



CANTILAN BANK
YOUR FRIENDLY COMMUNITY BANK

ANNUAL REPORT 2017



ABOUT CANTILAN BANK

Established in 1980, Cantilan Bank has helped improve the economy of many communities through its innovative products and services. With its network of 43 offices operating within 12 provinces in Mindanao and Visayas, the Bank is able to provide financial access to people and deliver financial inclusion initiatives that aim to convert the unbanked into savings communities.

CBI is proud to become the first bank in the Philippines to use a cloud-based core banking technology. This new system will greatly create an impact in the efficiency of the Bank's operation and will provide better services to its customers.

Cantilan Bank is regarded as one of the top rural banks in the country with total resources of Php 2.4 billion as of December 2017.

VISION AND MISSION

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 operation.



Our 2017 performance once again demonstrates Cantilan Bank's strength and capacity to accomplish good results amidst various banking challenges, difficult market conditions and stricter regulatory requirements. It may be considered as one of our most challenging years but through the Board's guidance, and the outstanding efforts of management to implement our Strategic Plan, we were able to surpass these challenges.

We finished the year 2017 by focusing on our core businesses to ensure continuity of our growth, deepening our footprint in the communities that we serve, and broadening our financial inclusion mission to reach the underserved and unbanked.

Last year, the Board directed Management to put a more intense focus on improving the quality of our loans and delinquency management. These efforts had given us a good result as our Interest Income has increased by 4 percent and our Interest Expense has reduced by 9 percent on a year to year performance. However, the BSP's new regulation on Loan Loss Provision has completely altered the bank's performance for 2017. This new regulation has caused the Provision for Credit Losses on loans to increase by 57 percent and a reduction on our Net Operating Profit by 28 percent at the end of the year. To help cushion the effect of full provisioning, the board has rallied all stockholders to a Call for Subscription in September 2017 which then resulted in an improved Capital Adequacy Ratio and an 8% increase in Share Capital.

Along with this remarkable performance, we also embarked on initiatives in support of our future growth. We aimed at long-term success when we invested heavily in technology, a cloud-based core banking software, in partnership with Oradian, to pursue operational excellence, efficiency in our services and digitization of our processes. This cloud-based core banking technology will enable us to open financial opportunities to the unbanked and unserved population, thus, allowing us to sustain our performance and strategic growth into 2018 and beyond.

Congratulations to the Board of Directors, stockholders and the Management team of Cantilan Bank! Let us continue to strive everyday to win every battle in this fast-changing financial landscape with pride and confidence towards our vision of becoming the most dynamic and trusted community bank in the Philippines.



A handwritten signature in black ink, appearing to read "Co. Cantilan".

LT. GEN. WILLIAM K. HOTCHKISS, III (RET.)

Chairman of the Board

PRESIDENT'S MESSAGE



I would like to thank all of our stakeholders – customers, personnel, board members, regulators, and shareholders for your continued support of Cantilan Bank.

Our 2017 financial results reflect the success of our diversified strategies to support and provide our customers' needs. We have effectively delivered our long-standing mission to provide our communities across our network of 43 branches and offices in 12 provinces with the most affordable and easiest financial solutions.

Our 6 percent growth in deposits in 2017 reveals our clients' well-maintained trust and the strong credibility of our brand. We are now closer to the 100K mark as to total number of clients and we could not have come this far if we did not listen to our customers, managed our risks, and understood our market.

In 2017, we have also grown our loans portfolio by 8 percent as a result of our utmost efforts on developing affordable financial solutions tailored to the needs of our communities. From 2013 to 2017, the

average annual growth of our loans portfolio is at 10 percent.

Early in 2017, we implemented our strategic remedial management plan to focus more on improving our portfolio quality and delinquency management rather than on portfolio growth. Coupled with strong cost management efforts and despite fully providing for loan losses, our 2017 operations efforts netted us P19 M in profit.

