



**CANTILAN BANK**

**ANNUAL  
REPORT  
2 0 1 9**



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# CANTILAN BANK

## YOUR FRIENDLY COMMUNITY BANK



### About Cantilan Bank

Established in 1980, Cantilan Bank (CANBNK) has helped improve the economy of many communities through its innovative products and services. With its network of 46 branches and branch lites, the Bank provides financial access to over 100 communities across 12 provinces in Mindanao and the Visayas. CANBNK is regarded as one of the leading rural banks in the country and was awarded the Digital Trailblazer award by the Bangko Sentral ng Pilipinas in 2019.

Innovation is the bank's strategic imperative and it considers digital technology and partnerships as the key drivers for financial inclusion especially in the post-Covid-19 era. In January 2019, with the support of the ADB and the BSP's approval, Cantilan Bank became the first bank in the Philippines to go live on a cloud-based corebanking system. The pioneering project paved the way for 26 other rural banks to migrate to the cloud and has positioned Cantilan Bank at the frontlines of financial inclusion through digital transformation.

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 2019.

### 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 – CANBNK values reliable and timely disclosure of information to its clients and share-owners.

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

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

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

Integrity – CANBNK 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 – CANBNK 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.

# CORPORATE POLICY

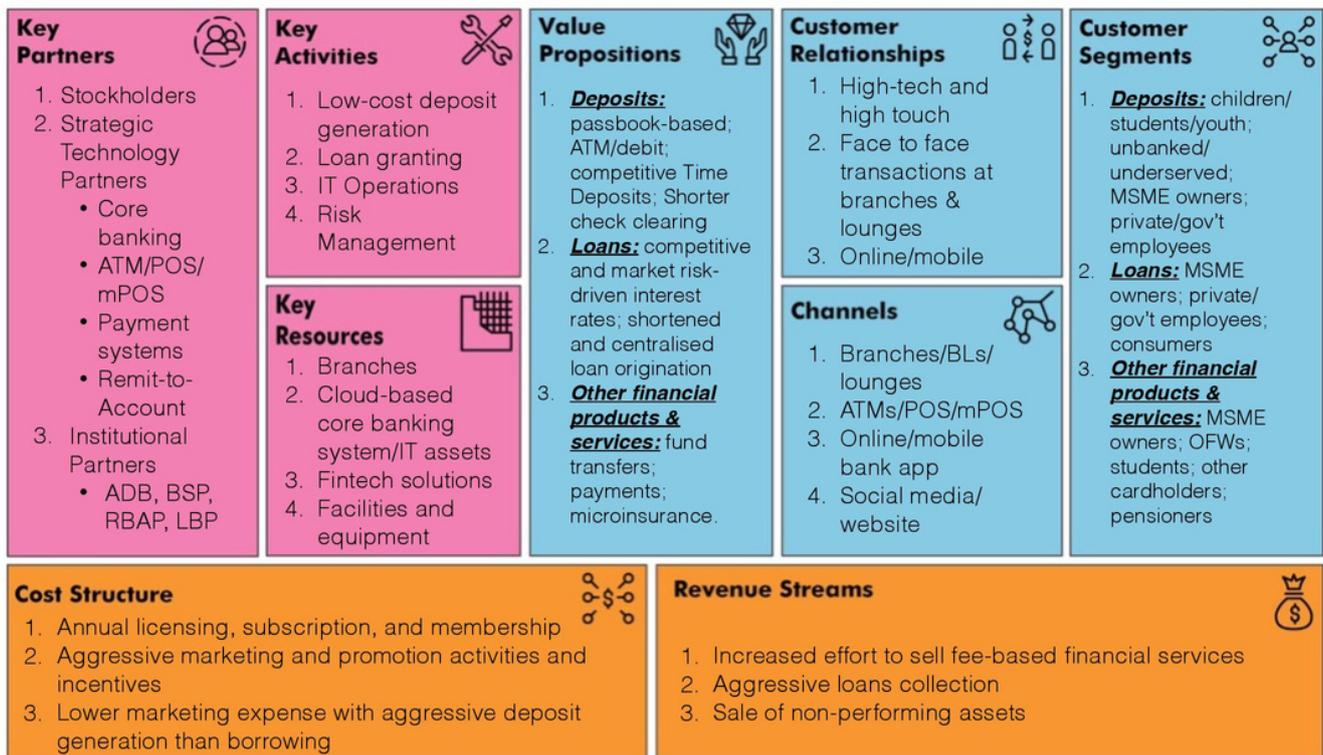
## CANBNK's BRAND

Our brand statement "Cantilan Bank - Your Friendly Community Bank", encapsulates our brand and our strategy. It explains who we are, what we do, and what we want to be known for. Our strategy of creating easy, fun banking by reducing product complexity and KYC complexity and by driving up approachability and transaction ease is defined in our brand. Our official colors of yellow and dark blue evoke freshness, happiness, optimism, and loyalty.

## BUSINESS MODEL

Our business model is our core strategy for providing customer value.

# Business Model Canvas



# CHAIRMAN'S MESSAGE

The year 2019 was indeed a momentous year for Cantilan Bank, Inc. We became the Philippines' first financial institution regulated by the Bangko Sentral ng Pilipinas (BSP) to leverage cloud technology to deliver digital financial services to unbanked individuals in hard-to-reach, rural communities.

