



CANTILAN BANK

YOUR FRIENDLY COMMUNITY BANK



2015 ANNUAL REPORT

VISION, MISSION, & CORE VALUES

VISION

Cantilan Bank will be the most dynamic and trusted community bank in the country.

MISSION

Deliver excellent community banking services to local and international clients.

Develop and support financial inclusion and environmental protection programs.

Empower a professional and motivated workforce.

CORE VALUES

Transparency – CBI values reliable and timely disclosure of information to its clients and shareowners.

Accountability – CBI and all its employees take full accountability and responsibility for all our actions.

Commitment to Excellence – We value exceeding the client's expectations. CBI as a friendly community bank aims to deliver excellence in all our services.

Teamwork – CBI as a growing company values teamwork, "together everyone achieves more". CBI values alignment of each employee's personal goals to that of the Vision, Mission and Core Values of the company.

Integrity – CBI aims to become the most trusted community bank in the country. This vision reflects our value for Integrity and Honesty in all our undertakings.

Corporate Citizenship – CBI values reaching out to the community. We value Corporate Social Responsibility and aim to develop and support financial inclusion and environmental protection program as stated in Mission Statement #2 for the communities in our areas of operations.



CHAIRMAN'S MESSAGE

Dear shareholders, clients and colleagues,

2015 was a milestone year for Cantilan Bank.

Aside from hitting our 2B5 growth strategy goals, we were also able to position ourselves further as a friendly community bank in the hearts of our clientele by establishing a strong rapport with the communities we serve. Our dedication to deliver excellent and friendly banking services has brought the bank to where it is today.

Our 35th year in the rural banking industry was made even more special with the awards that we received. Last year, Cantilan Bank was recognized by Landbank as the 3rd Most Outstanding Rural Bank in the country, by the People's Credit & Finance Corporation as its Most Outstanding Partner, by the Bureau of Internal Revenue as one of the three largest Corporate Taxpayers in Surigao del Sur, and by the Small Business Corporation as its Most Distinguished Partner in Credit Guarantee and MSME Risk Based Lending.



The ultimate feather on our cap was the international recognition we received for our role in improving the financial inclusion of smallholder farmers through our Agri Value Chain product and services. In October 2015, Cantilan Bank won the International Microfinance Best Practices Award as conferred by the Fondazione Giordano dell'Amore in Milan, Italy.

Moving forward, 2016 would be a challenging year for all of us for it is the start of our 2016-2020 strategic plan. We shall double our efforts and strive to achieve our financial inclusion objectives and at the same time deliver faster and friendlier services to our customers. Moreover, we shall bring to light our next growth strategy anchored on investments in technology and innovation, and deepening our footprint in Eastern Mindanao and the Visayas.

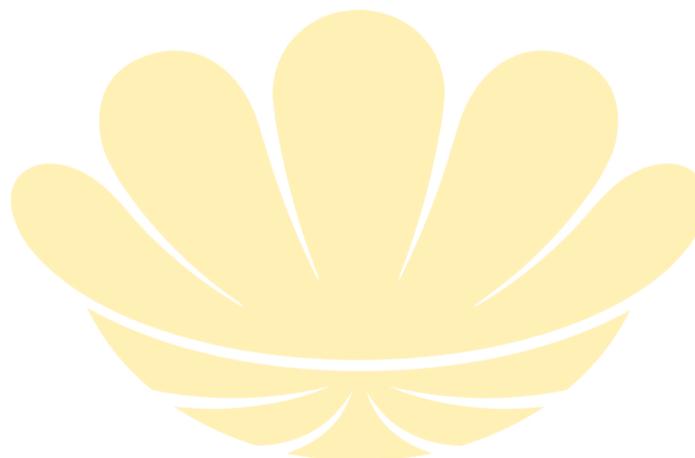
Overall, our team has performed so well for the past year and I would like to thank each of them- the members of the board, the management officers, and the employees. They are not only dedicated in their work but are also diligent corporate citizens. Lastly, I thank all our shareholders and clients for continuously believing in our capabilities.

We look forward to fulfilling our vision of becoming the most dynamic and most trusted community bank in the years to come.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Hotchkiss III".

LT. GEN. WILLIAM K. HOTCHKISS III (RET.)
Chairman, Cantilan Bank, Inc.



PRESIDENT'S MESSAGE

To our valued shareholders, clients and colleagues,

We concluded 2015 with exceptional growth, indicative of the bank's outstanding ability to bring competitive financial services and to provide true financial inclusion to the countryside.

Our total consolidated assets reached P2.37 billion by the end of 2015, an increase of 21% over the 2014 mark of P1.95 billion. Our loan portfolio, on the other hand, rose to P1.71 billion as compared to last year's P1.3 billion while the bank's deposit grew 14% to P1.35 billion by year-end 2015.

Following the opening of one full-service branch in Buenavista, Agusan del Norte and conversion of all our Micro Banking Offices into Extension Offices (EOs) in 2015, we now have 23 branches and 17 EOs operating across 11 provinces in Eastern Mindanao and Eastern Visayas.

In 2016, we will advance our network by opening three new branches in Puerto, Cagayan de Oro; Malaybalay, Bukidnon and Kapalong Davao del Norte and adding three new EOs in Cateel, Davao Oriental; Calinan, Davao City, and Cantilan, Surigao del Sur.