On a more significant note, we successfully delivered our mission to provide excellent community banking services as we received a 96 percent net satisfaction rating from our valued clients in 2017. We aim to continuously deliver on our mission by innovating our products and services to serve our clients' ever-evolving needs.

As we go onboard into our new cloud-based software Instafin which we piloted in Q2 2017, I am confident that we are well positioned to navigate the challenges ahead of us. This will bring to light our main goal to offer the friendliest service that is faster than ever.

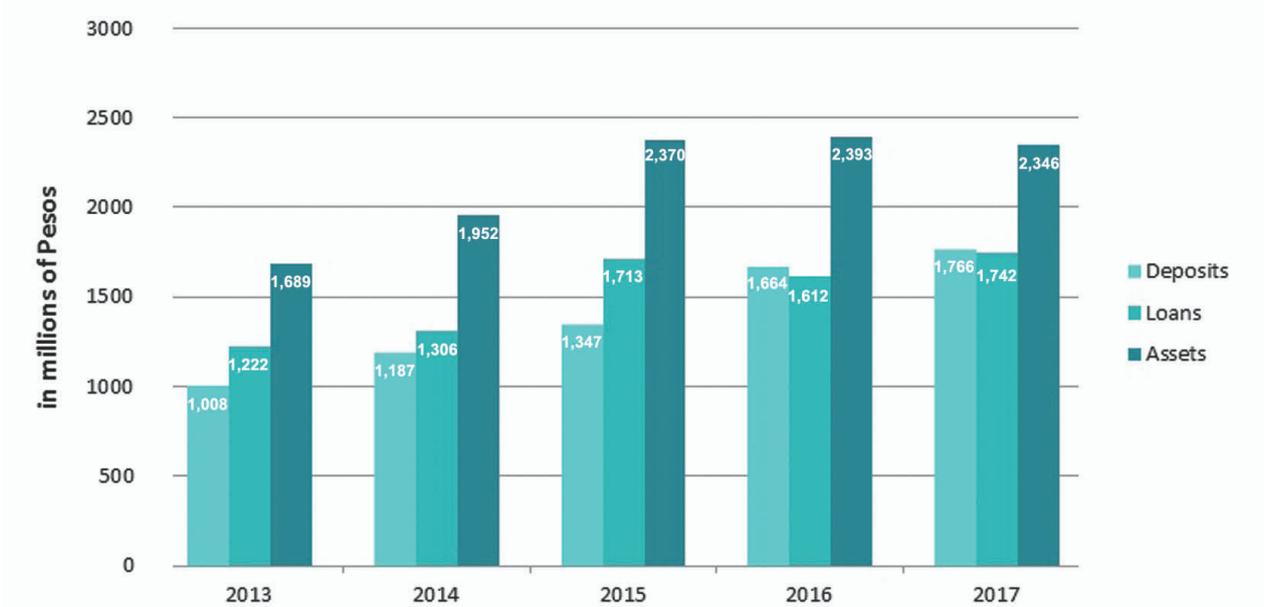
Let us keep moving forward together!

A handwritten signature in black ink, appearing to read 'Charles Y. Hotchkiss'.

BRIG. GEN. CHARLES Y. HOTCHKISS (RET.)

President

FINANCIAL OVERVIEW



Deposits grew by
6%

Loans increased by
8%

Assets decreased by
-2%

Cantilan Bank's deposits portfolio went up by Php 103 million at year-end 2017, representing an annual growth of 6 percent from Php 1.66 billion a year ago to Php 1.77 billion. This sustained increase on deposits reflects heightened depositors' trust and confidence in the stability of the banking system. The Bank also gained an 8 percent increase on its loans portfolio - hitting 91 percent of its target with Php 1.7 billion.