Digitalization is one of CBI's strategic initiatives. It has enabled us to achieve our mission for financial inclusion as we become financially inclusive by significantly increasing our engagement with unbanked individuals to access the bank. Through digital transformation, we were able to solve old and new problems with technology and change our business processes, culture, and customer experience. It is on this note that we've devoted our resources to this strategy to strengthen our relevance in the market and help shape the future of banking in the Philippines.

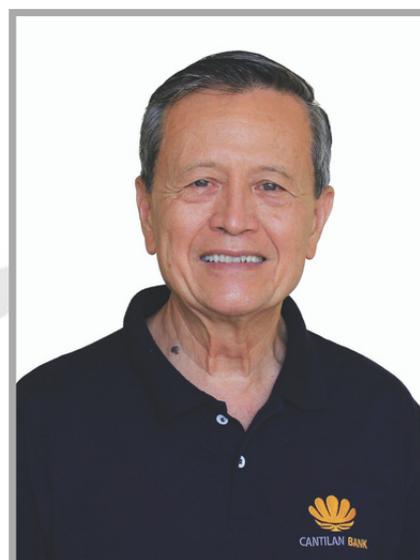
Beyond financial returns to shareholders, the development and support of environmental protection programs is another strategic priority of the bank. Cantilan Bank believes that the sustainability of our business is dependent on the sustainability of the environment. Cantilan Bank and its social arm, Cantilan Bank Foundation, Inc., have worked with public and private sectors to create and deliver shared value to clients, communities, and society in general. In pursuit of this advocacy, the Convergence for Sustainable Watersheds aims to fight for water security and environmental sustainability so that the communities that Cantilan Bank serves can enjoy a more sustainable future.

I would like to thank the invaluable contribution of our Board of Directors. Your judgment and commitment to our mission and vision have enabled us to thrive amidst this ever rapidly changing environment. Thank you also to the management team for your dedication and professionalism. Your diligence has made Cantilan Bank remain strong and relevant to our clientele over the years. Most importantly, we are grateful to our valuable clients for your unwavering trust and support. We will remain committed to serve you better with convenient and excellent community banking services now and the years to come.



*Co Cant*

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



# PRESIDENT'S MESSAGE

In the face of challenges in 2019, both internal and external, Cantilan Bank has continued to sustain its momentum and further strengthened the commitment to its vision of financial inclusion and environmental protection and innovation of financial services for our customers and shareholders.

January 2019 was a significant milestone for Cantilan Bank when we went live with our cloud-based core banking system, the first Bank in the country to adopt such technology. We invested heavily in this strategic initiative as we believe that this will jumpstart our digital transformation journey. We embarked on this journey despite the high investment knowing that this is a critical step in maintaining our competitive advantage in the banking industry and a bold step to cement our legacy in the community.