We believe that the bank's over-all growth would not have been possible without our customers' significant trust and continued patronage. Our promise is to continue our long-term commitment to deliver excellent community banking services to local and international clients and to always commit to providing the highest quality of service to the community.

As we move forward to another year of challenges and opportunities, allow me to extend my greatest appreciation to our supportive stockholders, our dedicated employees and our loyal clients for helping Cantilan Bank reach this far.

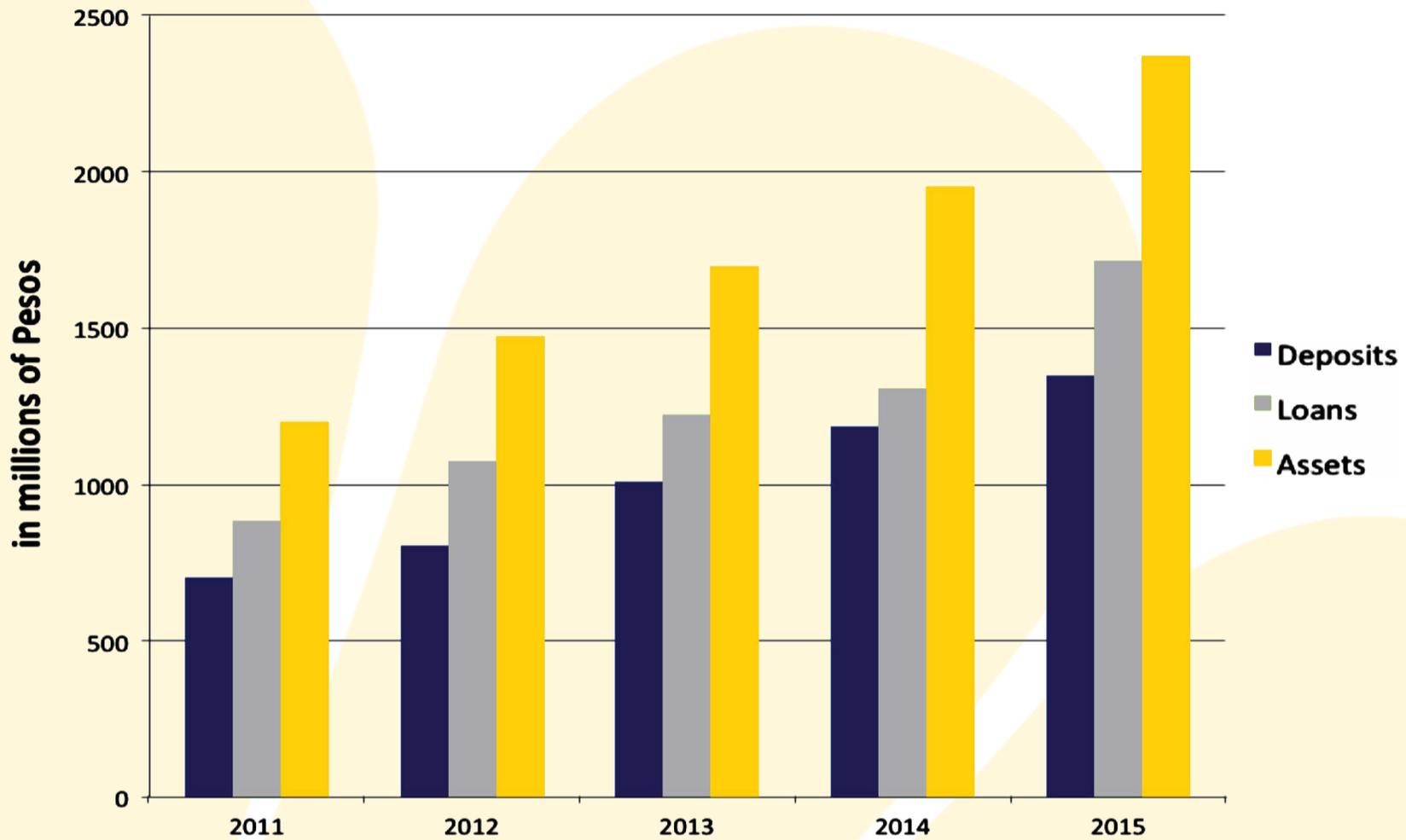
Sincerely,



BRIG. GEN. CHARLES Y. HOTCHKISS (RET.)
President, Cantilan Bank, Inc.



FINANCIAL HIGHLIGHTS



Deposits grew by 14%, Loans by 31%, Assets by 21%

Cantilan Bank sustained its steady growth and registered another outstanding performance in 2015. Its total assets increased by 21 percent ending with P2.37 billion in December 2015, surpassing the bank's 2B5 growth strategy target by almost P400 million.

Moreover, CBI's efforts to intensify its campaign for savings have paid off as the bank's deposit portfolio reached P1.35 billion by the end of 2015, an increase of 14 percent over the 2014 level of P1.2 billion. Lastly, the bank recorded a 31 percent increase on its loan portfolio, ending 2015 with P1.71 billion.

OPERATIONAL HIGHLIGHTS



Operations

We continuously sustained the Bank's increasing trend in terms of deposits as we hit our 2015 year-end target of P1.35 billion.