Despite the increase in deposits and loans portfolio, the Bank's total assets declined slightly by 2 percent from 2016 figure of Php 2.4 billion. 2017 Net income of Php 19.4 million represented a 28 percent decrease from year-end 2016, primarily driven by the loan loss provisioning that the Bank fully provided in 2017. Nevertheless, the Bank's capital remained strong with an 8 percent increase due to stockholders' positive response to the September call for subscription. As a result, total equity increased for the year ended 2017 by 22 percent.

PAID UP CAPITAL
Php 243.5 million

TOTAL EQUITY
Php 375.5 million

NET INCOME
Php 19.4 million



AUDITED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S OPINION

We have audited the financial statements of CANTILAN BANK, INC. (A RURAL BANK) which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Banking financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2017 and 2016 and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

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CANTILAN BANK, INC. (A Rural Bank)

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

(In Philippine Peso)

	2017	2016
Assets		
Cash and Other Cash Items	193,128,937	222,686,606
Due from Bangko Sentral ng Pilipinas	63,497,537	53,711,516
Due from Other Banks	221,293,126	373,025,049
Total Cash and Cash Equivalents	477,919,600	649,423,171
Loans Receivable - net	1,495,758,130	1,437,902,588
Unquoted Debt securities classified as Loans	15,000,000	15,000,000
Held-to-Maturity Investments - net	105,016,428	44,038,000
Bank Premises, Furniture, Fixtures and Equipment - net	98,176,781	107,777,236
Investment Properties - net	27,529,135	20,591,560
Other Intangible Assets - net	18,960,963	22,231,593
Deferred Tax Assets	55,395,185	56,701,670
Other Assets - net	52,432,337	40,280,359
Total Assets	2,346,188,559	2,393,946,177
Liabilities and Equity		
Liabilities		
Deposit Liabilities		
Savings	1,056,712,547	1,030,415,251
Time	615,500,436	570,505,884
Demand	94,621,513	63,231,676
	1,766,834,496	1,664,152,811
Bills Payable	115,156,123	243,922,133
Accrued Expenses and Other Liabilities	81,488,835	90,009,751
Retirement Benefits Liability (Asset)	(248,063)	74,496,253
Income Tax Payable	7,407,720	13,630,010
Total Liabilities	1,970,639,111	2,086,210,958
Equity	375,549,448	307,735,219
Total Liabilities and Equity	2,346,188,559	2,393,946,177

AUDITED FINANCIAL STATEMENTS

CANTILAN BANK, INC. (A Rural Bank)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Years Ended December 31, 2017 and 2016
(In Philippine Peso)

	2017	2016
Interest Income on		
Loans receivable	341,463,521	330,605,473
Sales contract receivable	1,397,083	366,331
Investments	1,380,160	545,995
Deposits with banks	375,687	426,371
	<u>344,616,451</u>	<u>331,944,170</u>
Interest Expense on		
Deposits liabilities	44,371,259	40,012,993
Borrowings	9,488,306	25,823,508
	<u>53,859,565</u>	<u>65,836,501</u>
Net Interest Income before		
Provision for Credit Losses on Loan receivables	290,756,886	266,107,669
Provision for Credit Losses on Loan receivables	<u>74,421,654</u>	<u>47,415,027</u>
Net Interest Income before		
Other operating income and operating expense	216,335,232	218,692,642
Other operating income	<u>76,932,281</u>	<u>70,547,469</u>
	<u>293,267,513</u>	<u>289,240,111</u>
Operating expenses		
Compensation and staff benefits	106,125,989	102,680,109
Depreciation and amortization	29,489,334	28,944,922
Taxes and licenses	28,128,240	20,217,716
Insurance	7,395,846	5,646,433
Rent	7,033,426	6,377,624
Travel and transportation	6,147,951	9,421,107
Retirement benefits	5,570,378	8,927,668
Supplies used	5,100,047	6,717,693
Repairs and maintenance	4,543,561	4,955,916
Professional fees	1,739,972	2,821,613
Advertising and publicity	428,814	414,324
Other operating expenses	64,031,806	53,806,995
	<u>265,735,364</u>	<u>250,932,120</u>
Income before tax expense	27,532,149	38,307,991
Income tax expense	<u>8,139,749</u>	<u>11,417,223</u>
Profit for the year	<u>19,392,400</u>	<u>26,890,768</u>
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit obligation	52,592,721	1,588,040
Deferred tax effect	(15,777,816)	(476,412)
	<u>36,814,905</u>	<u>1,111,628</u>
Total comprehensive income	<u>56,207,305</u>	<u>28,002,396</u>

