism to engage within the limits set by board, in decision making, relating to the transaction routine, administrative matters, oversight and communication of important organizational matters.

Members:

1. President
2. Chief Operating Officer
3. Chief Financial Officer
4. Corporate Planning Head - Designated Secretary
5. Operations Control Officer
6. Credit Group Head
7. Microfinance Head
8. Treasury Officer
9. Strategic Support Group Head
10. Chief Compliance Officer
11. Internal Audit Head
12. Risk Officer

## Personnel Committee (PerCom)

The Personnel Committees provides direction and decision-making for employee policies, compensation and benefits, legal compliance and staff evaluation and trainings. The Personnel Committee ensures that all employees have the training and tools to perform their jobs, are held accountable for achieving goals, and are compensated appropriately for their efforts.

Members:

1. Strategic Support Group Head
2. HR Manager
3. Operations Control Officer
4. Training and Organizational Development Specialist - Designated Secretary

## Asset and Liability Committee

The Asset/Liability Committee (ALCO) has been established to assess the adequacy and monitor the implementation, of the Bank and Company's Asset/Liability Management policy and related procedures. The ALM Policy will include specific policies and procedures relating to (i) interest rate risk, (ii) market/ investment risk, (iii) liquidity risk, (iv) credit risk, and (v) capital risk.

Members:

1. President
2. Chief Financial Officer
3. Chief Operating Officer
4. Credit Group Head
5. Treasury Officer - Designated Secretary

## Executive Credit Committee (ExeCreCom)

In line with the bank's thrust of maintaining a high quality, sound and profitable loan portfolio, the Executive Credit Committee was formed to evaluate and approve loan accounts within its credit approval authority. They are responsible to review credit policies and procedures, recommend changes, if necessary. To ensure continues effectiveness of loan product, review of performance are done to act/ resolve credit risk limit breached as discussed with the risk board committee.

The Committee carries out the following responsibilities:

- (a) Reviewing and approving credit decision that may pose material risks to the bank's business strategy or reputation,
- (b) Reviewing the financial results of the Bank and determining action plans and
- (c) Reviewing and approving all loans and credit transactions with the scope of its authority.

Members:

1. President - BOD Member
2. Chief Financial Officer
3. Chief Operating Officer
4. Credit Group Head
5. Credit Management Head - Designated Secretary

## Business Continuity Plan Committee

BCP Committee leads the implementation of the crisis management and business recovery activities of the bank to ensure that disruptions in banking operations will be mitigated even with the occurrence of incidents that will greatly affect the bank's daily activities. It is compose of two teams, the Crisis Management Team and Business Recovery Team. BCP Committee is headed by Chief Operating Officer or in his absence by the Chief Financial Officer.

Crisis Management Team coordinates crisis management activities and reports to Top Management, while Business Recovery Team disseminates information and implements recovery strategies.

Member of Crisis Management Team:

1. Branch Banking Group Head
2. Chief Compliance Officer
3. HRD Head
4. GSAD Head
5. IT Head
6. Treasury Officer
7. Microfinance Head
8. Operations Control Officer
9. Security Officer

## Orientation & Education Program

Members of Business Recovery Team:

1. Corporate Planning Head
2. Strategic Support Group Head
3. Credit Group Head
4. Risk Officer - Designated Secretary
5. Accounting Head
6. Marketing Head
7. Remedial Management Head
8. ROPA Head

### Retirement Committee

The Retirement Committee ensures the implementation of the rules and procedures set forth on Bank's policy on Retirement and Death Benefit. They also interpret the meaning, coverage and application of the provisions of the Retirement Plan.

Members:

1. Chief Financial Officer
2. Chief Operating Officer
3. Strategic Support Group Head
4. Treasury Officer
5. HR Manager

### Consumer Protection Committee

The Consumer Protection Committee is responsible for developing the bank's consumer protection strategy and establishing an effective oversight over the bank's consumer protection program.

Members:

1. Chief Financial Officer
2. Chief Compliance Officer
3. Risk Officer
4. Internal Audit Head
5. Strategic Support Group Head
6. Head Consumer Assistance Officer - Designated Secretary

Bangko Kabayan believes that the continuing development of people behind its operations is imperative to guarantee its success. Thus, Bangko Kabayan designed a training program for its Board of Directors and senior management to make sure that they continuously possess qualifications for the position they are handling and that they are kept abreast with the different developments in the banking industry. This program aims to provide them with the necessary skills and knowledge critical in the position as well as to keep them abreast with the different developments specifically in the banking industry, and the financial economy, in general.

At a minimum, each of the members of the BOD must have attended the Corporate Governance and Risk Management Seminar which should be taken within six (6) months upon appointment from a BSP accredited organization. For continuing professional education, Bangko Kabayan Directors will also have access to the different courses offered by the Unionbank University which includes different modules under the areas below.

- Strategy and Innovation
- Product Development
- Leadership
- Cybersecurity
- Data Analytics
- Competitive Environment
- Digital Marketing
- Customer Focus

In the case of senior management, at a minimum, they should have attended the Anti-Money Laundering Act Training Program and the Middle Management Leadership Program or its equivalent or the Leadership and Management Training Program. Training and development programs are also done in coordination with Unionbank and City Savings Bank.

Other trainings that they may be required to attend depending on the requirements of their jobs are as follows:

- Labor Relations, Human Relations and Productivity
- Strategic Planning and Management
- Strategic Risk Management
- Effective Auditing Techniques and Methodologies
- Treasury Management
- Disaster Recovery and Business Continuity Management
- Customer Relations Management
- Compliance Management System Assessment Seminar
- Updates on various regulations
- Trends on Information Technology



# Retirement Policy

## Board of Directors

The composition and term limits of the BOD is in line with the regulations set forth by the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission ensuring an appropriate structure of corporate governance in place. For independent directors the maximum term limit is nine (9) years to avoid too much familiarity and therefore keep the independence and impartiality of the independent director. For the non-independent director, no maximum term limit nor age is set provided that the director is (a) physically and mentally capable to perform his/her functions as director, (b) keeps oneself abreast on the latest policies and regulations governing the operations of the bank and (c) able to perform his/her responsibilities as director effectively for the benefit of the bank.

## Officers and Other Employees

### 1. Eligibility for Membership

- a. Membership in the Employee Retirement Plan shall be automatic for all officers and employees of Bangko Kabayan who are considered having regular employment status.
- b. Membership will commence retroactively on the first day of the month coincident with or next following his attainment of regular employment status.

### 2. Normal Retirement Benefit

- a. The normal retirement date of an employee shall be the first day of the month coincident with or next following attainment of age sixty (60) with at least five (5) years of credited service.
- b. The normal retirement benefit shall be a sum equal to 150% of the employee's salary for every year of credited service as of normal retirement date.

### 3. Early Retirement Benefit

- a. With the consent of the management, an employee may opt to retire prior to his normal retirement provided he has completed at least ten (10) years of credited service regardless of the employee's age
- b. The early retirement benefit shall be a sum equal to a percentage of the employee's salary for every year of credited service in accordance with the following schedule:

Years of Credited Service	Retirement Percentage
Less than 10 years	0%
10 to 14 years	100%
15 to 19 years	125%
20 years or more	150%

### 4. Late Retirement Benefit

- a. An employee who is permitted by the management to continue to work on a yearly extension basis beyond his normal retirement date shall continue to be eligible for the Retirement Plan up to his late retirement date. The late retirement date of such employee shall be the first day of any month after attaining his normal retirement date but not beyond age 65.
- b. The late retirement benefit shall be a sum equal to 150% of the employee's salary for every year of credited service as of late retirement date.

### 5. Dismissal for Cause

An employee who is dismissed by the Bank for cause shall not be entitled to any benefits under the Employee Retirement Plan.

# Succession Plan

Bangko Kabayan believes that human resource plays an integral part in the achievement of its vision. It recognizes the importance of enhancing the leadership culture and managing its top talents to continuously carry out the bank's mission and objectives, for the greater good of the organization and the community it serves.

Bank leadership is shared among its Board of Directors and the senior management. The Board of Directors (BOD) is composed of nine (9) members, three (3), of whom are independent directors. Furthermore, majority of the board members are non-executive directors. This promotes an environment that allows members of the board to challenge actions and proposals of management while exercising shared responsibility in managing the business.

The members of the BOD are elected by the stockholders from a host of qualified persons, based on the requirements of the BSP. Candidates for the BOD position are selected based on a) the qualification of the candidates, and b) the hiring standards of the Bank. To ensure a healthy exchange of views and objective judgment, professionals with various expertise are considered to guide the strategic direction of the bank.

The regular term of a director shall be from the date of his/her election to the next annual meeting of stockholders of the Bank or until his/her successors shall have been elected and qualified to take his/her place at said annual meeting. Unless a director shall sooner resign, be removed from office or becomes unable to act by reason of death, disqualification, or otherwise, he/she shall hold office during the term for which elected and until his/her successor is elected and qualified.

The appointment of Senior Management members is also subject to hiring standards of the bank and on the rules set by the BSP. They must also uphold the vision and core values of Bangko Kabayan.

The Senior Management, on the other hand, is composed of the following positions:

- a. President / Chief Executive Officer
- b. Chief Operating Officer
- c. Chief Financial Officer
- d. Credit Group Head
- e. Strategic Support Group Head
- f. Chief Compliance Officer
- g. Risk Officer
- h. Branch Banking Group Head
- i. Internal Audit Head
- j. Treasury Officer
- k. Corporate Planning Head

The bank acknowledges that any sudden movement/disruption in its leadership core will have a significant impact on the bank's operations and may hinder the achievement of its goals.