Through our partnership with Landbank for DSWD's 4Ps Conditional Cash Transfer (CCT) program, we were able to service more than 200,000 beneficiaries in Caraga, Davao, and Compostela Valley. This provided us an opportunity to conduct our financial literacy program through lectures during payout sessions which focused on effective methods of saving.

We have also strengthened our customer service to guarantee the protection of our customers and provide assistance to them through various communication channels such as email, website, Facebook, telephone, and suggestion box.

For 2016, we will continue to expand our network reach and to serve the banking needs of our clients. We will likewise heighten our campaign for our remittance services to provide our Kababayans abroad the most convenient and cost effective way of sending their money to their loved ones residing in the countryside.

Credit and Loans

We successfully rolled-out our newly-improved agricultural product in 2015. The Agri Value Chain loan, which won the bank an international award for Microfinance Best Practices by an Italy-based foundation Fondazione Giordano dell'Amore, was designed to help Mindanao farmers improve their crop production and achieve better returns from their farms.

Furthermore, we achieved an exceptional increase in our portfolio, which has grown to P1.71 billion, and disposed P14.5 million worth of Real and other Property Assets (ROPA) in 2015. We also effectively launched two new products - Jewelry Loan and Home Financing Loan - which ably added to the bank's array of financial products and services.

Human Resource Management & Development

In 2015, we continued to provide jobs in various strategic areas where we operate. We hired 85 new personnel from the job fairs conducted in partnership with the Public Employment Service Office (PESO) and Local Government Units (LGUs). All these new hires went through the bank's General Orientation Course (GOC), a program designed to arm our incoming employees with the basic knowledge and skills in order for them to function well in their respective jobs. By year-end 2015, the bank had a total of 436 employees.

It was also in 2015 that the bank's Salary Standardization Program was implemented to provide an even more competitive wage structure in keeping with our mission to empower a professional and motivated workforce. It is also the vision of CBI to become the employer of choice here in Caraga.

Information Technology

In 2015, we further upgraded the Bank's data center and began implementing our Information Technology Risk Management System (ITRMS) policies and procedures to ensure better information security, which guarantees more secure transactions and data.

In 2016, we aim to fully implement our ITRMS policies and procedures and bolster information security awareness among all CBI employees. In the second half of 2016, CBI will be entering the last phase of migration of its ATM systems towards smart-chip enabled EMV technology.

Fund Management

We have continuously striven to offer lower interest rates to our customers by efficiently managing the Bank's funds. In 2015, we were able to do this by:

1. Investing our surplus funds in fixed income markets
2. Establishing stronger partnerships with institutions offering lower interest rates
3. Continuously developing system controls and procedures that will ensure reduced cost of funds and higher returns

OPERATIONAL HIGHLIGHTS

Strategic Management

In 2010, Cantilan Bank (CBI) created its five-year Strategic Plan called 2B5 which laid out its strategic and tactical plans for the calendar years 2011 to 2015. One of our main strategies was to double our assets and grow into a P2-billion peso bank in five years. By year-end of 2015, CBI's total assets already reached P2.37 billion, surpassing the 2B5 growth targets by 21%. The loan and deposit portfolios both achieved their 2B5 targets as the bank doubled its network reach from 2010 levels.

From 2013 to 2015, the OSM highlighted the need for strategic thinking by all members of management. The Balanced Scorecard system of strategy management was also introduced in this period. In year-end 2015, we established the bank's goals, objectives, strategies, key result areas, performance indicators, and the budget for year 2016 to 2020. To come up with the new 5-year plan, we conducted in-depth analyses of the financial and operational performance over the past five-year period (2010-2015), SWOT analysis, and took into consideration the results of an overall risk assessment.

Training and Development

In 2015, we launched the CBI Training Program for Operations Personnel that aimed to keep CBI's front liners "battle-ready." The program provides comprehensive classroom, hands-on, and on-the-job training activities that equip the employees with the knowledge, skills, and right attitude towards meeting and exceeding the expectations of both internal and external clients. With the implementation of the CBI Training Program for Operations Personnel, CBI increased its training hours by 332% compared to 2013 and by 265% compared to 2014.

Also in 2015, all our Branch Heads attended and passed the Bank's first Management Development Program (MDP) focused on Strategic Management, People Management, Strategic Marketing, Change Management, and Team Building.

We also introduced the Skills Enhancement Program which aims to equip all CBI personnel with the standard level of competencies needed in communication, analysis, computer applications, and a lot more.

Marketing

In 2015, we unveiled the bank's new corporate logo as part of our brand revitalization strategy to achieve a friendlier look, thereby building stronger connections to our valued customers. The new logo contains a contemporary image of a giant clamshell locally called "Tilang" which represents the town of Cantilan. It depicts the town's rich culture and embodies the bank's untiring efforts to deliver more accessible and affordable financial services for countryside development.

It was also in 2015 that we launched our new uniform. From the corporate look, we transitioned to a more casual look which suitably reflects the bank's friendlier image. The new set of uniforms, which presents the bank's official colors - blue, yellow, and gray - provides a more relaxed feel and is perfect for our up and about type of work.

For 2016, we will continue to invest and focus our efforts in increasing brand recognition. Being one of the top 10 rural banks in the country and garnering awards from various organizations, we aim to achieve "top-of-mind" awareness throughout Eastern Mindanao and the Visayas.