OPERATIONAL HIGHLIGHTS

BRANCH BANKING

Service and financial inclusion continues to be the key mission of the Bank and this is especially true in the Bank's branch banking division. CBI opened a new extension office in Calinan, Davao City and converted the two extension offices of Trento and Hilongos into full-service branches.

The bank has sustained the trust of its depositor clients, manifested by the 6 percent growth on its deposits portfolio at year-end 2017. To further increase financial access, the bank invested in a cloud-based solution Instafin, which will increase the efficiency of the bank's overall operation thereby improving customer experience.

Another service it introduced in 2017 is EasyDebit, a cash out solution powered by Fexco that uses a micro-ATM device to enable access to all ATM cardholders using locally-issued cards.

In 2018, CBI plans to open a new branch in Cagayan de Oro to complete the loop of its service coverage in the areas from Gingoog to Bukidnon.

CREDIT AND LOANS

Cantilan Bank's efforts to deliver an affordable and convenient loan services have earned another good outcome on its loans portfolio as it hit Php 1.7 billion at year-end, an 8 percent increase from 2016 figure.

Although loans portfolio grew, it has not contributed heavily to the bank's net income for the year due to the loan loss provisioning that it fully provided in 2017. Furthermore, the bank has decided to slow down on growth and focused more on improving portfolio quality and reducing non-performing assets and non-performing loans based on the board-approved strategic remedial management plan.

As the bank continues to face opportunities and challenges in its daily operations, it is eyeing to achieve its P2.1B loans target by the end of 2018.

FUND MANAGEMENT

Cantilan Bank was able to earn P1.1M from its excess funds invested in short-term government securities. Income from these treasury bills exceeded the projected target by 37.5% under the held-to-maturity accounts. With an efficient centralized fund management and steady investment of the excess funds to short-term treasury bills, these ensured that the cost of fund remain below the 3.5% mark and reach a Capital Adequacy Ratio of 13.66% by December 2017.

Apart from ensuring all of its funds are earning efficiently, the Management plans to register these same assets as part of its reserves maintained in the Bangko Sentral ng Pilipinas. The registration of its government securities shall be one of its proactive steps in guaranteeing good financial strength and stability for its depositors and stockholders, alike.

HUMAN RESOURCES

Cantilan Bank provided a total of 151 jobs to local applicants in 2017, and ended the year with a total of 480 employees. All the new hires went through the General Orientation Course (GOC) conducted by the Training Department to equip them with the basic competencies prior to their deployment to branches and offices.

True to its commitment to deliver excellent community banking services to its clients thru an empowered and motivated workforce, HR has strengthened corporate governance by putting in place an improved hiring policy, conducted 40 internal trainings joined by 480 employees, and sent 24 employees to 20 external trainings and forums.

Moreover, HR conducted a bankwide orientation on CBI Code of Ethics and Business Conduct participated by all employees from all levels of the organization. For continued growth of its supervisor employees, the bank conducted 3 rounds of Supervisory Development Program in 2017 to ensure better leadership at CHQ and branch level.

OPERATIONAL HIGHLIGHTS

As we continued to invest in our brand image, taking steps to ensure the bank's image leadership in the areas where we operate, we already completed the installation of the new signage in all our branches and extension offices and started putting-up road signage bearing the Bank's new logo.