To ensure its readiness for such movements, the bank designed a succession plan covering the following items:

- a. Key Result Areas and Key Competencies and Skills  
Key result areas, includes but not limited to portfolio and deposit volume targets, portfolio management, financial ratios, processing turn-around time, etc., for each position were identified. Similarly, education, experience and competencies required were also laid down. This is to ensure that the most suited successor can be put in place.
- b. Criticality and the vacancy risk of the positions  
The position's overall impact in the achievement of the bank's goals, as well as the imminence of losing the incumbent were also determined. These information are vital in identifying the priority positions needing immediate replacements.

The position's criticality is assessed using the degree or complexity of skills or knowledge that

the incumbent must possess while the vacancy risk is assessed based on the incumbent's age, marketability of skills and experience, tenure, life events or circumstances, future plans of the incumbent.

#### c. Management Development Program (MDP)

The management development program is a plan that aims to prepare the potential successors in assuming the position. It outlines the training programs that a potential successor must go through to augment the competencies that s/he currently possesses. It is a combination of classroom and practical trainings, which the potential successor, may take in a defined span of time.

Bangko Kabayan believes in the moral obligation to help prepare employees who devoted their lives in productive work to lead an enjoyable retirement life. The Bank has provided a noncontributory Employee Retirement Plan which covers the granting of retirement benefit for all eligible employees of Bangko Kabayan.

## Remuneration Policy

The members of the board of directors will fix their compensation and reasonable per diems for attendance in meetings. Provided, that the compensation other than per diems shall have the prior conformity of the stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting. Provided further, that the amount shall not be more than ten percent (10%) of the net income before tax of the Bank during the preceding year. Additional remuneration is given as it is necessary for the bank to continue to recruit and retain highly qualified Directors. A reflective of the importance given by the Bank on Corporate Governance.

With regards to the senior management, each of the position in the bank goes through the process of job evaluation wherein the following factors are

determined:

- Span of Control (30%);
- Knowledge and Skills (30%)
- Decision Making (40%)

The total points of each position determine the job level of that particular position which is used in determining the equivalent salary based on the salary structure which was arrived at by looking at the banking industry compensation as a whole, with focus on local banks to assess the spectrum of salary range for critical positions. This allows us to assess the risk and come up with a decent competitive positioning in the market, since the landscape of the competition has changed, that is at the same time sustainable and affordable.

## Related Party Transaction Policy

The Bank allows transactions with related parties. However, BK ensures such transactions are conducted in an arm's length manner or in the ordinary course of business. Each Director, Stockholder or Officer is responsible to declare any Related Party Transactions and the material interest that they, or an immediate family member, may have with the bank.

Relevant information with respect to the transactions like, description and material terms and condition, value and share of the related party, related party's involved in the transactions and any potential reputational risk issues that may arise, are disclosed in the contract.

The Board assures that all terms such as price, commissions, interest rates, fees, tenor, collateral requirement, contracts of related party transactions are within standard, as if they were applied to non-related parties. A material aggregate amount for a period of twelve (12) months from January to December of the financial year are set and approved by the Board as basis of the amount subject for review and approval of the board. The Bank shall

be guided by the following internal RPT Limits, for monitoring purposes, subject to the existing and separate prudential limits for DOSRI, Subsidiaries, and Affiliates. (1) Individual RPT Limit: 20% of the Bank's Equity; (2) Aggregate RPT Limit: 50% of the Bank's Equity

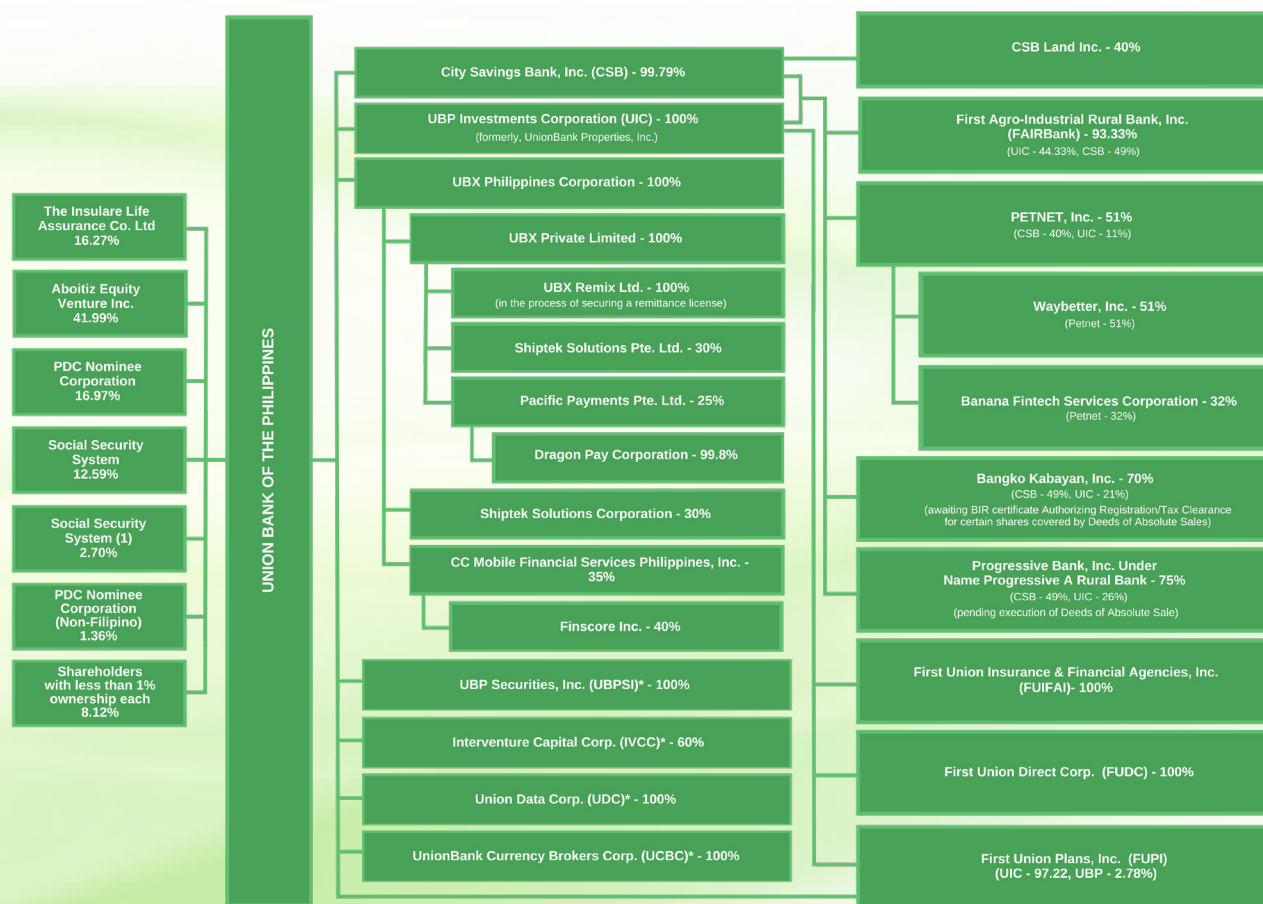
The members of the board, stockholders and management shall disclose to the board whether they directly, indirectly or on behalf of third parties, have financial interests in any transactions or matter affecting the bank.

For restitution of losses or other remedies for abusive RPTs:

Personnel, officers or directors, who have been remiss in their duties in handling Related party transaction shall be accountable on losses and opportunity costs incurred by the bank arising from the transactions that are not engaged on arm's length terms.

For the year 2020, no related party transaction exceeded the materiality threshold set by the board.

## CONGLOMERATE MAP





# Self-Assessment Functions

## Audit Committee

The Board of Directors Audit Committee (BoDAC) shall be composed of at least three (3) members of the BOD, shall have accounting, auditing or related financial management expertise or experience, who are task to assist the Board of Directors (BOD) in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, and the audit process of both internal and external auditor. In addition, the Audit Committee is mandated to monitor and evaluate the adequacy and effectiveness of the Bank's systems of internal control system.

Among the duties and responsibilities of the Audit Committee are:

Oversee the financial reporting framework.

- Oversee the financial reporting process, practices, and controls.
- Ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.

Monitor and evaluate the adequacy and effectiveness of the internal control system.

- Oversee the implementation of internal control policies and activities.
- Ensure that periodic assessment of internal control system is conducted to identify the weakness and evaluate its robustness considering BK's risk profile and strategic direction.

Oversee the internal audit function.

- Responsible for the appointment/selection, remuneration, and dismissal of internal auditor.
- Review and approve the audit scope and frequency as well as annual budget of the IA Department
- Ensure that audit scope covers the review of the effectiveness of the BK's internal controls, including financial, operational and compliance controls, and risk management system

- Review and approve the performance and compensation of the IAD Head.

Oversee the external audit function.

- Responsible for the appointment, fees, and replacement of external auditor
- Review and approve the engagement contract and ensure that the audit scope likewise cover areas specifically prescribed by the BSP and other regulators.

Oversee implementation of corrective actions.

- Receive key audit reports and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws, and regulations and other issues identified by auditors and other control functions.

Investigate significant issues/concerns raised.

- With explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.

Establish whistleblowing mechanism.

- Establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action.
- Ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

## Internal Audit

The authority to carry out the internal audit activity is vested in the Internal Audit Department, which reports directly to the Board of Directors Audit Committee (BoDAC). The Internal Audit Department (IAD) headed by the Chief Audit Executive (CAE) reports functionally to the Board and administratively (i.e. day to day operations) to the President. The IAD is entirely independent of all other organization units of the Bank. It operates under the direct control of the BoDAC and is given an appropriate standing within the Bank to be free from bias and interference. BoDAC and the CAE functionally meet a minimum of four (4) times a year and as many times as the committee deems necessary with regards to the IA work programs, reports, and status of recommendations.