As we move forward, Cantilan Bank will continuously build on the strong foundations that we have established through these years to enhance our role as a community bank. We will respond to the challenges with forthright resolution and commitment amidst the increasingly demanding regulatory and market realities.

Let me express therefore our gratitude to all our valuable clients for your trust and confidence in our bank. Aware of the rising customer demands, CBI will continue to deliver excellent innovative community banking services. I would also like to thank our Board of Directors for their invaluable guidance and counsel. Last, but not the least, my special appreciation to our employees for their professionalism and dedicated service to the bank.

Mabuhay ta tanan!



A handwritten signature in black ink, which appears to read "Charles Y. Hotchkiss".

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

# FINANCIAL OVERVIEW

Solo (Figures are in Philippine Peso)

	2018	2019
<b>Profitability</b>		
Total Net Interest Income	291,677,406	293,428,525
Total Non-Interest Income	70,101,838	63,260,865
Total Non-Interest Expenses	270,498,782	280,711,673
Pre-provision profit	91,280,462	75,977,717
Allowance for credit losses	73,707,872	51,281,918
Net Income	12,983,659	18,273,834
<b>Selected Balance Sheet Data</b>		
Liquid Assets	696,880,302	672,124,225
Gross Loans	1,649,852,693	1,661,349,755
Total Assets	2,314,974,273	2,409,228,579
Deposits	1,740,618,890	1,656,638,055
Total Equity	381,120,159	386,016,829
<b>Selected Ratios</b>		
Return on equity	3.39%	4.76%
Return on assets	0.54%	0.77%
Capital Adequacy Ratio	12.85%	12.48%
<b>Per common share data</b>		
Net Income per share:		
Basic	26.33	35.29
Diluted		
Book value	772.87	745.53
<b>Others</b>		
Cash dividends declared	17,050,276	24,656,074
Headcount	482	515
Officers	59	60
Staff	423	455



# 2019 AT A GLANCE

First Bank in the country to gain BSP approval for a cloud-based core banking software

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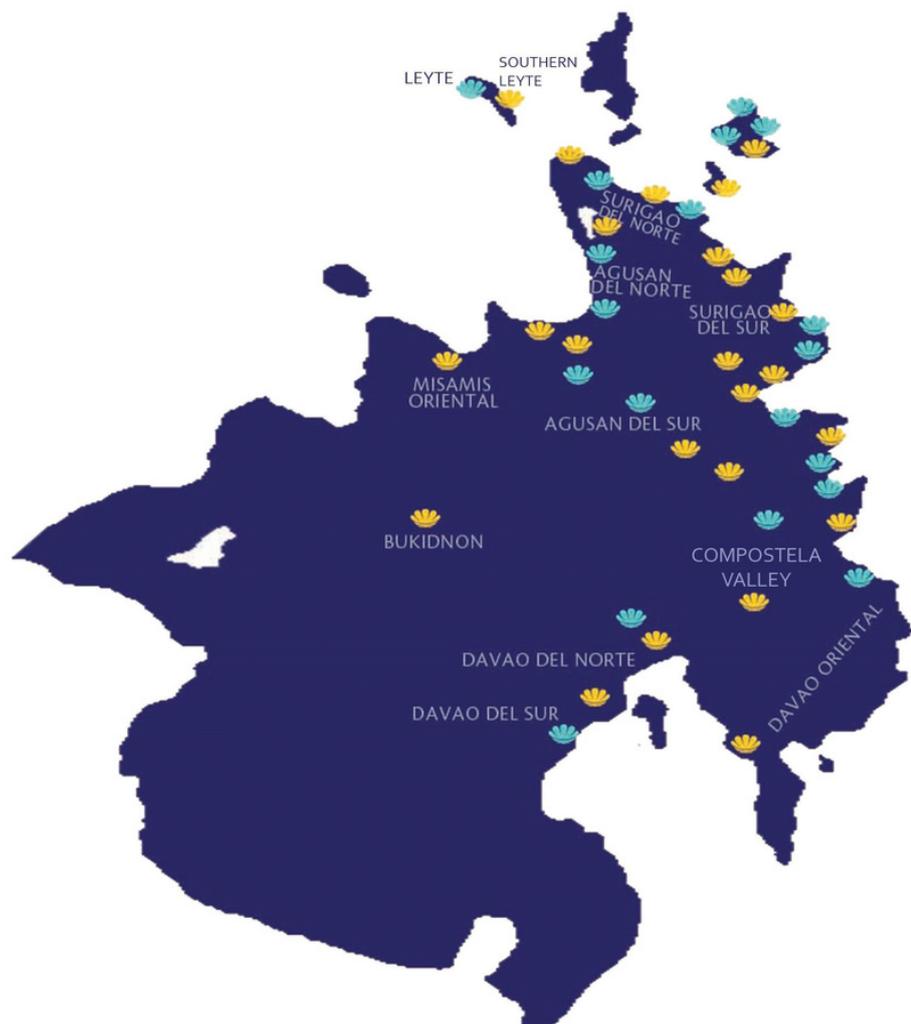
P 2.4 Billion