Additionally, to ensure that we maintain good presence in social media, we stepped up the vibrant and vigorous activities of our FB account and relaunched our company website in June 2017. We also made certain that all online messages from our customers are answered immediately based on the standards set by the Bank on its Consumer Protection policies.

All these and other Bank initiatives contributed to make 96% of our customers satisfied and happy.

In 2017, IT operations largely focused on driving the bank's digital transformation strategy and narrow the gap in delivering financial inclusion, as Cantilan Bank moved its IT solutions into a cloud-based system. Instafin was piloted in three branches during the second quarter of 2017. The shift to the cloud will allow the bank to reach more unbanked communities and deliver its services efficiently.

The Bank has also started migrating its ATM systems to EMV and is set to distribute its EMV-compliant Moneycard among all its cardholders by second quarter of 2018 following the nationwide mandate of the BSP for all banks to address ATM counterfeit fraud, safeguard the interests of the cardholders, and uphold consumer protection.

In 2017, Cantilan Bank became the first bank in the country to pioneer cloud banking. With its strategic technology partner, Oradian, the bank is moving to the cloud to provide greater financial access to the underserved and unbanked communities.

The bank's cloud pilot project with support from the Asian Development Bank and approval from the Bangko Sentral ng Pilipinas, will be implemented in five stages including the full migration of Cantilan Bank's data and information to the cloud infrastructure; mobility enhancement of loan officers in the field through mobile applications linked to the core system; integration with third parties including payments and remittance services; enabling clients to have direct digital access of their finances; and measuring impact on financial access. The full migration of bank's data is expected to finish in Q1 2018.

Ultimately, by moving into the cloud, the Bank will be able to mitigate IT, strategic, and operational risks and achieve a significant reduction in its future IT capital expenses. By using Oradian's cloud banking platform, the bank will reach more rural clients in Mindanao and the Visayas.

Cantilan Bank has strengthened the implementation of its Information Security program to safeguard the confidentiality of the bank's information assets and eliminate vulnerabilities in its IT systems.

In 2017, a series of security assessments were conducted by the Office of Information Security throughout the bank's branches and offices to ensure that all personnel have observed and carried out the best practices on keeping the business data safe and secure based on the existing information security policies and procedures.

Aside from dealing with possible security breaches, the bank also enhanced and reviewed its Disaster Recovery Plan (DRP) in order to proactively identify deficiencies and find solutions to problems before a disaster occurs. This is very critical for the bank to ensure smooth-sailing operations and to sustain the trust and confidence of its clients.

MARKETING

INFORMATION TECHNOLOGY

STRATEGIC MANAGEMENT

INFORMATION SECURITY

CANTILAN BANK OFFICES



LEGEND



24
BRANCHES



19
EXTENSION OFFICES

CARAGA REGION

SURIGAO DEL SUR: **Cantilan** * Madrid * Tandag City * San Agustin * San Miguel * Tagbina * Lingig * Lianga * Aras-asan * Marihatag * Hinatuan * Barobo * Mangagoy

SURIGAO DEL NORTE: **Claver** * Surigao City * Socorro * Alegria * Dapa * Taganito * Del Carmen * Bad-as * San Isidro * General Luna

AGUSAN DEL SUR: **San Francisco** * Prosperidad * Bayugan * Trento

AGUSAN DEL NORTE: **Butuan City** * Buenavista * Santiago * Tungao * Cabadbaran

DAVAO REGION

DAVAO DEL SUR: **Davao City** * Calinan

DAVAO DEL NORTE: **Tagum City** * Asuncion

DAVAO ORIENTAL: **Lupon** * Cateel

COMPOSTELA VALLEY: **Nabunturan**

NORTHERN MINDANAO

MISAMIS ORIENTAL : **Gingoog City**

BUKIDNON: **Malaybalay**

EASTERN VISAYAS

SOUTHERN LEYTE: **Sogod**

LEYTE: **Hilongos**

BOARD OF DIRECTORS



LT GEN WILLIAM K HOTCHKISS III (RET)