Parent Audit Committee also created a Subsidiary Governance IA Unit for its oversight role to identified subsidiaries and affiliates' internal audit activities. This would ensure the consistency and alignment between UBP and its subsidiaries and affiliates with respect to internal audit strategies, methodology, scope, and quality assurance measures, as deemed applicable. The internal audit activities of the subsidiaries and affiliates are reported to UBP's Board of Directors through the Audit Committee of UBP.

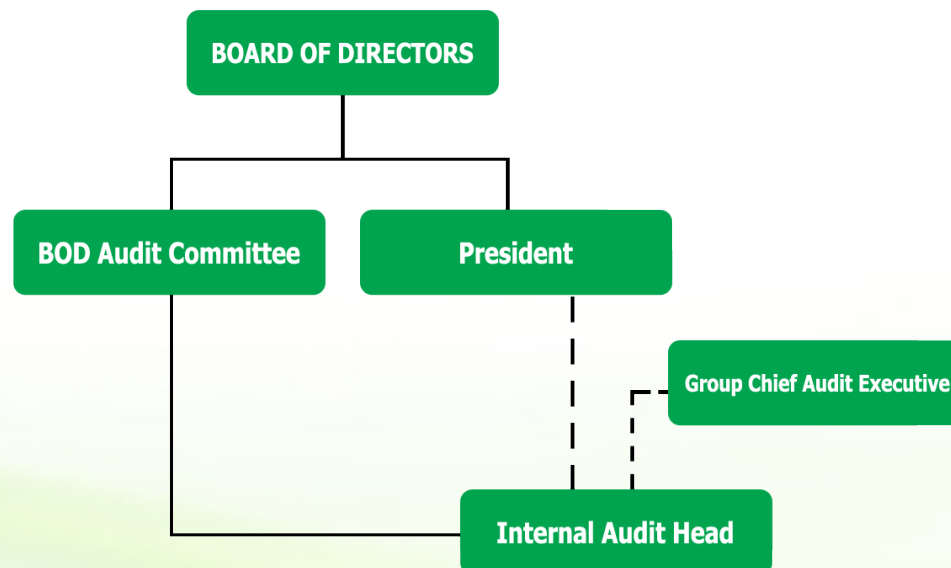
Internal Audit provides an independent and objective review and advisory service to provide assurance to the Board of Directors that Bangko Kabayan's financial and operational controls designed to manage the organization's risks and achieve the entity's objectives are operating in an efficient, effective and ethical manner, and assist management in improving the entity's business performance. The ability of BKI's internal audit activity to achieve desired objectives depends largely on the independence of its audit personnel. Generally, the position of the auditor within the organizational structure of the institution, the reporting authority or audit results, and the auditor's responsibilities indicate the degree of auditor independence.

The board should ensure that IA does not participate in activities that may compromise its independence. The internal audit activity may, however, engage in consulting activities that provide advice and direction in areas for which the internal auditor possesses the necessary skills and knowledge. IAD conducts an assurance and advisory engagements based on a forward-looking risk-based audit plan that is consistent with the Bank's strategic plans and priorities.

To achieve an acceptable level of performance, IA is guided by the professional practices framework issued by The Institute of Internal Auditors (IIA) and developed standard for information technology auditing by The Information Systems Audit and Control Association (ISACA). Both internationally known institutions.

The department is divided into four (4) units namely the Branch, Executive, Information Systems Audit units, and the newly created Data Analytics and Fraud Investigation Unit. Branch Audit Unit is primarily responsible in conducting the operations and compliance audit of branches while the Executive Audit Unit is in charge of the audit of the executive or head office business units. On the other hand, Information Systems Audit Unit is responsible for the audit of Information Security and Technology controls that support BK's business operations. Lastly, Data Analytics and Fraud Investigation (DAFI) Unit is in-charge to conduct investigations in aid of administrative or criminal proceedings in compliance with Code of Conduct. DAFI unit would also expand the continuous auditing capability of IAD.

As BK embarks towards its digital transformation, IAD has undertaken initiatives to adapt and expand its processes, and to provide relevant and timely recommendations to the Bank. Competency of auditors is continuously enhanced to adopt with the bank's requirements.



## External Audit

The Bank's external auditors on the other hand examine its financial statements and express an opinion on whether the numbers reported in the Bank's Balance Sheet, Income Statement, and other financial statements are fairly presented in accordance with financial reporting standards. BoDAC recommends the appointment, re-appointment, and change of external auditors. External audit services are currently provided to the Bank by SGV & Co (EY Philippines).

## Compliance

Compliance Function is an independent function that defines, advises on, monitors and reports on the Bank's compliance risk.

The compliance function facilitates effective management of compliance risk by:

1. Advising the board of directors and senior management on relevant laws, rules and

standards, including keeping them informed on the developments in the area;

2. Apprising the Bank's personnel on compliance issues, and acting as a contact point within the Bank's compliance queries from its personnel;
3. Establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
4. Reviewing and assessing the compliance risk associated with the Bank's business activities, including new product and business units.
5. Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments.
6. Monitoring and testing compliance by performing sufficient and representative compliance testing;
7. Maintaining a constructive working relationship with the Bangko Sentral and other regulators.

## STATUS

### a. Independence

- i. The compliance function is independent from the business activities of the Bank.
- ii. It is given sufficient resources to carry out its responsibilities on its own initiative
- iii. It has the right to conduct investigation and is free to report to Senior Management, Audit Committee and/or the Board of Directors material breaches of the Compliance Program and/or laws, rules and standards, without fear of retaliation or disfavor from Management or other affected parties.
- iv. It has access to all operational areas as well as any records or files necessary enabling it to carry out its duties and responsibilities.

### b. Authority

To carry out its Compliance responsibilities effectively, the CCO

- i. Has direct and unrestricted access to any records, documents, books of accounts, and information it needs, for the performance of his/her responsibilities: and
- ii. Has the right to require any member of the Management and Staff to promptly supply information and/or explanations as may be needed to carry out his/her functions.

### c. Reporting Lines

The Chief Compliance Officer (CCO) is appointed by the Board of Directors subject to the confirmation of the BSP. He/She is functionally and administratively under the direct supervision of the Board of Directors (through the Corporate Governance Committee) and the President, respectively.

### d. Relationship with Other Units of the Banks

In addition to the specific collaboration, CCO, Chief Audit Head and Risk Officer exerts effort to ensure good coordination and continued cooperation.

The CCO seeks legal advice from the Legal Officer on

banking and corporate laws compliance matters. As necessary, the Legal Officer also arranges consultation with external experts. The CCO retains primary responsibility for relations with the regulatory agencies and is involved in responding to external compliance-related inquiries.

The Compliance System is also subject to periodic reviews by the Internal Audit Department.

## Dividend Policy

Dividends declared by Bangko Kabayan are taken from the retained earnings of the bank and are governed by the policies set by the Bangko Sentral ng Pilipinas. The declaration of dividends, both cash and stock, are approved by the majority of the Board of Directors, subject to a ratification of the majority during the annual stockholder's meeting. No dividends declared for the year 2020.



# Consumer Protection Practices

Bangko Kabayan designed this policy to protect the interests of the consumer, promote the general welfare of the customer and to establish standards of conduct for business and its employees, by adopting the following measures;

1. Protection against deceptive, unfair and unconscionable acts and practices.
2. Provision of information and education to facilitate sound choice and the proper exercise of rights by the consumer.
3. Provision of adequate rights and means of redress
4. Provision of a reporting system/avenue that will allow the bank customers' to raise their concerns whether complaint or request with regards to the bank's products, services as well as its employees.

The Board of Directors is primarily responsible for approving and overseeing the implementation of the consumer protection policies as well as the mechanism to ensure compliance with the said policies. The Board is also responsible in monitoring and overseeing the performance of the Senior Management in managing the day to day consumer protection activities to ensure the delivery of effective recourse to the consumer. The Senior Management on the the hand is responsible for the implementation of the consumer protection policies duly approved by the Board as well as the mechanism to ensure compliance and implementation of the said policies.

The Consumer Protection Risk Management Framework of the bank is aligned to the bank's Code of Conduct where it ensure that each employee is informed and reminded of acceptable norm of behavior and what constructive actions need to be done to ensure productivity, efficiency and established values are sustained to be able to attain the mutual interest of the employee, the bank and its clientele.

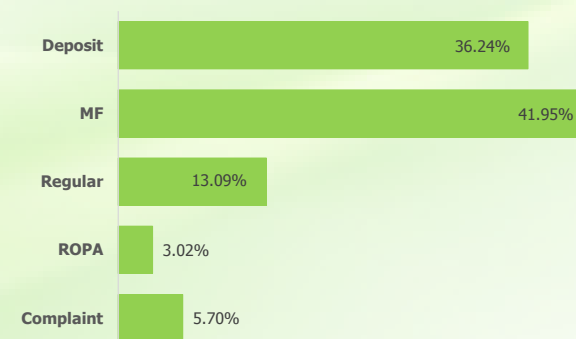
## Process Flow of Consumer Assistance Management System



The Consumer Assistance Officer (CAO) receive and acknowledge consumer concerns through phone, email, Facebook, and branch walk-ins. Record concerns in a database, make an initial review and investigate. Evaluate and process the concerns, provide official reply to the consumer. Request client feedback, generate and submit report to the Head CAO for consolidation and recommendation on how to avoid recurring complaints and suggestions for process/personnel competency improvement, as needed.