DIRECTORS' PROFILE



Lt. Gen. William K. Hotchkiss III (Ret.) has been the bank's Chairman since 1999. He was also the President of the bank from 1999 until June 20, 2012. He graduated from Philippine State College of Aeronautics with a Bachelor of Science degree in Aviation in 1970. He finished his Masters degree in Education at the University of the Philippines in 1978. Two years later (1982), he completed his General Staff Course at the Escuela Superior Del Aire, Madrid, Spain. From 1990-1991, he completed the International Fellows Program course at the National Defense University, Washington, D.C. He held the position as trustee of AFP MBAI (1993-1994) and RSBS (1996-1999). After his ten-year stint as a decorated fighter pilot, he moved up in the PAF and AFP hierarchy to occupy critical and sensitive positions such as Wing Commander of the 570 Tactical Wing. His service as a warrior of the Republic was capped by his stint as the 24th PAF Commanding General from Nov. 1996- Jan. 1999. Shortly thereafter, he shifted career gears when he was elected President and Chairman of the Board of Cantilan Bank, Inc., which he helped grow from a 3-branch rural bank in 1999 to the 22-branch bank that it is now. Thirteen years in

countryside development services, he was called upon by President Benigno S. Aquino III to serve as Director General of the Civil Aviation Authority of the Philippines, where after 22 months of service, he has immediately achieved the mission of resolving the country's International Civil Aviation Organization (ICAO) Significant Safety Concerns, removing the country's flag carriers, Philippine Airlines and Cebu Pacific, from the European Union (EU) Safety Ban, and upgrading the country to the US Federal Aviation Administration (FAA) Category 1 rating. In 1999, he assumed the position as Chairman/President of William K. Hotchkiss Foundation (WKHF) and Hotchkiss Learning Center. He also held the chairmanship position of different institutions, such as Nova Manufacturing & Trading, Inc. (1999-2013), Rural Bankers Association of the Philippines (2005-2006), and Rural Bankers Research & Development Foundation (2006-2007).



Wenceslao R. Arreza has been the Vice-Chairman of the Board since 2001. He is currently a member of the bank's Corporate Governance Committee and Audit and Compliance Committee. He finished his studies at the University of Southern Philippines, Cebu City in 1960 with an Associate degree of Geodetic Engineering. He was into politics from 1968 to 2010 - Pioneering Mayor of the Municipality of Carmen, Surigao del Sur (1980-1986, 1988-1992) Board Member of Surigao del Sur (1992-2001), Mayor of the Municipality of Carmen, Surigao del Sur (2001-2007), and Board Member of Surigao del Sur (2007 -2010).



Brig. Gen. Charles Y. Hotchkiss (Ret.) is currently the bank's President after he was elected by the board on August 6, 2014. He is the Chairman of the Bids and Awards Committee and a member of the Credit Committee. He is a graduate of Colegio De San Jose Recoletos with a Bachelor of Arts degree in Mathematics in 1971. He joined the Philippine Air Force in 1980 as a Squadron Commander. While with PAF, he handled various committee chairmanships and supervisory positions in relation to fund management and credit. He held different chairmanship positions at ACES Cooperative. Development, Inc. from 1983 until 1999. In 1991, he accomplished his Command and Staff course at the Royal Australian Air Force Staff College. He finished his Joint Command and Staff Course at Armed Forces Joint Command and Staff College in 2001. He attended courses in management and a specialized course in Project Management at the Royal Australian Air Force Staff College. By the year 2005, he retired as Wing Commander of the 600th Air Base Wing of the Philippine

Air Force. Two weeks after his retirement in 2005, he joined the Bank as a member of the Board and assumed the position of Executive Vice-President.

DIRECTORS' PROFILE



Rolando U. Julve has been part of the Board since 1997. Presently, he is the Chairman of the Credit Committee, member of the Bids and Awards Committee, Corporate Governance Committee and Audit and Compliance Committee. He graduated with an Associate degree in Arts at the University of Santo Tomas in 1958. He earned his Bachelor of Science degree in Commerce at Saint Michael's College in 1972. He then served as a municipal councilor in Cantilan from 1972-1980, 1986-1988, and 1989-1992. He as well served Cantilan as Municipal Vice-Mayor from 1992 to 2004. From 2010-2013, he went back to politics as a municipal councilor. In 1996, he became the owner of RUJ Marketing and became the President of Cantilan Goodwill Mktg. from years 1989-1995. He was the bank's chairman from the year 1997-1998 and Vice-President from 1999-2001.



Lolita R. Corcuera is a member of the Board and serves as Chairperson of the Audit and Compliance Committee. She is also a member of the Corporate Governance Committee and Bids and Awards Committee. She graduated at Colegio De San Jose Recoletos with a Bachelor of Science degree in Commerce in 1980. She first joined CBI in 1984 as an Asst. Bookkeeper. She also worked with the bank as a bookkeeper (1986-1989), cashier (1989-1993), OIC-cashier (1993-1995) and as a branch manager from 1996 up to 2001 before she assumed the position as a member of the Board in 2004.



Jeanette P. Zayas is the Chairman of the Corporate Governance Committee and IT Steering Committee and a member of Bids & Awards Committee, and Audit and Compliance Committee. She assumed her duties on March 30, 2015, after she was elected by the Board. She also previously served CBI's board from 2006 to 2008 and was a member of the Audit Committee. She finished her studies at the University of Santo Tomas in 1997 with a Bachelor of Arts (AB) degree in Communication Arts. Before she joined CBI, she held various positions such as Sales and Marketing officer of HomeCredit Mutual Bldg., & Loan Association (1998-1999), and Sales Training supervisor of Sara Lee, Philippines (2003-2004). She was Cantilan's municipal councilor from 2007 to 2013.