CHAIRMAN OF THE BOARD

Has served as CBI Chairman since 1999. He received his Bachelor of Science in Aviation degree at the Philippine State College of Aeronautics in 1970 and earned his Master's degree in Education at the University of the Philippines in 1978. He completed General Staff Course at Escuela Superior del Aire, in Spain and finished International Fellows Course at National Defense University, Washington, DC. He served as the country's 24th PAF Commanding General (1996-1999), as Director General of the Civil Aviation Authority of the Philippines (2012-2016), as Chairman of the Rural Bankers Association of the Philippines (2005-2006) and Rural Bankers Research & Development Foundation (2006-2007).



BRIG GEN CHARLES Y HOTCHKISS (RET)
DIRECTOR/PRESIDENT

Has served as CBI President since 2014. He earned his Bachelor of Arts in Mathematics degree at Colegio de San Jose Recoletos. He accomplished his Command and Staff Course and Project Management special course at the Royal Australian Air Force Staff College. He joined PAF in 1980 as Squadron Commander and retired as Wing Commander. While with PAF, he became Chairman of ACES Cooperative and handled various chairmanships in relation to fund management and credit. He joined CBI in 2005 as a Member of the Board and assumed the position of Executive Vice President from 2008 to 2014.



WENCESLAO R. ARREZA
VICE CHAIRMAN

He joined Cantilan Bank in 1999 as Member of the Board and serves as Vice Chairman since 2001. He holds a degree in Geodetic Engineering from the University of Southern Philippines and was into politics in the province of Surigao del Sur from 1988-2010 as Mayor and Board Member.



TANYA P. HOTCHKISS
DIRECTOR/ EXECUTIVE VICE PRESIDENT

Has served as CBI Executive Vice President since 2016. She joined the Bank in 2012 as Head of Strategic Management and became a member of the Board since 2015. She graduated cum laude from the University of the Philippines-Diliman with a Bachelor's degree in Business Administration and earned her Master's degree in Development, Innovation and Change from the University of Bologna in Italy in 2011. For her outstanding work in the international development community, she received the Devex 40 Under 40 award in 2013 in Manila. In 2016, she completed the HBS-Accion executive program on Strategic Leadership in Inclusive Finance at the Harvard Business School. She also serves as Executive Director of the Hotchkiss Foundations' island ecology conservation work.



ATTY. AQUINO F. AMBRAY, CPA
INDEPENDENT DIRECTOR

Member of the Board since April 2017. He earned his BS Accounting degree in 1988 and Bachelor of Laws degree in 1993 from San Beda College. He was a Tax & Corporate lawyer at Tanjuatco Law Firm from the year 1994 to 1996 and held the Tax, Licensing and Customs position at Intel Philippines from 1996-2003. At present, he is a Managing Partner at Ambray Castillo Law Firm and Director at Ecobridges Ads, Inc., Front Media Talent Agency, Inc., and Energy Remedies Advocates Corporation.



ROLANDO U. JULVE
DIRECTOR

Member of the Board since 1997. He was the Bank's Chairman from 1997-1998 and Vice-President from 1999-2001. He graduated with an Associate degree in Arts at the University of Santo Tomas in 1958 and earned his Bachelor of Science degree in Commerce at Saint Michael's College in 1972. He was a public servant in the town of Cantilan from the year 1972-2013 as Vice-Mayor and Councilor.



JEANETTE PALANG - ZAYAS
INDEPENDENT DIRECTOR

After having served the Bank as a Member of the Board from the year 2006-2008, she joined again as Member of the Board in 2015. She finished her studies at the University of Santo Tomas in 1997 with a Bachelor of Arts degree in Communication. She was a Municipal Councilor of Cantilan from 2007 to 2013.



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 holds regular meetings monthly in accordance with its By-Laws and convenes for special meetings when required by business necessities.