Bangko Kabayan Inc. ensures that applicable terms and conditions of the product or services are explain in a manner that clients understand the terms of contract, including the right of consumer protection. The bank adopts the Consumer Assistance Management Systems, a policy to protect the consumer. It includes a provision for an avenue that will allow bank customers' to raise their concern either it is complaint and request. Consumer Assistance Officer (CAO) in each unit are designated, to handle customer concerns and elevate the same to Consumer Protection Committee if it cannot be resolves at his end. The Head CAO is the lead implementor of the CAMS, he monitors complaints received and escalate it to concerned unit for resolution. Ensure that recommended solutions to avoid occurrence, and the suggestions for process or personal competency needing improvement are implemented.

## Summary of Client Concern



# Corporate Social Responsibility



The Bangko Kabayan Foundation, Inc. (BKFI) sponsored a 3-day online capacity-building program facilitated by the Bayan Academy entitled B.E.S.T (Bangon Entrepreneurs at Sumabay sa Tagumpay) which was participated in by 112 micro-entrepreneurs. The program is aimed making the entrepreneurs able to adapt to the new business landscape brought about by the pandemic.



A community kitchen, in partnership with Jollibee Group Foundation and the Provincial Social Welfare and Development, was set-up. It is intended to benefit the victims of Taal volcano eruption, who relocated to Talaibon, Ibaan, Batangas.



BKFI also provided relief goods to people who were greatly affected by the Taal volcano eruption, typhoons Rolly, Quinta and Ulysses covering the various municipalities of Batangas to as far as Bicol. Employees of the bank took part in the distribution of the relief goods.



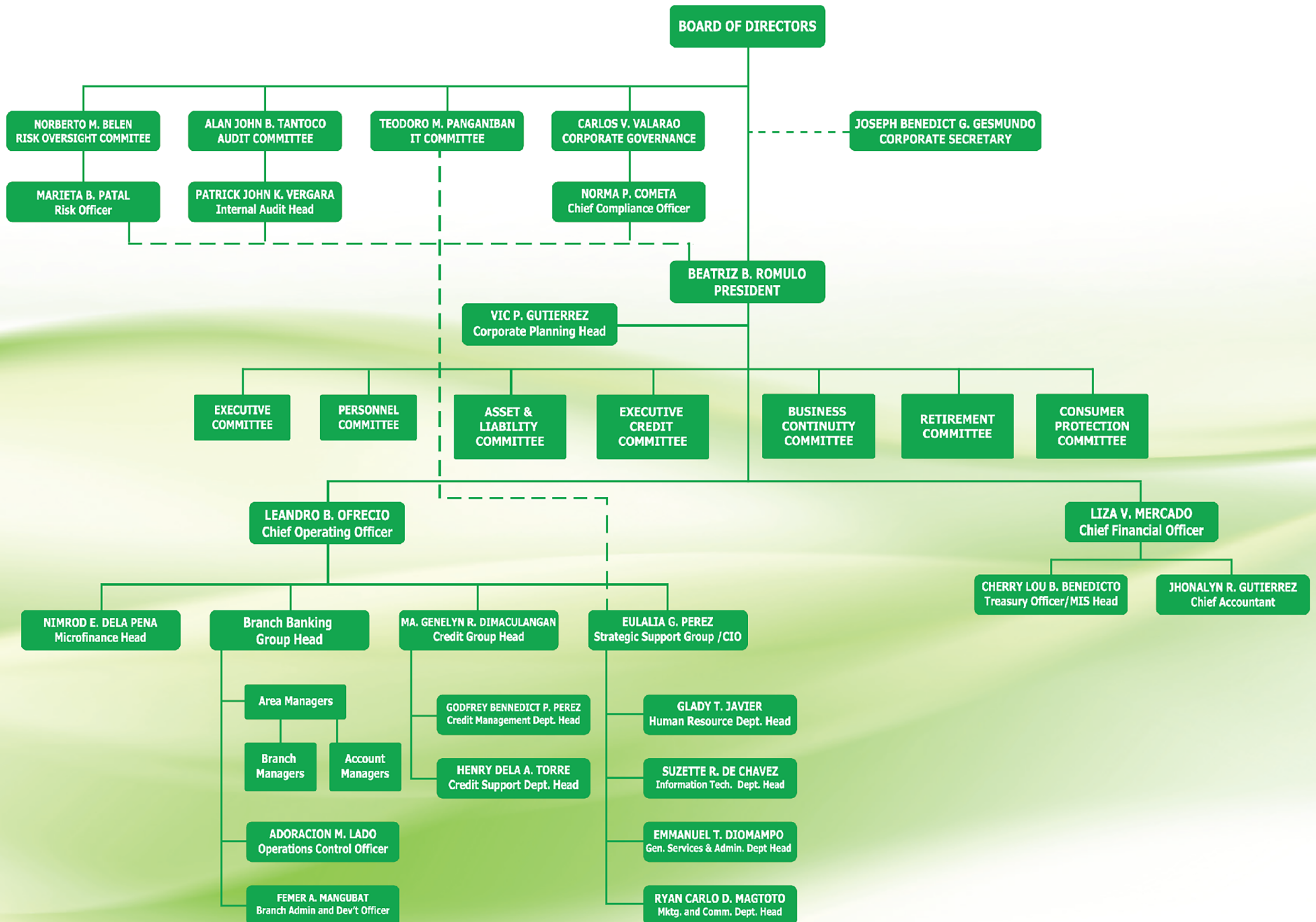
Bayani ng Komunidad projects for 2020 focused on COVID- 19 initiatives which benefitted frontliners, COVID patients, students and schools who adopted the Modular Distance Learning Program. The yearly outreach programs also pushed thru as usual, although there were slight changes due to the limitations brought about by the pandemic. Both the Bayani ng Komunidad projects and the outreach programs were conceptualized and highly participated in by the employees of the bank.



Aside from the regular budget that is being allocated to the various CSR projects, for 2020, the budget originally intended for corporate give-aways was re-allocated to these initiatives to be able to help more. The employees also generously donated their own funds for use in the CSR initiatives where some donated to fellow employees and the rest was given to the other victims.

# Corporate Information

## Organizational Structure





## Major Stockholders

	Name of Stockholder	Citizenship	No. of Shares Subscribed	% to Total	Voting Status
1	<b>City Savings Bank, Inc.</b>	Filipino	1,611,169	43.81%	Qualified to vote
2	<b>UBP Investments Corporation</b>	Filipino	771,692	20.98%	Qualified to vote
3	<b>Ganzon, Maria Teresa M.</b>	Filipino	519,317	14.12%	Qualified to vote
4	<b>Ganzon, Francis S.</b>	Filipino	256,743	6.98%	Qualified to vote
5	<b>Ozaeta, Gregorio O.</b>	Filipino	216,438	5.89%	Qualified to vote

## Products & Services

### DEPOSIT PRODUCTS

#### Regular Savings

Initial cash deposit of PHP 500.00. Must maintain a minimum average daily balance of P1,000.00.

#### Basic Savings

Initial deposit of P50.00 and maximum balance of P50,000.00. Offered to all individuals whose total assets fall under micro with no existing deposit yet to BK.

#### Regular Current Account

Initial cash deposit of P5,000.00 and must maintain a minimum average daily balance of P5,000.00.

#### Automatic Transfer Account

A Current Account that has a corresponding Savings Account that is debited to fund checks issued by client. Initial cash deposit of PHP 10,000.00 with passbook. Account shall only earn interest if the maintained average daily balance is at least P20,000.00.

#### Regular Time Deposit

An interest-bearing deposits evidenced by certificates of Deposit, which have specific maturity dates (ranging from 30, 60, 90, 120, 180, 360 days and above). Minimum placement of P10,000.00.

#### Time Deposit Plus

A long term deposit with interest rate twice the existing rate of regular time deposit.

#### Bibo Kid Savings

Offered to children aged 7 to 12 years old. Initial cash deposit of at least P500.00.

### REGULAR LOAN PRODUCTS

#### Agricultural Loan

Loans for the cultivation, development and improvement of agricultural land, raising of poultry and livestock and improvement of fishpond, and other development activities related to agriculture. Minimum loanable amount shall be P1,000,000.00 with Maximum loanable amount shall no exceed Single Borrower's Limit

#### ANI Plus

Cater the financial needs of borrowers whose business is agricultural in nature but does not qualify to either ANI or other agricultural loan product features. Loanable amount ranges from P200,000 to P900,000.

#### SME Loan

Granted to small and medium enterprises engaging in trading business, manufacturing or services. Minimum loanable amount of P300,000 with a maximum loanable amount not exceeded Single Borrower's Limit.

#### Housing Loan

Available to individuals requiring funds to finance the following: (a) Acquisition of residential lot; (b) Acquisition of residential house and lot; (c) Construction of residential house on lot already owned or acquired; and (d) Renovation of house. The maximum loanable amount shall not be more than seventy percent (70%) of the appraised value of the offered collateral are properties other than the land where the house shall be constructed. The maximum term is five years with ten year factor.

#### Transport Vehicle & Equipment Loan

To finance an acquisition of brand new and second hand transport vehicle, either commercial or private use and equipment. Amount to be financed is 80% of the project

cost/cost of vehicle to be purchased and a minimum loan term is 1 year.

#### Other Regular Loan Products

Loans to Private Corporations, Back to Back Loan, SSS Loan, ADB Loan, and Bills Purchase Line for Loans

### SUPERVISED CREDIT PRODUCTS

#### ANI Loan

The facility aims to extend financial services to small farmers including small crop growers, small poultry and livestock raisers, small fisher folk including fisherman and fishpond operator.

#### Kabayan MSE Loan

To finance additional working capital or asset acquisition of micro-enterprise and newly acquired small enterprise clients. Minimum loan amount of P50,000 and maximum of P500,000.