Tanya P. Hotchkiss is the Executive Vice President and a member of the Board of Directors and IT Steering Committee at Cantilan Bank, leading the development of strategies and innovations in the bank's products and services particularly its social and financial inclusion programs in line with the company's commitment to achieving meaningful and sustainable community development and economic growth. Hotchkiss concurrently serves as executive director of the Hotchkiss Foundation's island ecology conservation work and the school's conservation education program. She earned her Masters degree in Development, Innovation and Change from the University of Bologna in Italy. For her outstanding work in the international development community, she received the Devex 40 under 40 award in 2013 in Manila. In April 2016, she completed the HBS - Accion Executive Program on Strategic Leadership in inclusive Finance at the Harvard Business School.

CORPORATE GOVERNANCE

Tanya P. Hotchkiss

V. IT STEERING COMMITTEE - composed of one non-executive director, IT Head, Information Security Officer, and six user department representatives. The committee is responsible for ensuring proper IT governance covering bankwide IT structure, processes, and operations.

Chairman: Jeanette P. Zayas

Members: Glonie Glenn P. Rios Harold C. Honoridez
Allan P. Vaz Rebecca A. Ravelo
Marie Stella B. Kindica Andrea V. Cale
Tanya P. Hotchkiss Randy C. Ruaza

INDEPENDENT CHECKS & BALANCES

The Bank supports the principle and regulatory mandate of independent checks and balances in the institution as follows:

INTERNAL AUDIT

The Internal Audit Division, under the supervision of the Bank's Audit Committee, is tasked to provide independent, objective assurance and quality consulting services designed to add value and improve the organization's operations.

EXTERNAL AUDIT

Alba Romeo & Co., Certified Public Accountants, based in Cagayan de Oro City, has been the bank's external auditor since 2001. They perform to the highest standards of professional conduct and carry out services in accordance with relevant ethical and technical standards, such as Generally Accepted Accounting and Code of Professional Ethics for CPAs. They are tasked to perform risk assessment; conduct regular audit on the bank's financial statements and status; submits reportorial requirements and results of the audit conducted to the Board of Directors and the Stockholders.

COMPLIANCE

Cantilan Bank, Inc. is committed to safeguard the integrity of the Bank by maintaining a high level of regulatory compliance. The Compliance Division, which was created by virtue of BSP Circular No. 145 as amended by Circular No. 747 dated February 6, 2012, is tasked with overseeing the effective implementation of the Bank's compliance program. Pursuant to the Circular 747, the Board approved the revisions/updates of the Bank's Compliance Manual dated February 20, 2015.

ANTI-MONEY LAUNDERING

In accordance with the mandate of BSP Circular No. 706 dated January 5, 2011 entitled "Updated Anti-Money Laundering (AML) Rules and Regulations, the Compliance Division, annually updates its Money Laundering and Terrorist Financing Prevention Program (MLPP) to enhance its methods in preventing the Bank from money laundering and terrorist financing activities.

In 2015, the Bank designated an AML Compliance Officer under the supervision of the Chief Compliance Officer. The AML Compliance Officer handles the administration of the Bank's compliance with the AMLA and its implementing rules and regulations, monitoring of transactions and conduct of AML training.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The corporate powers of the Bank are exercised, its business is conducted, and all its properties are controlled and held by the Board of Directors, composed of members elected by the stockholders. There are seven (7) directors, two (2) of whom are independent. All seven (7) directors are known for their independence, professionalism, and integrity. There are five (5) non-executive directors and two (2) executive directors who are concurrently officers of the Bank.

The Board has overall responsibility for the Bank, including approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance, and corporate values as well as responsible for providing oversight of senior management.

The Board schedules and holds regular meetings monthly in accordance with its By-Laws and convenes for special meetings when required by business necessities. The directors are furnished the notice, agenda, and relevant meeting materials prior to each meeting by the corporate secretary.

For their continuing education, the Board attends seminars and trainings. A self-assessment of their performance and effectiveness as a body is conducted including the peer evaluation of the individual directors.

BOARD COMMITTEES

The Board has delegated responsibilities to the different committees as follows:

I. CORPORATE GOVERNANCE COMMITTEE - composed of at least four members of the Board, two (2) of whom shall be independent directors, including the chairman. The committee is responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines.

Chairman: Jeanette P. Zayas
Members: Wenceslao R. Arreza
Rolando U. Julve
Lolita R. Corcuera

II. AUDIT AND COMPLIANCE COMMITTEE - composed of at least three (3) members of the Board, two (2) of whom shall be independent directors, including the chairman, and another one with audit experience. The committee is responsible for providing oversight over the Bank's audit functions.

Chairman: Lolita R. Corcuera
Members: Wenceslao R. Arreza
Rolando U. Julve
Jeanette P. Zayas

III. CREDIT COMMITTEE - composed of at least three (3) members, two (2) of whom shall be members of the Board including the chairman, and another one a bank officer (ex-officio). The committee approves the loan applications from a maximum total sum of P501,000 to P3,000,000 per individual borrower; recommends to the Board of Directors loans for write-off; and evaluates the Bank's credit risk exposure.