**ASSETS**

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46 Offices

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# 2019 AWARD



CANBNK is awarded by the BSP as the 2019 Digital Trailblazer in Financial Services

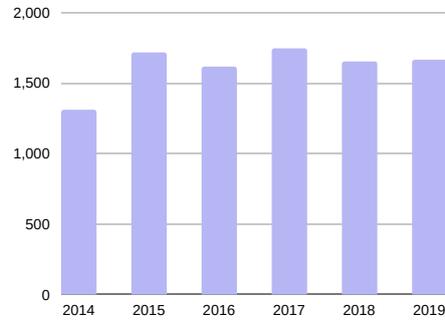
One of the finalists for the Outstanding Partner for Digital Transformation -Thrift/Rural/Cooperative Banks

# FINANCIAL HIGHLIGHTS

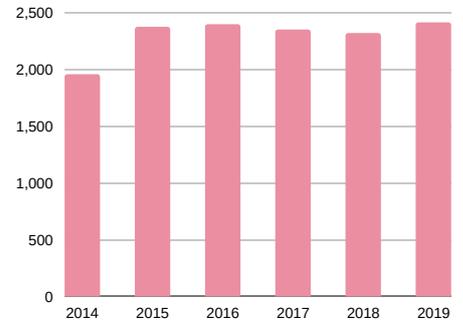
All figures (in millions of Pesos)