#### Kabayan MSE Plus

Additional working capital Procurement of equipment/machinery Construction of building or improvement for business purpose other business purposes. Minimum loan amount of P501,000 and maximum of P1,500,000.

#### Other Supervised Credit

Educational Loan, Multi-Purpose Loan, and Business Builder Loan

### MICROFINANCE LOAN PRODUCTS

#### Kabayan Loan

This caters to the banking needs of micro-entrepreneurs with established businesses and with business assets. The specific purpose of the loan is to finance the

additional working capital requirements. Loan amount varies minimum of P10,000 and maximum of P150,000.

#### Kabayan Plus

For financing of working capital or for the acquisition of fixed assets of graduated Kabayan borrowers. Loan amount varies minimum of P150,000 and maximum of P300,000.

#### Kapitan Loan

A Group Lending Program. This is a product offered to the entrepreneurial poor, especially women, so that they can have access to credit and other financial services. Minimum loan amount of P5,000 and maximum of P150,000.00, subject to the following limits per cycle. All KAPITAN loans are payables in 25 equal weekly installment.

#### Gabay Housing Loan

To finance improvement (major and minor) on the structure of home, but not limited to replacing doors, windows, and roofs; adding rooms; installing utilities; toilet facilities; painting; repairing wall; etc. Loanable amount varies minimum of P10,000 with a maximum of P150,000.

### OTHER SERVICES

#### ATM Provider

DPB, i2i Mobile ATM (selected branches)

#### Remittance Services

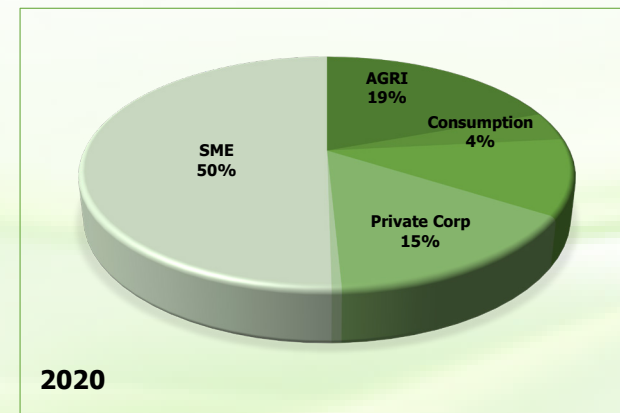
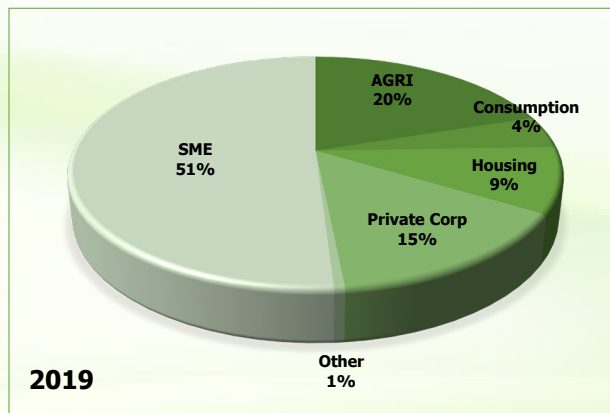
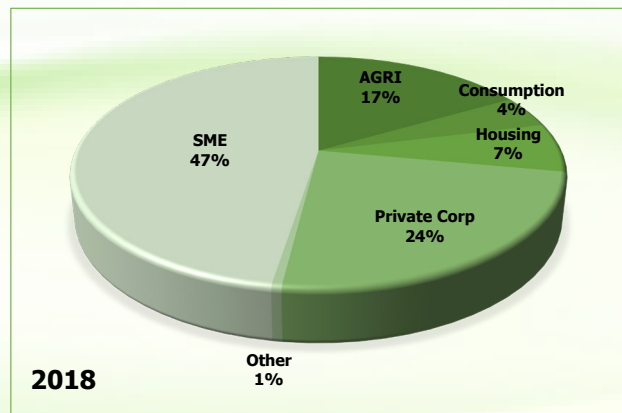
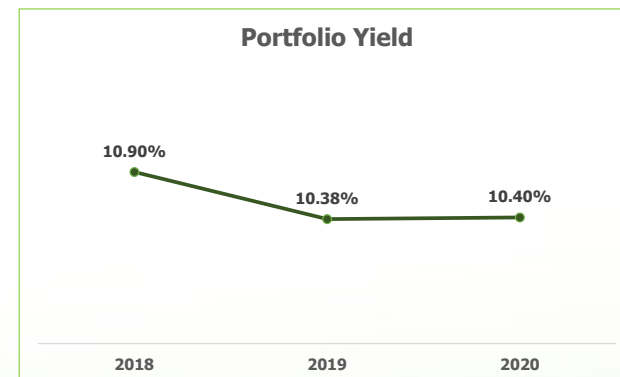
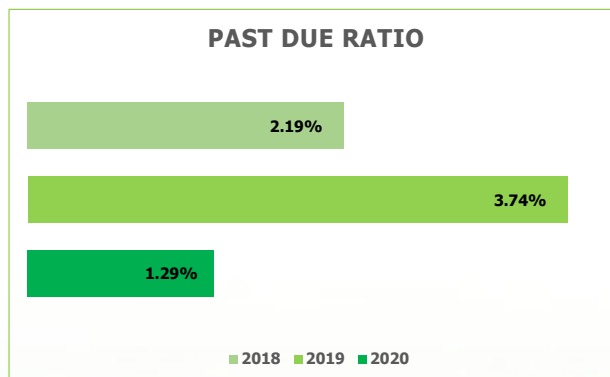
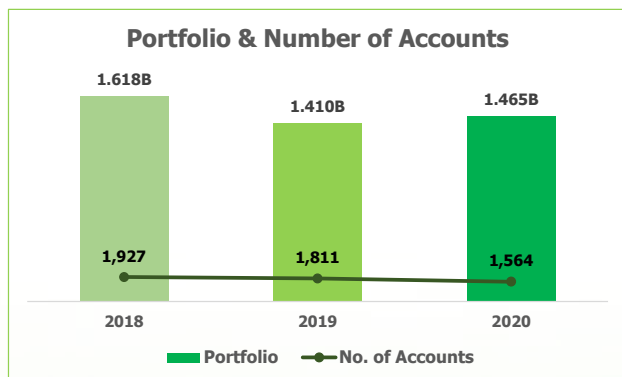
i2i Remittance, Palawan Express Padala, Palawan Remit to Account, PeraHub, True Money, and Western Union Money Transfer

#### Fund Transfer

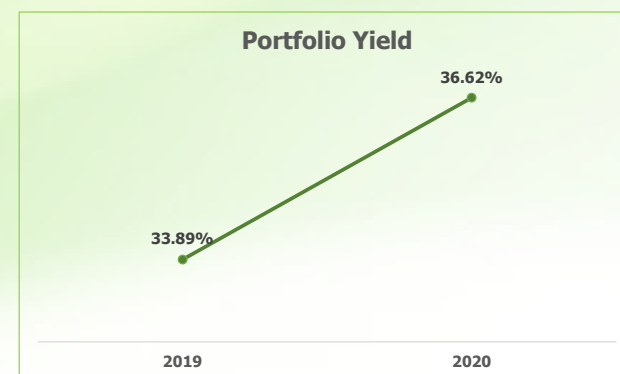
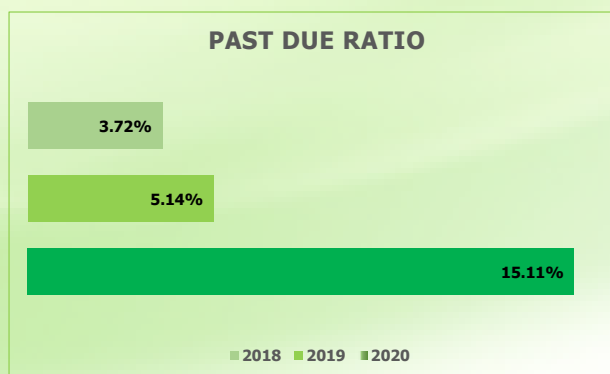
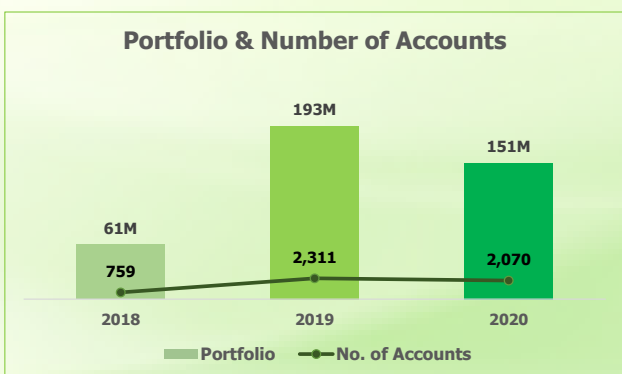
#### Bills Payment