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, (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:

Atty. Aquino F. Ambray **Members:**
Wenceslao R. Arreza
Rolando U. Julve
Jeanette Palang-Zayas

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:

Jeanette P. Zayas
Members:
Wenceslao R. Arreza
Rolando U. Julve
Atty. Aquino F. Ambray

III. CREDIT COMMITTEE -

composed of at least three (3) members of the Board, two (2) of whom shall be members of the Board including the chairman, another one a bank officer (ex-officio). The committee approves the loan applications from a maximum total sum of P501,000 to P300,000,000 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
Raul Bernabe B. Urbiztondo

IV. IT STEERING COMMITTEE -

composed of one (1) non-executive director, IT Head, Information Security Officer, and six user department representatives and is headed by a high-ranking official. The committee is responsible for ensuring proper IT governance covering bankwide IT structure, processes, and operations.

Chairman:

Tanya P. Hotchkiss

Members:

Jeanette Palang-Zayas
Marie Stella B. Kindica
Grace Naumi A. Lim
Glonie Glenn P. Rios
Ruth T. Quiñonez
Cromwell Q. Estabas
Allan P. Vaz



INDEPENDENT CHECKS

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 operation.

EXTERNAL AUDIT

BDO Roxas Cruz Tagle and Co. (formerly 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 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 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, Chief Compliance Officer regularly updates the Bank's Compliance Manual.

ANTI-MONEY LAUNDERING

In compliance with BSP Circular No. 950 otherwise known as the Updated Anti-Money Laundering Rules and Regulations, the Compliance Division revised its Money Laundering and Terrorist Financing Prevention Program (MLPP) in September 2017 to enhance the bank's methods in preventing the Bank from money laundering and terrorist financing activities. The Compliance Office expanded with AML department and designated AML Compliance Officer who is responsible for the implementation of applicable regulatory issuances in Anti-Money Laundering.

In 2017, Compliance Division conducted a series of trainings on Anti-Money Laundering among officers and staff through dissemination of regulatory issuances, compliance testing and conducting seminars to strengthen and improve compliance program.

AWARDS AND CITATIONS



MOVING INTO THE CLOUD

In June 2017, Cantilan Bank received a \$150,000 grant from the Asian Development Bank in support of the bank's pilot project. Cantilan Bank will use Oradian's cloud-based banking technology to demonstrate how digital services can unlock financial opportunities for the unbanked and underserved segments of the population.

The pilot project will make Cantilan Bank the first bank in the Philippines to use cloud-based core banking technology in its operations. It aims to demonstrate that an investment and focus on technology – like cloud-based banking – can increase financial inclusion and provide a useful example to be scaled and replicated.

Bangko Sentral ng Pilipinas (BSP) Governor Nestor Espenilla Jr. said: “The pioneering introduction of cloud banking in the Philippines is a key moment in solving the challenges of financial inclusion. Cloud technology can upgrade the competitiveness of rural banks and enable them to provide affordable, high quality financial services. With this in mind, we are excited to support and observe the collaboration of ADB, Cantilan Bank, and Oradian.”

Reference: <https://www.adb.org/news/cloud-based-banking-pilot-project-improve-financial-inclusion-philippines>



OUTSTANDING BANK PARTNER-CREDIT GUARANTEE

2017 GAWAD MSME AWARDS

JULY 28, 2017

MOST VALUABLE DEVELOPMENT PARTNER

2017 GAWAD MSME AWARDS

JULY 28, 2017

14 | Annual Report 2017



2017 ORADIAN'S TRAILBLAZER AWARD

JULY 27, 2017

CORPORATE SOCIAL RESPONSIBILITY

Helping the communities has always been on top of our priority. These reports reflect our commitment to deliver our mission well beyond our products and services. As a community bank, we believe in the importance of collaborating with, and learning from the communities where we operate.