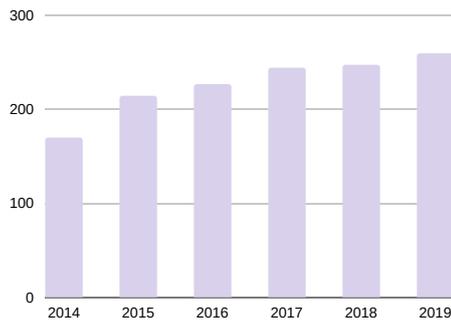
**DEPOSITS**



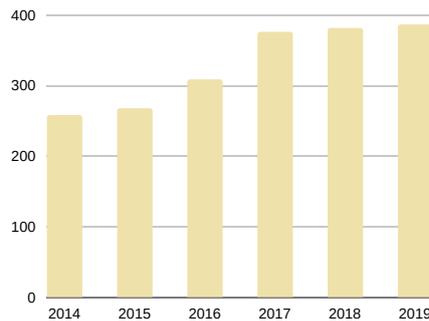
**LOANS**



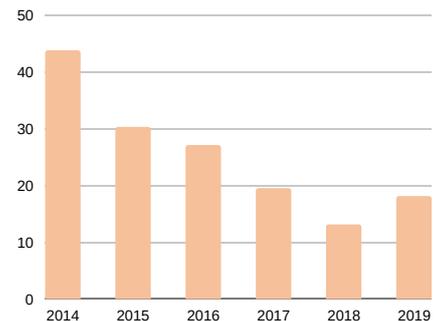
**ASSETS**



**PAID-UP CAPITAL**



**TOTAL EQUITY**



**NET INCOME**



# FINANCIAL HIGHLIGHTS

Cantilan Bank has recovered from the slight downturn in 2018 and has resumed the momentum from year-end 2017. Despite the country's GDP reduction from 6.7% to 6.2%, Cantilan Bank augmented its assets from 2018's P2.3B to 2019's P2.4B. This growth translates to a 4.0% year-on-year growth from December 2018 to December 2019.

As of December 2019, the Bank had P672M in cash and cash equivalents. This mirrors the reduction of deposit liability by 4.8% - a strategic cutback of P83M to improve its net interest margin to 17.57%.

The Bank's revenue sources are diversified with 80% of revenue generated from its loans operations and the remaining 20% from its cash-related services to fee-based products. In 2019, the Bank adopted the Expected Credit Loss Framework for the recognition of impairments; it was reflected in its income statement. The Bank also focused on attracting potential borrowers by offering loans to the Barangay Sector to complement its high liquidity state, maintaining a deposit-to-loans ratio of 99%.

Its total revenue margin hit 21.81%, a reduction of .34% from 2018. But the Bank's net credit margin has risen from 17.69% to 18.73%. This pushed the Bank to finish 2019 with a strong net income of P18.3M rebounding from 2018's P13.0M. This represents a return on assets ratio (ROA) of 0.8%, an increase from 2018's 0.6%.

Cantilan Bank maximized its total capital of P386M and generated a positive shareholder value with a return on equity ratio (ROE) of 4.73%, a 1.3% raise from 2018.

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**PAID-UP CAPITAL**

Php 258.8million

**TOTAL EQUITY**

Php 386 million

**NET INCOME**

Php 18 million



# CAPITAL STRUCTURE & CAPITAL ADEQUACY

## CAPITAL STRUCTURE & CAPITAL ADEQUACY

TIER 1 CAPITAL AND BREAKDOWN OF ITS COMPONENTS	363,815,093.87
TIER 2 CAPITAL AND A BREAKDOWN OF ITS COMPONENTS	19,242,511.15
DEDUCTIONS FROM TIER 1 (50%) AND TIER 2 (50%) CAPITAL;	(69,432,559.40)
TOTAL QUALIFYING CAPITAL;	313,625,045.62
CAPITAL REQUIREMENTS FOR CREDIT RISK;	188,488,380.17
CAPITAL REQUIREMENTS FOR MARKET RISK;	-
CAPITAL REQUIREMENTS FOR OPERATIONAL RISK;	51,974,668.95
TOTAL AND TIER 1 CAPITAL ADEQUACY RATIO ON BOTH SOLO AND CONSOLIDATED BASES	13.04%