Chairman: Rolando U. Julve
Members: Brig. Gen. Charles Y. Hotchkiss (Ret.)
Raul Bernabe B. Urbiztondo- General Manager

IV. RISK OVERSIGHT COMMITTEE - composed of at least three (3) members of the Board including at least one independent director and a chairman who is a non-executive director. The committee is mainly tasked to assess the bank's risk exposures and to develop and implement risk management and mitigation strategies.

Chairman: Rolando U. Julve
Members: Lolita R. Corcuera
Brig. Gen. Charles Y. Hotchkiss (Ret.)

2015 AWARDS & CITATIONS

As in all previous years, Cantilan Bank continues to receive different awards and citations from highly-respected institutions.

Its commitment to provide financial inclusion for smallholder farmers, dedication to offer customer-friendly products and services, and being a responsible corporate citizen have been the key factors why the Bank was conferred the following in 2015:



People's Credit & Finance Corporation
Most Outstanding Partner
September 11, 2015



Fondazione Giordano dell'Amore
International Microfinance Best Practices Award
October 16, 2015 - Milan, Italy



Landbank
Most Outstanding Rural Bank for CY 2014 3rd Place
August 14, 2015



Bureau of Internal Revenue
Top 3 Corporate Taxpayer in Surigao del Sur
August 13, 2015



Small Business Corporation
Most Distinguished Partner - Credit Guarantee
Most Distinguished Partner - MSME Risk Based Lending
July 13, 2015

CORPORATE SOCIAL RESPONSIBILITY



Through Cantilan Bank Foundation, Inc., CBI's socio-civic arm, the Bank has pursued its long-standing commitment to deliver community-based initiatives. CBI's corporate social responsibility is anchored on three major components - financial literacy, social preparation, and environmental sustainability.

Financial Literacy

The Bank regularly conducts financial education among families in the rural areas as an aid to mitigate the number of unbanked individuals in the country. This is also one way to enhance the capacity level of the clients toward personal and family budgeting including credit control. The Bank also teaches its SSC members, mostly school-children, on how to save money at an early age for the purpose of making them future-ready.

Social preparation

As a service provider for the Conditional Cash Transfer (CCT) program of the Department of Social Welfare and Development, the Bank goes beyond its main function by providing the 4Ps beneficiaries with livelihood opportunities. The Bank also offers skills enhancement training among local businessmen through its "Business Asenso" course in partnership with the Department of Trade and Industry. This program helps them learn the basics of accounting and bookkeeping.

To make the communities disaster-ready, the Bank sponsored a forum on Disaster Risk Reduction and Climate Change Adaptation involving partner institutions within the province of Surigao del Sur.

Environmental Sustainability

As part of its mission to support environmental protection initiatives, CBI employees volunteer themselves in the greening program of the Department of Environment and Natural Resources. In addition, the bank holds a tree-planting activity during its anniversary celebration. This is to protect watersheds in the areas where the bank operates. CBI firmly believes that environmental sustainability is instrumental to the success of the bank and that the communities can benefit on this.

The Bank strives to be a good corporate citizen by continuously linking itself to various community affairs for the general welfare of its clients. The Bank is privileged to have served many communities.

STATEMENTS OF FINANCIAL POSITION

CANTILAN BANK, INC. (A Rural Bank)

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

(In Philippine Peso)

	Notes	2015	2014
Assets			
Cash and Other Cash Items	4	196,833,508	200,770,424
Due from Bangko Sentral ng Pilipinas	5	45,944,391	38,530,654
Due from Other Banks	6	283,463,523	267,156,201
Total Cash and Cash Equivalents		526,241,422	506,457,279
Loans Receivable - Net	7	1,568,265,580	1,200,254,292
Held-to-Maturity Investments	8	21,997,162	19,000,000
Bank Premises, Furniture, Fixtures and Equipment - net	9	109,106,957	104,454,576
Investment Properties - net	10	24,089,405	24,671,354
Other Intangible Assets - net	11	22,795,145	21,253,359
Deferred Tax Assets	21,28	43,126,835	39,311,097
Other Assets - net	12,21	55,137,568	37,002,130
Total Assets		2,370,760,074	1,952,404,087
Liabilities and Equity			
Liabilities			
Deposit Liabilities	13		
Savings		829,765,209	746,819,728
Time		479,047,110	418,656,019
Demand		39,172,820	21,856,844
		1,347,985,139	1,187,332,591
Bills Payable	14	547,428,048	332,608,745
Accrued Expenses and Other Liabilities	15	117,223,265	95,341,591
Retirement Benefits Obligation	16	67,156,626	69,859,349
Dividends Payable	17	17,104,859	-
Income Tax Payable	21	6,817,961	10,055,840
Total Liabilities		2,103,715,898	1,695,198,116
Equity	17	267,044,176	257,205,971
Total Liabilities and Equity		2,370,760,074	1,952,404,087

(The notes on pages 5 to 71 are an integral part of these financial statements.)