## Product Performance

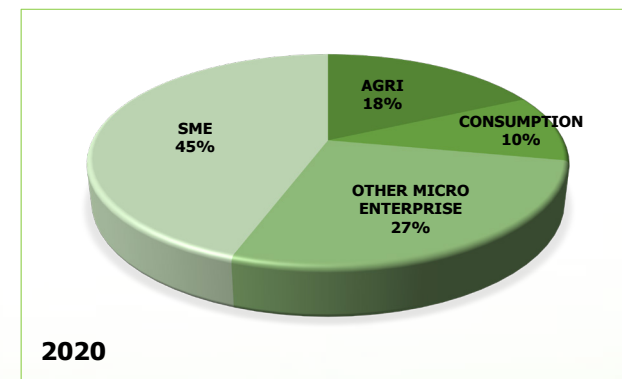
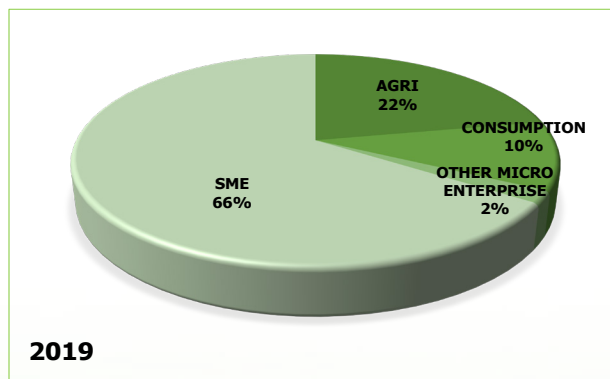
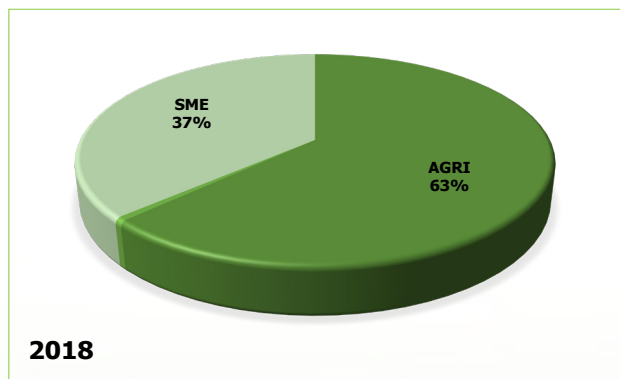
### Regular Loans



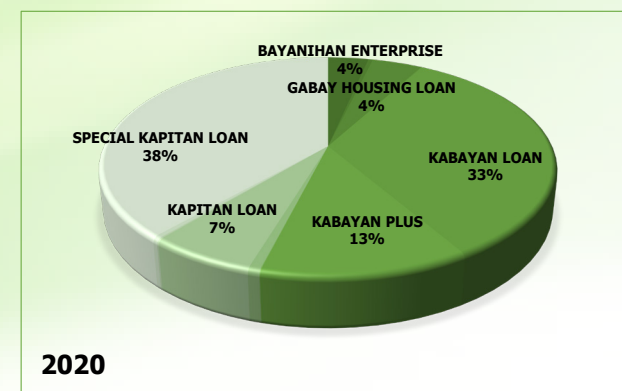
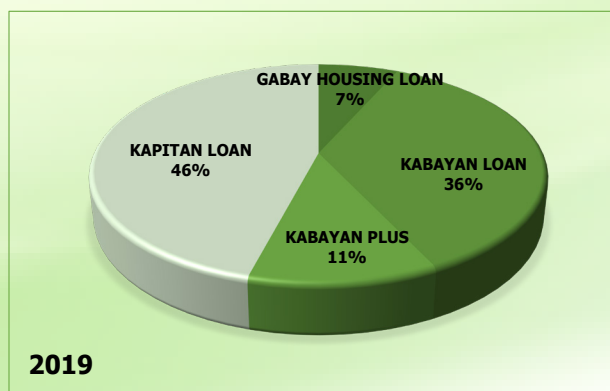
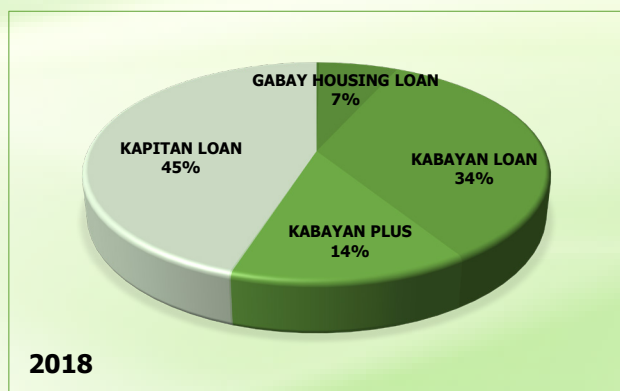
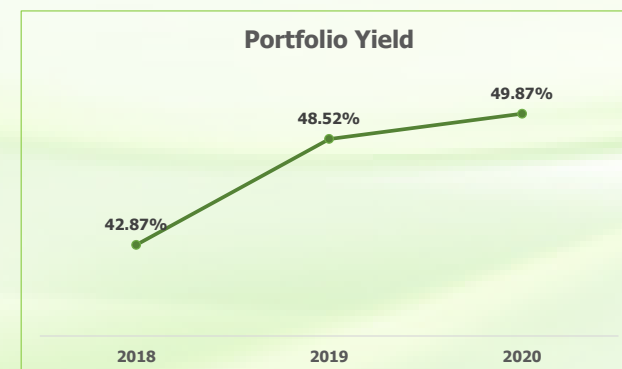
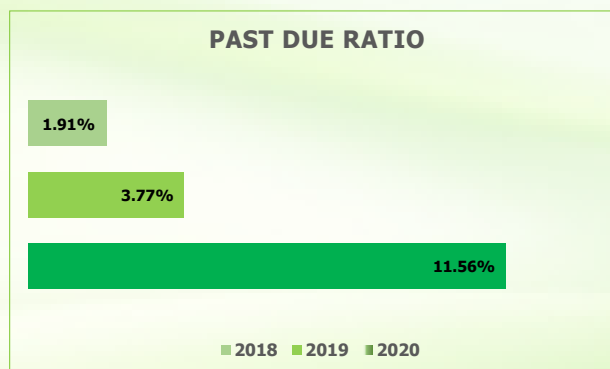
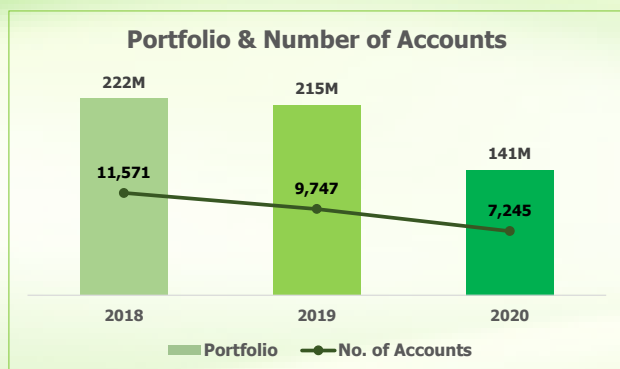
### Supervised Credit







## Microfinance Loan



## Corporate Website



[www.bangkokabayan.com](http://www.bangkokabayan.com) features the following:

**ABOUT US**

**NEWS**

**ADVISORIES**

**DEPOSIT PRODUCTS**

**LOAN PRODUCTS**

**OTHER SERVICES**

**PROPERTIES FOR SALE**

**CAREERS**

**BRANCH DIRECTORY**

**CONTACT US**

## Branch Directory

### HEAD OFFICE

Santiago Street, Poblacion  
Ibaan, Batangas  
info@bangkokabayan.com  
(043) 311-1420 / (043) 311-1127

### BATANGAS

#### AGONCILLO

J. Mendoza Street, Poblacion  
Agoncillo, Batangas  
agoncillo@bangkokabayan.com  
(043) 210-3348 / (043) 740-1802

#### BALAYAN

Union St., Brgy. 5, Balayan, Batangas  
balayan@bangkokabayan.com  
(043) 740-3091

#### BATANGAS CITY

Romero Dy Bldg., P. Burgos Street,  
Poblacion 10, Batangas City  
batangas@bangkokabayan.com  
(043) 402-4182 / (043) 300-1228

#### CALACA

Marasigan Street, Poblacion 5  
Calaca, Batangas  
calaca@bangkokabayan.com  
(043) 223-5221 / (043) 419-2705

#### CALATAGAN

Ayala Street, Poblacion 3  
Calatagan, Batangas  
calatagan@bangkokabayan.com  
(043) 419-0212

#### CUENCA

National Road, Poblacion  
Cuenca, Batangas  
cuenca@bangkokabayan.com  
(043) 342-1481

#### IBAAN

Santiago Street, Poblacion  
Ibaan, Batangas  
ibaan@bangkokabayan.com  
(043) 311-1303 / (043) 311-2804

#### LEMERY

Ilustre Avenue, Brgy. Palanas  
Lemery, Batangas  
lemery@bangkokabayan.com  
(043) 740-6897 / (043) 411-0893

#### LIPA

Laguerta Bldg., P. Torres Street, Brgy. 11  
Lipa City, Batangas  
lipa@bangkokabayan.com  
(043) 726-0295

#### LOBO (Branch Lite)

P. Burgos Street, Poblacion  
Lobo, Batangas  
lobo@bangkokabayan.com  
(043) 403-6529

#### MABINI

Poblacion, Mabini, Batangas  
mabini@bangkokabayan.com  
(043) 774-4420

#### NASUGBU

Mulingbayan Street, Brgy. 9  
Nasugbu, Batangas  
nasugbu@bangkokabayan.com  
(043) 740-6552 / (043) 416-0569

#### ROSARIO

Carandang Street, Brgy. C, Poblacion  
Rosario, Batangas  
rosario@bangkokabayan.com  
(043) 321-1134

#### SAN JOSE

Maicor Bldg., Makalintal Avenue  
Taysan, San Jose, Batangas  
sanjose@bangkokabayan.com  
(043) 726-2139 / (043) 726-2560

#### SAN JUAN

Gen. Luna Street, Poblacion  
San Juan, Batangas  
sanjuan@bangkokabayan.com  
(043) 575-3771 / (043) 341-1149