# AUDITED FINANCIAL STATEMENTS

## CANTILAN BANK, INC. (A RURAL BANK)

### STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Notes	2019	2018
<b>Interest income on</b>			
Loans receivable	8	₱321,142,653	₱334,270,799
Financial assets at amortized cost	9	4,767,180	3,505,195
Sales contract receivable	8	1,560,362	987,914
Deposits with banks	7	831,548	369,101
		<b>328,301,743</b>	<b>339,133,009</b>
<b>Interest expense on</b>			
Deposits liabilities	15	29,166,041	43,708,463
Bills payable	16	3,558,227	3,747,140
Lease liabilities	11	2,148,950	-
		<b>34,873,218</b>	<b>47,455,603</b>
<b>Net interest income</b>		<b>293,428,525</b>	<b>291,677,406</b>
<b>Provision for expected credit losses</b>	8	<b>51,281,918</b>	<b>73,707,872</b>
<b>Net interest income after provision for expected credit losses</b>		<b>242,146,607</b>	<b>217,969,534</b>
<b>Other operating income</b>	20	<b>63,260,865</b>	<b>70,101,838</b>
<b>Operating expenses</b>			
Compensation and staff benefits	21	114,870,688	108,837,080
Depreciation and amortization	10	33,138,369	27,202,171
Taxes and licenses		25,370,871	25,711,779
Security, messengerial and janitorial services		19,497,027	18,063,764
Communications		9,802,849	9,830,058
Power, light and water		8,856,359	9,294,538
Travel and transportation		6,868,381	10,349,745
Insurance		6,738,819	7,269,089
Repairs and maintenance		5,431,509	4,535,756
Stationery and supplies used	14	4,792,921	5,892,329
Trainings and seminars		3,338,515	2,459,925
Events and promotions		2,796,130	3,494,682
Rent	11	1,070,620	8,057,577
Other operating expense	21	38,138,615	29,500,289
		<b>280,711,673</b>	<b>270,498,782</b>
<b>Income before tax expense</b>		<b>24,695,799</b>	<b>17,572,590</b>
<b>Income tax expense</b>	22	<b>6,421,965</b>	<b>4,588,931</b>
<b>Net income</b>		<b>₱18,273,834</b>	<b>₱12,983,659</b>

See Notes to the Financial Statements.





# AUDITED FINANCIAL STATEMENTS

## CANTILAN BANK, INC. (A RURAL BANK)

### STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Note	Capital stock	Additional paid-in capital	Remeasurement gains on retirement benefits	Retained earnings-free	Retained earnings-reserve	Total
Balance at January 1, 2019, as previously reported		P246,560,735	P1,641,536	P26,414,932	P74,552,069	P31,950,887	P381,120,159
Transitional adjustment due to Philippine Financial Reporting Standard 16	3	-	-	-	(45,260)	-	(45,260)
Balance at January 1, 2019, as restated		246,560,735	1,641,536	26,414,932	74,506,809	31,950,887	381,074,899
Total comprehensive income							
Net income for the year		-	-	-	18,273,834	-	18,273,834
Other comprehensive loss	18	-	-	(1,401,686)	-	-	(1,401,686)
Total comprehensive income		-	-	(1,401,686)	18,273,834	-	16,872,148
Transactions with owners							
Issuance of shares	19	12,328,000	397,856	-	-	-	12,725,856
Release of restriction on retained earnings	19	-	-	-	5,278,433	(5,278,433)	-
Dividend distributions	19	-	-	-	(24,656,074)	-	(24,656,074)
Balance at December 31, 2019		P258,888,735	P2,039,392	P25,013,246	P73,403,002	P26,672,454	P386,016,829
Balance at January 1, 2018		P243,575,370	P-	P21,406,470	P110,569,573	P-	P375,551,413
Total comprehensive income							
Net income for the year		-	-	-	12,983,659	-	12,983,659
Other comprehensive income	18	-	-	5,008,462	-	-	5,008,462
Total comprehensive income		-	-	5,008,462	12,983,659	-	17,992,121
Transactions with owners							
Issuance of shares	19	2,985,365	1,641,536	-	-	-	4,626,901
Restriction on retained earnings	19	-	-	-	(31,950,887)	31,950,887	-
Dividend distributions	19	-	-	-	(17,050,276)	-	(17,050,276)
Balance, December 31, 2018		P246,560,735	P1,641,536	P26,414,932	P74,552,069	P31,950,887	P381,120,159

See Notes to the Financial Statements.



# AUDITED FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S OPINION

We have audited the financial statements of Cantilan Bank, Inc. (A Rural Bank) (the "Bank") which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

BDO Roxas Cruz Tagle and Co., a Philippine professional partnership, is a member of BDO International Limited, a UK company limited by guarantee. BDO is the brand name for the BDO network and for each of the BDO member firms.