STATEMENTS OF FINANCIAL POSITION

CANTILAN BANK, INC. (A Rural Bank)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the Years Ended December 31, 2015 and 2014 (In Philippine Peso)

	Notes	2015	2014
Interest Income on			
Loans receivable	7	324,480,295	293,486,191
Deposits with banks	6	339,827	284,020
Investments	8	441,075	188,000
		<u>325,261,197</u>	<u>293,958,211</u>
Interest Expense on			
Deposits liabilities	13	35,452,974	33,545,269
Borrowings	14	24,767,226	18,153,129
		<u>60,220,200</u>	<u>51,698,398</u>
Net Interest Income before			
Provision for Credit Losses on Loan receivables		265,040,997	242,259,813
Provision for Credit Losses on Loan receivables	7	<u>36,828,142</u>	<u>27,900,784</u>
Net Interest Income before			
OTHER OPERATING INCOME AND OPERATING EXPENSES		228,212,855	214,359,029
OTHER OPERATING INCOME	18	<u>62,287,776</u>	<u>65,770,776</u>
		<u>290,500,631</u>	<u>280,129,805</u>
OPERATING EXPENSES			
Compensation and staff benefits	19	97,168,688	85,923,747
Depreciation and amortization	9,10,11	27,580,629	27,316,004
Taxes and licenses		23,859,171	14,282,255
Travel and transportation		12,409,557	12,636,551
Retirement benefits	16	9,375,975	6,825,118
Supplies used	12	5,878,778	7,718,440
Rent	20	5,724,320	5,162,625
Insurance		4,896,781	5,265,404
Repairs and maintenance		4,533,375	4,310,845
Professional fees		992,960	897,704
Advertising and publicity		464,929	403,236
Other operating expenses	19	54,596,117	47,059,496
		<u>247,481,280</u>	<u>217,801,425</u>
INCOME BEFORE TAX EXPENSE		43,019,351	62,328,380
INCOME TAX EXPENSE	21	<u>12,843,813</u>	<u>18,648,455</u>
PROFIT FOR THE YEAR		<u>30,175,538</u>	<u>43,679,925</u>
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Actuarial gains (losses) on defined benefit obligation	16	11,512,524	(18,828,885)
Deferred tax effect	21	(3,453,757)	5,648,667
		<u>8,058,767</u>	<u>(13,180,218)</u>
TOTAL COMPREHENSIVE INCOME		<u>38,234,305</u>	<u>30,499,707</u>
BASIC AND DILUTED EPS	23	<u>78</u>	<u>156</u>

(The notes on pages 5 to 71 are an integral part of these financial statements.)

STATEMENTS OF FINANCIAL POSITION

CANTILAN BANK, INC. (A Rural Bank)

STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2015 and 2014
(In Philippine Peso)

	Notes	PREFERRED		COMMON		Remeasurement Gains (Losses) on Defined Benefit Obligation	Retained Earnings	TOTAL (Note 18)
		Shares	Amount	Shares	Amount (Note 18.4)			
Balance, January 1, 2014		-	-	260,261	130,192,310	(11,398,612)	87,276,159	206,069,857
Comprehensive income								
Profit for the year		-	-	-	-	-	43,679,925	43,679,925
Other comprehensive income for the year		-	-	-	-	(13,180,218)	-	(13,180,218)
Total comprehensive income		-	-	-	-	(13,180,218)	43,679,925	30,499,707
Transactions with owners								
Additional capital contribution		-	-	41,266	20,636,407	-	-	20,636,407
Stock dividends distribution	18.2	-	-	36,326	18,226,925	-	(18,226,925)	-
Balance, December 31, 2014		-	-	337,853	169,055,642	(24,578,830)	112,729,159	257,205,971
Comprehensive income								
Profit for the year		-	-	-	-	-	30,175,538	30,175,538
Other comprehensive income for the year		-	-	-	-	8,058,767	-	8,058,767
Total comprehensive income		-	-	-	-	8,058,767	30,175,538	38,234,305
Transactions with owners								
Additional capital contribution		-	-	33,357	16,678,504	-	-	16,678,504
Cash dividends declared	17	-	-	-	-	-	(17,104,859)	(17,104,859)
Cash dividends distribution	17	-	-	-	-	-	(27,969,745)	(27,969,745)
Stock dividends distribution	18.2	-	-	55,783	27,887,886	-	(27,887,886)	-
Balance, December 31, 2015		-	-	426,993	213,622,032	(16,520,063)	69,942,207	267,044,176

(The notes on pages 5 to 71 are an integral part of these financial statements.)

STATEMENTS OF FINANCIAL POSITION

CANTILAN BANK, INC. (A Rural Bank)