#### SAN PASCUAL

2680 National Road, Brgy. San Antonio  
San Pascual, Batangas  
sanpascual@bangkokabayan.com  
(043) 727-1120 / (043) 980-1600

#### TALISAY

Brgy. Banga, Talisay, Batangas  
talisay@bangkokabayan.com  
(043) 786-0632

#### TANAUAN

ELR Bldg., J.P. Laurel Highway, Brgy. 2  
Tanauan City, Batangas  
tanauan@bangkokabayan.com  
(043) 784-3894

### LAGUNA

#### NAGCARLAN

Rizal Avenue, Poblacion 2  
Nagcarlan, Laguna  
nagcarlan@bangkokabayan.com  
(049) 523-8599

#### PAGSANJAN

Gen. Taiño Street, Poblacion 1  
Pagsanjan, Laguna  
pagsanjan@bangkokabayan.com  
(049) 500-9241

### QUEZON

#### ATIMONAN

Rizal Street, cor. P. Enriquez Street  
Brgy. Zone 1, Poblacion  
Atimonan, Quezon  
atimonan@bangkokabayan.com  
(042) 788-0439

#### GUMACA

G/F Landig Building, P. Castillo Street  
Brgy. Tabing Dagat, Gumaca, Quezon  
gumaca@bangkokabayan.com  
(042) 717-6728

#### SARIAYA

General Luna Street, Poblacion 4  
Sariaya, Quezon  
sariaya@bangkokabayan.com  
(042) 525-8788 / (042) 717-0677

#### TIAONG

Don V. Robles Street, Poblacion 1  
Tiaong, Quezon  
(042) 545-6621 / (042) 785-7351



# Capital Structure & Capital Adequacy

The Bank's regulatory capital position<sup>1</sup> as of December 31, 2020 and 2019 is as follows:

	2020	2019
Paid-in CS-Common Stock	367,739,200.00	367,739,200.00
Retained Earnings Free	221,114,624.32	152,832,281.43
CURRENT YEAR INCOME	48,222,930.52	77,390,613.98
Other Comprehensive Income	-21,081,453.12	
Total Capital	615,995,301.72	597,962,095.41
Less:		
Deferred Tax Assets	29,662,693.00	18,570,258.36
Intangible Assets-NET	1,601,367.95	
Total Outstanding Unsecured Credit Accomodation-Dosri	86,074,070.15	250,425.00
<b>Total TIER 1</b>	<b><u>498,657,170.62</u></b>	<b><u>579,141,412.05</u></b>
ADD:		
RE Reserve-Others	14,294,613.50	16,237,627.50
Add: General Loan Loss	19,407,859.82	7,078,743.75
<b>Total Tier 2</b>	<b><u>33,702,473.32</u></b>	<b><u>23,316,371.25</u></b>
<b>Total Qualifying Capital</b>	<b><u>532,359,643.94</u></b>	<b><u>602,457,783.30</u></b>
Total Credit Risk Weighted Assets	1,860,678,007.20	2,564,509,359.34
Add: Total Operational Risk Weighted Assets:	589,272,336.74	420,817,727.86
<b>Total Risk Weighted Assets</b>	<b><u>2,449,950,343.94</u></b>	<b><u>2,985,327,087.20</u></b>
Risk Based Capital Adequacy Ratio		
Total CAR	21.73%	20.18%
Tier 1 CAR	20.35%	19.40%
Capital Conservation Buffer	14.35%	13.40%

On March 12, 2020, the bank became subsidiary bank of UBP, through acquisition of majority shares by City Savings Bank and Unionbank Properties Inc. Being a subsidiary bank, by regulation, required to report under Basel III Risk Based Capital. This apply to al UB's, KB's as well as their subsidiaries banks & QB's that shall be subjected to the following risk based at all times:

- Common Tier 1 Capital must be at least 6.0% of risk weighted assets
- Tier 1 Capital must be at least 7.5% of risk weighted assets
- Total Car at 10%

<sup>1</sup>The CARs as of December 31, 2020 and 2019 are based on balances after certain audit adjustments, hence, they are not the same with the amounts previously reported to BSP.

The reconciliation of all regulatory capital elements and/or regulatory adjustments/deduction is as follows:

	<b>BSP REPORT 2020</b>	<b>Adjustment</b>	<b>2020 Restated</b>
Paid-in CS-Common Stock	367,739,200.00	-	367,739,200.00
Retained Earnings Free	221,114,624.32	-	221,114,624.32
CURRENT YEAR INCOME	48,222,930.52	-358,848.25	47,864,082.27
Other Comprehensive Income	<u>-21,081,453.12</u>	<u>-235,259.20</u>	<u>-21,316,712.32</u>
Total Capital	615,995,301.72	-594,107.45	615,401,194.27
Less:			
Deferred Tax Assets	29,662,693.00	4,975,658.00	34,638,351.00
Intangible Assets-NET	1,601,367.95	-	1,601,367.95
Total Outstanding Unsecured Credit Accomodation-Dosri	<u>86,074,070.15</u>	<u>-</u>	<u>86,074,070.15</u>
<b>Total TIER 1</b>	<b><u>498,657,170.62</u></b>	<b><u>-5,569,765.45</u></b>	<b><u>493,087,405.17</u></b>
ADD:			
RE Reserve-Others	14,294,613.50	-	14,294,613.50
Add: General Loan Loss	<u>19,407,859.82</u>	<u>-</u>	<u>19,407,859.82</u>
<b>Total Tier 2</b>	<b><u>33,702,473.32</u></b>	<b><u>0</u></b>	<b><u>33,702,473.32</u></b>
<b>Total Qualifying Capital</b>	<b><u>532,359,643.94</u></b>	<b><u>-5,569,765.45</u></b>	<b><u>526,789,878.49</u></b>
Total Credit Risk Weighted Assets	1,860,678,007.20	-4,975,658.00	1,855,702,349.20
Add: Total Operational Risk Weighted Assets:	589,272,336.74	0	589,272,336.74
<b>Total Risk Weighted Assets</b>	<b><u>2,449,950,343.94</u></b>	<b><u>-4,975,658.00</u></b>	<b><u>2,444,974,685.94</u></b>
Risk Based Capital Adequacy Ratio			
Total CAR	21.73%	-0.18%	21.55%
Tier 1 CAR	20.35%	-0.19%	20.17%

	<b>BSP REPORT 2019</b>	<b>Adjustment</b>	<b>2019 Restated</b>
Paid-in CS-Common Stock	367,739,200.00	-	367,739,200.00
Retained Earnings Free	152,832,281.43	-6,188,276.64	146,644,004.79
CURRENT YEAR INCOME	77,390,613.98	-3,663,611.85	73,727,002.13
<b>Total Capital</b>	<b>597,962,095.41</b>	<b>-9,851,888.49</b>	<b>588,110,206.92</b>
Less:			
Deferred Tax Assets	18,570,258.36	126,737.04	18,696,995.40
Intangible Assets-NET			
Total Outstanding Unsecured Credit Accomodation-Dosri	<u>250,425.00</u>	<u>-</u>	<u>250,425.00</u>
<b>Total TIER 1</b>	<b><u>579,141,412.05</u></b>	<b><u>-9,978,625.53</u></b>	<b><u>569,162,786.52</u></b>
ADD:			
RE Reserve-Others	16,237,627.50	-1,199,396.58	15,038,230.92
Add: General Loan Loss	<u>7,078,743.75</u>	<u>-</u>	<u>7,078,743.75</u>
<b>Total Tier 2</b>	<b><u>23,316,371.25</u></b>	<b><u>-1,199,396.58</u></b>	<b><u>22,116,974.67</u></b>
<b>Total Qualifying Capital</b>	<b><u>602,457,783.30</u></b>	<b><u>-11,178,022.11</u></b>	<b><u>591,279,761.19</u></b>
Total Credit Risk Weighted Assets	2,564,509,359.34	11,406,436.97	2,575,915,796.31
Add: Total Operational Risk Weighted Assets:	420,817,727.86	0	420,817,727.86
<b>Total Risk Weighted Assets</b>	<b>2,985,327,087.20</b>	<b>11,406,436.97</b>	<b>2,996,733,524.17</b>
Risk Based Capital Adequacy Ratio			
Total CAR	20.18%	-0.45%	19.73%
Tier 1 CAR	19.40%	-0.41%	18.99%



The computation of the Bank's Credit Risk Weighted Asset is as follows:

	2020		
	Risk Weight	Principal Amount	Risk Weighted Amount
Checks and other cash items	20%	12,173,425.97	2,434,685.19
AFS-Corporate (AAA Rating)	20%	130,356,872.61	26,071,374.52
HTM-Corporate (AAA Rating)	20%	40,148,513.52	8,029,702.70
Individuals-Agri Loans (Secured portion-AGFP)	20%	20,204,804.60	4,040,960.92
OFF-BALANCE SHEET: COMMITTED CREDIT LINE	20%	29,525,919.00	5,905,183.80
Due from Other Banks	50%	228,898,778.45	114,449,389.23
Performing MSME	50%	912,799,698.66	456,399,849.33
Performing Housing Secured by 1st Mortgage	50%	127,929,736.21	63,964,868.10
Due from Other Banks	100%	212,526,239.11	212,526,239.11
Agriloans: Corporate	100%	135,584,565.09	135,584,565.09
Loans to Private Corporations	100%	225,486,309.99	225,486,309.99
Performing Housing not fully Secured by 1st Mortgage	100%	27,580,976.50	27,580,976.50
Individuals-Agri Loans (Secured portion-AGFP)	100%	140,403,712.36	140,403,712.36
Individuals-Consumptions & Other Purposes	100%	66,281,615.80	66,281,615.80
Non Performing Housing Loans	100%	2,450,248.82	2,450,248.82
All Other Asset	100%	65,907,526.68	65,907,526.68
SCR-Performing,net	100%	8,237,909.76	8,237,909.76
Non performing Other loans Other than Housing	150%	78,038,915.10	117,058,372.65
SCR-Non Performing,net	150%	39,164,093.51	58,746,140.27
ROPA, net	150%	79,412,250.92	119,118,376.38
<b>Total Credit Risk Weighted Assets</b>			<b><u>1,860,678,007.20</u></b>