Coastal Clean-up

In support of World Ocean's Day 2017, Cantilan Bank held a coastal clean-up drive at Balwarte, Cantilan, Surigao del Sur participated by the bank personnel including volunteer organizations and individuals. The activity encourages solutions to plastic pollution and prevention of marine litter for a healthier ocean.

Brigada Eskwela

Our employees at the branches and extension offices visit selected schools to donate paint, cleaning materials, and participate in the clean-up activity together with the teachers and the parents in preparation of the opening of the school year. This way, a clean school and comfortable classrooms will welcome the students ready for their first day of class.

Financial Literacy Program

True to its mission to help develop and achieve financially-inclusive communities, CBI, through its Financial Inclusion program conducts series of Financial Education trainings and orientations to its stakeholders. Its three different tracks focused on children and youth, parents and business owners are being conducted regularly whole year-round. Each track focuses on regular saving as the first step to attain financial literacy.

Career Guidance Symposium

Conducted annually for free, this initiative greatly helps students figure out the career path that they want to pursue after graduating from high school. Cantilan Bank in partnership of the local schools, invite speakers from various fields of interest to share to the students an overview of their job and the skills and interests required for the job.

Business Asenso

Cantilan Bank in partnership with DTI through its Negosyo Centers in different municipalities provide free workshop among local entrepreneurs. Business Asenso aims to equip these small business owners with basic knowledge on business management, record-keeping, budgeting, accounting-for-non-accountants and other livelihood skills training.

Internship program

As our support for the local colleges and universities, we offer graduating college students an opportunity to put into practice their academic learnings. Through the Bank's Internship Program, students are given ample time, between 200-400 hours work experience at the bank. This is important among students as this will count as their work experience which makes them more marketable during job search. Often, these students apply for a job at Cantilan Bank and a fair percentage of them are being accepted.

Student Savers' Club (SSC) Events

A total of 9,528 with a deposit portfolio of more than PhP 40M comprise our Student Saver's Club. Children ages 0 to 16 years old who are members of this club meet twice a year for a Christmas gathering during December and summer classes to enjoy the long days to summer. As early as February, SSC members already start depositing money into their account in order to reach the minimum deposit of PhP 2,000.00 and for them to be able to join the free workshop on sports, art and dance. This is done to encourage children and parents to save and to provide an avenue for children to develop their physical and social skills. Some of the SSC members are now delegates to the National Schools Athletic Competition.



DOLOROSA ARPILLEDA

AGRI VALUE CHAIN(AVC) CLIENT SINCE 2014
CANTILAN BANK - CANTILAN BRANCH

“Cantilan Bank came at the right time when I needed additional capital for my rice production. When I heard the good news that the Bank is offering Agri Value Chain Loan, I applied for it without hesitation. I knew from the start that the product would help me grow my business because the interest rate is very affordable plus paying off of loan is done after harvest. I am happy with the features of this product because it comes with crop insurance - less worries in times of calamities.

I do not have intentions of getting a loan from another lender as I get full support from my Bank. I am proud that I have chosen Cantilan Bank as my partner in growing my business.”





TOMASITA BENDOY

KITA INSAKTO TIPON ASENSO (KITA)

LOAN CLIENT SINCE 2012

CANTILAN BANK - CANTILAN BRANCH

“I have successfully grown my sari-sari store business with the help of Cantilan Bank. It was their account officer who encouraged me to take a loan from them 6 years ago and up until now I am on my 13th loan cycle. I would not have stayed this long with the Bank if not because of their high touch customer service. They have met my expectations when it comes to customer service because they go beyond the usual banking service, serving their clients to the best that they can. I trust this bank so much that I can recommend them to my fellow entrepreneurs who are looking for financial opportunities for their businesses.”

STATISTICS

92K

CLIENTS

P1.7B

LOANS

P1.7B

DEPOSITS

SOCIAL MEDIA FOLLOWING



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5K



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