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2015 and 2014 (In Philippine Peso)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax expense		43,019,351	62,328,380
Adjustments for:			
Depreciation and amortization	9,10,11	27,580,629	27,316,004
Provision for credit losses - loan receivables	7	36,828,142	27,900,784
Provision for credit losses - accounts receivable	12	8,161	27,948
Provision for impairment losses - investment properties	10	53,459	39,418
Provision for retirement benefits	16,29	9,375,975	6,825,118
Gain from disposal of property and equipment	9,19	(673,044)	(443,344)
Gain from sale of investment properties	10,19	(2,801,828)	(3,205,233)
Interest expense	13,14	60,220,200	51,698,398
Operating income before working capital changes		173,611,045	172,487,473
Changes in operating assets and liabilities			
Increase in loan receivables		(410,650,370)	(104,806,037)
Decrease (increase) in other assets		(18,143,626)	(2,000,263)
Increase in deposit liabilities		160,652,548	179,062,178
Increase (decrease) in accrued expenses and other liabilities		13,557,046	19,538,715
Cash provided by (used in) operating activities		(80,973,357)	264,282,066
Payment of retirees	16	(566,174)	(3,373,944)
Interest expense paid		(51,895,572)	(49,659,214)
Income taxes paid		(23,351,160)	(11,555,271)
Net cash provided by (used in) operating activities		(156,786,263)	199,693,637
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to bank premises, furniture, fixtures and equipment	9	(29,833,909)	(23,088,065)
Proceeds from disposal of furniture, fixtures and equipment	9	1,514,614	2,451,068
Additions to held-to-maturity investments	8	(2,997,162)	(15,000,000)
Proceeds from sale of investment properties	10	8,626,001	7,393,762
Additions to other intangible assets	11	(4,267,200)	(5,923,556)
Net cash used in investing activities		(26,957,656)	(34,166,791)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availments	14	851,452,970	487,207,675
Payment of loans	14	(636,633,667)	(507,121,607)
Additional subscription	17,18	16,678,504	11,249,946
Payment of dividends	18.2	(27,969,745)	-
Net cash provided by (used in) financing activities		203,528,062	(8,663,986)
NET INCREASE IN CASH AND CASH EQUIVALENTS		19,784,143	156,862,860
CASH AND CASH EQUIVALENTS, January 1	4,5,6	506,457,279	349,594,419
CASH AND CASH EQUIVALENTS, December 31	4,5,6	526,241,422	506,457,279
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION			
Increase in capital stocks due to stock dividends taken from retained earnings		27,887,886	18,226,925

(The notes on pages 5 to 71 are an integral part of these financial statements.)

PRODUCTS AND SERVICES

DEPOSITS

- 1 Regular Savings Account
- 2 Student Savers' Club (SSC)
- 3 Regular Time Deposit
- 4 Premium Time Deposit
- 5 ATM (Moneycard)
- 6 Current Account
- 7 Commitment Savings Deposit Account

REMITTANCES

- 1 CBI Moneycard
- 2 GCash
- 3 G-Remit
- 4 Cebuana Lhuillier
- 5 Western Union
- 6 BDO Remit

LOANS

- 1 Agricultural Loan
- 2 Agri Value-Chain
- 3 Business Enterprise Loan
- 4 Back-to-Back Loan
- 5 Salary Loan
- 6 Pension Loan
- 7 SME-Asenso
- 8 Home Financing Loan
- 9 KITA Loan
- 10 HOME Loan
- 11 Jewelry Loan

MICROINSURANCE

- 1 CB Kalinga
- 2 Nego Asenso

SERVICES

- 1 SSS Premium/Loan Payments
- 2 SSS/GSIS Pension Remittance
- 3 Interbranch/Bank-to-Bank Fund Transfer
- 4 Inter-Branch Deposit & Withdrawal
- 5 Demand Draft
- 6 Utility/Payroll Servicing
- 7 Automated Teller Machine (ATM)
- 8 NSO Document Processing (Ruralnet)

CORPORATE PROFILE

Cantilan Bank, Inc. (CBI) then known as the Rural Bank of Cantilan, Inc. was founded in 1980 in Cantilan, Surigao del Sur by a group of Cantilangnons led by Mr. Luis Y. Buniel. With 21 stockholders, an authorized capital of PhP500,000.00 and a paid-up capital of PhP157,500.00 it started operating on June 8, 1980. CBI offered traditional rural banking services and extended collateral-based loans to smallholder farmers and businessmen as additional or start-up capital for their businesses. In 1983, three years after the start of operations, CBI was awarded as the Best Rural Bank in Region XI.

Nine years after its establishment, Cantilan Bank opened its first branch in Madrid, Surigao del Sur extending its services to the neighboring towns Carrascal, Madrid, Carmen, and Lanuza and was later followed by the opening of Tandag Branch in the year 1996. Soon after, during the leadership of Lt. Gen. William K. Hotchkiss III from 1999-2014, the bank expanded rapidly growing its network to 22 branches and 17 micro-banking offices across 10 provinces in Mindanao and Southern Leyte thereby making the bank more financially viable. It was also during his management that the bank started Grameen-type of lending operation which introduced microfinance products to its clients. The bank's outstanding performance in micro-finance was recognized by being conferred the Microenterprise Access to Banking Services (MABS) EAGLE award four times for its exemplary and consistent performance in microfinance.

Today, under the new leadership of Brig. Gen. Charles Y. Hotchkiss, CBI continues to become one of the leading rural banks in the country. It now operates with an authorized capitalization of PhP300 million, paid-up capitalization of PhP 263.6 million and its ownership has grown to 265 stockholders. It offers a full range banking and other financial services, including deposits, loans, remittances, microinsurance, ATM & debit card, and other services consisting of bank-to-bank fund transfer, utility and payroll servicing, NSO document processing and SSS/Pension Remittance and premium/loan payments.

From one brick-and-mortar branch in 1980, Cantilan Bank currently spans a consolidated network of over 14 ATMs, 40 branches and offices operating in Caraga Region, Misamis Oriental, Compostela Valley, Davao del Norte, Davao Oriental, and Southern Leyte with total resources of PhP2.37 billion.





CORPORATE HEADQUARTERS

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