	2019		
	Risk Weight	Principal Amount	Risk Weighted Amount
Checks and other cash items	20%	7,556,849.01	1,511,369.80
Individuals-Agri Loans (Secured portion-AGFP)	20%	34,226,904.02	6,845,380.80
OFF-BALANCE SHEET: COMMITTED CREDIT LINE	20%	27,470,000.00	5,494,000.00
Housing Secured by 1st Mortgage	50%	126,564,490.69	63,282,245.35
Qualified MSME	75%	205,375,735.60	154,031,801.70
Non Performing Housing Secured by 1st Mortgage	100%	1,070,501.46	1,070,501.46
All Other Asset	100%	2,092,043,590.40	2,092,043,590.40
All other non-performing loans , all non-performing SCR	150%	79,605,834.70	119,408,752.06
ROPA, net	150%	88,152,103.16	132,228,154.74
<b>Total Credit Risk Weighted Assets</b>			<b><u>2,575,915,796.31</u></b>

The computation of the Bank's Operational Weighted Assets is as follows:

		2020 Gross Income		
Nature of Item		2017	2018	2019
<b>A. Net interest income</b>				
A.1	Interest Income	253,886,136.09	282,597,859.97	335,394,804.87
A.2	Interest Expense	12,814,685.03	14,739,089.44	15,951,642.48
A.3	Sub-total <i>(A.1 minus A.2)</i>	<b>241,071,451.06</b>	<b>267,858,770.53</b>	<b>319,443,162.39</b>
<b>B. Other non-interest income</b>				
B.1	Dividend Income			
B.2	Fees and Commissions Income	35,688,982.99	34,848,153.54	29,380,454.82
B.3	Net Gain/loss on Financial Assets and Liabilities Held for Trading			
B.4	Net Gain/loss on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss			
B.5	Net Profit/loss on Foreign Exchange	(676.75)	(877.29)	4,592.08
B.6	Net Gain/loss on Fair Value Adjustment in Hedge Accounting			
B.7	Other Income	2,842,686.60	2,812,880.50	8,886,158.31
B.8	Sub-total <i>(Sum of B.1 to B.7)</i>	38,530,992.84	37,660,156.75	38,271,205.21
<b>C. Gross Income <i>(Sum of A.3 and B.8)</i></b>		<b>279,602,443.90</b>	<b>305,518,927.28</b>	<b>357,714,367.60</b>
<b>D. Capital Charge multiply by Capital Charge Factor of 15%</b>		<b>41,940,366.59</b>	<b>45,827,839.09</b>	<b>53,657,155.14</b>
<b>E. Average Adjusted Capital Charge <i>(D multiply by 125%)</i></b>				<b>58,927,233.67</b>
<b>F. TOTAL OPERATIONAL RISK-WEIGHTED ASSETS <i>(E multiply by 10)</i></b>				<b>589,272,336.74</b>

2019 Gross Income				
Nature of Item		2016	2017	2018
A. Net interest income				
A.1	Interest Income	234,208,176.55	253,886,136.09	282,597,859.97
A.2	Interest Expense	11,851,591.90	12,814,685.03	14,739,089.44
A.3	Sub-total (A.1 minus A.2)	<b>222,356,584.65</b>	<b>241,071,451.06</b>	<b>267,858,770.53</b>
B. Other non-interest income				
B.1	Dividend Income			
B.2	Fees and Commissions Income	30,599,121.12	35,688,982.99	34,848,153.54
B.3	Net Gain/loss on Financial Assets and Liabilities Held for Trading			
B.4	Net Gain/loss on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss			
B.5	Net Profit/loss on Foreign Exchange	8,206.84	(676.75)	(877.29)
B.6	Net Gain/loss on Fair Value Adjustment in Hedge Accounting			
B.7	Other Income	3,550,171.93	2,842,686.60	2,812,880.50
B.8	Sub-total (Sum of B.1 to B.7)	34,157,499.89	38,530,992.84	37,660,156.75
C. Gross Income (Sum of A.3 and B.8)		256,514,084.54	279,602,443.90	305,518,927.28
D. Capital Charge multiply by Capital Charge Factor of 15%		30,781,690.14	33,552,293.27	36,662,271.27
E. Average Adjusted Capital Charge (D multiply by 125%)				42,081,772.79
F. TOTAL OPERATIONAL RISK-WEIGHTED ASSETS				420,817,727.86

Capital Requirement	2020	2019 (Restated)
Credit Risk	1,860,678,007.20	2,575,915,796.31
Market Risk	-	-
Operational Risk	589,272,336.74	420,817,727.86
<b>Total Capital Requirements</b>	<b>2,449,950,343.94</b>	<b>2,996,733,524.17</b>



# BASEL III LEVERAGE RATIO

As of December 31, 2020

## Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure

Item		Leverage Ratio Framework
1	Total consolidated assets as per published financial statements <sup>1/</sup>	3,484.367
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation <sup>2/</sup>	
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure <sup>2/</sup>	
4	Adjustments for derivative financial instruments	0.000
5	Adjustments for securities financial transactions (i.e., repos and similar secured lending)	0.000
6	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	5.904
7	Other adjustments	-112.225
8	<b>Leverage ratio exposure <sup>3/</sup></b>	<b>3,378.046</b>

### Basel III Leverage Ratio Common Disclosure Template

Item		Leverage Ratio Framework
<b>On-balance sheet exposures</b>		
1	On-balance sheet items <sup>1/</sup>	3,376.442
2	(Asset amounts deducted in determining Basel III Tier 1 Capital)	-131.633
3	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)</b>	<b>3,244.810</b>
<b>Derivative exposures</b>		
4	Replacement Cost associated with all derivatives transactions	0.000
5	Add-on amounts for Potential Future Exposure associated with all derivative transactions	0.000
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework <sup>2/</sup>	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions) <sup>2/</sup>	
8	(Exempted CCP leg of client-cleared trade exposures) <sup>2/</sup>	
9	Adjusted effective notional amount of written credit derivatives	0.000
10	(Adjusted effective offsets and add-on deductions for written credit derivatives)	
11	<b>Total derivative exposures (sum of lines 4 to 10)</b>	<b>0.000</b>
<b>Securities financing transaction exposures</b>		
12	Gross SFT assets (with no recognition of netting)	127.332
13	(Netted amounts of cash payables and cash receivables of gross SFT assets) <sup>2/</sup>	
14	CCR exposures for SFT assets	
15	Agent transaction exposures <sup>3/</sup>	
16	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	<b>127.332</b>
<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposure at gross notional amount	29.521
18	(Adjustments for conversion to credit equivalent amounts)	
19	<b>Off-balance sheet items</b>	<b>5.904</b>
<b>Capital and total exposures</b>		
20	<b>Tier 1 capital</b>	<b>498.657</b>
21	<b>Total exposures (sum of lines 3, 11, 16 and 19)</b>	<b>3,378.046</b>
<b>Leverage ratio</b>		
22	<b>Basel III leverage ratio</b>	<b>14.76%</b>

# LIQUIDITY COVERAGE RATIO

As of December 31, 2020

PART I. CALCULATION OF LIQUIDITY COVERAGE RATIO (In Absolute Amount)		
Item	Nature of Item	Weighted Amount
<b>A. Total Stock of High-Quality Liquid Assets (After Cap) [Net of A.3 and A4]</b>		<b>969,638,488.91</b>
A.1 Stock of Level 1 Assets	825,555,718.38	
A.2 Stock of Level 2 Assets	144,082,770.53	
<b>A.3 Total Stock of High Quality Liquid Assets (Before Cap) [Sum of A.1 and A.2]</b>	<b>969,638,488.91</b>	
A.4 Adjustment for 40% Cap on Level 2 Assets	0.00	
<b>B. Total Net Cash Outflows [Net of B.1 and B.2]</b>		<b>73,588,698.64</b>
B.1 Total Expected Cash Outflows	294,354,794.57	
B.2 Total Expected Cash Inflows Before Ceiling	286,868,590.50	
B.3 Adjustment for 75% Ceiling on Cash Inflows	66,102,494.56	
B.4 Total Expected Cash Inflows After Ceiling	220,766,095.93	
<b>C. LIQUIDITY COVERAGE RATIO [A/B]</b>		<b>1317.65%</b>





HEAD OFFICE: Santiago Street, Poblacion, Ibaan, Batangas

TEL. NO.: (043) 311-1420 / (043) 311-1323

WEBSITE: [www.bangkokabayan.com](http://www.bangkokabayan.com)

EMAIL ADDRESS: [info@bangkokabayan.com](mailto:info@bangkokabayan.com)



**/BangkoKabayan**

Bangko Kabayan Inc. is regulated by the Bangko Sentral ng Pilipinas (BSP).

Deposits are insured by PDIC up to Php 500,000.00 per depositor.

Bangko Kabayan Consumer Help Desk: (043) 311-1420 loc 214 / (0917) 879-2508

BSP Consumer Protection and Market Conduct Office: (02) 8708-7087

[consumeraffairs@bsp.gov.ph](mailto:consumeraffairs@bsp.gov.ph)

webchat at [www.bsp.gov.ph](http://www.bsp.gov.ph)



Hindi Basta Bangko, Kabayan pa!