### CANTILAN BANK, INC. (A RURAL BANK)

#### STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	Note	2019	2018
<b>ASSETS</b>			
Cash and other cash items	5	₱148,432,880	₱127,516,085
Due from Bangko Sentral ng Pilipinas	6	90,326,574	79,510,084
Due from other banks	7	309,366,525	325,749,776
Loans and receivables - net	8	1,456,065,033	1,385,132,493
Financial assets at amortized cost	9	123,998,246	164,104,357
Bank premises, furniture, fixtures and equipment - net	10	99,358,179	97,561,259
Right-of-use assets - net	11	26,099,290	-
Investment properties - net	12	23,864,516	23,448,113
Intangible assets - net	13	22,213,622	16,509,559
Retirement benefit asset	18	846,167	5,015,213
Deferred tax assets	22	77,876,209	69,396,764
Other assets - net	14	30,781,338	21,030,570
		<b>₱2,409,228,579</b>	<b>₱2,314,974,273</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposit liabilities	15	₱1,656,638,055	₱1,740,618,890
Bills payable	16	262,175,732	48,524,609
Accrued expenses and other liabilities	17	76,982,481	140,631,777
Lease liabilities	11	27,415,482	-
Income tax payable	22	-	4,078,838
<b>Total Liabilities</b>		<b>2,023,211,750</b>	<b>1,933,854,114</b>
<b>Equity</b>			
Capital stock	19	258,888,735	246,560,735
Additional paid-in capital	19	2,039,392	1,641,536
Retained earnings	19	100,075,456	106,502,956
Remeasurement gains on retirement benefits	18	25,013,246	26,414,932
<b>Total Equity</b>		<b>386,016,829</b>	<b>381,120,159</b>
		<b>₱2,409,228,579</b>	<b>₱2,314,974,273</b>

See Notes to the Financial Statements.

# OPERATIONAL HIGHLIGHTS

## INTRODUCTION AND BACKGROUND

Cantilan Bank is a rural bank serving over 100 underbanked communities across 12 provinces in Mindanao and the Visayas. In January 2019, with the support of the Asian Development Bank (ADB) and the approval of the Bangko Sentral ng Pilipinas (BSP), Cantilan Bank became the first bank in the Philippines to go live on a cloud-based corebanking system. The Bank's pioneering efforts were recognized by the BSP when it awarded the bank with the 2019 Digital Trailblazer award. At year-end 2019, the client base of 115,000 was transacting via the bank's total network of 46 branches and branchlites supplemented by an ATM network integrated to Nationlink and affiliated with BancNet.

## DEPOSITS

Total deposits at the end of December 2019 amounted to Php1.66 billion, representing a decrease of 5% over the previous year. This was a strategic decision reflecting the liquidity risk management initiatives of the bank, which aimed at lowering cost of funds. Interest expenses from time deposits were lowered to encourage uptake in lower-interest bearing deposits.

## CREDIT AND LOANS

The amount of the bank's total loan portfolio at the end of December 2019 stood at Php1.66 billion, equal to 69.78% of the total assets and reflecting an increase of 1%, over a year earlier.

In 2019, the bank was reaching the tail-end of its 2016-2020 Strategic Plan which included the board and management's decision to slow down portfolio growth and focus more on reducing non-performing assets to bring down credit losses. Within the same period, the bank identified a growing concentration risk in its unsecured loan portfolio composed of salary loans.

In the 2016-2020 Strategic Plan, it was established that by 2020, the loan portfolio mix would be reversed where it would be composed of 30% unsecured and 70% secured. The bank planned to shift the loan mix in favor of secured loans and to vigorously extend guaranteed Agri-Value Chain (AVC) and SME-Risk-based loans to help achieve this goal. By year-end 2019, the portfolio was composed of 40% secured and 60% unsecured loans.

Meanwhile, the PD ratio at year-end 2018 was at 18% and in January 2019 it increased to 23.5%. One of the main drivers of the increase in PD in 2019 was the full impact of the PAR one-day definition, which was implemented by the bank in January 2019. The Bank's AVC clients were also affected by the initial impact of the Rice Tariffication Law and the effect of natural calamities such as drought and pest infestations. During the last quarter of 2019, the bank also faced challenges arising from the structural and policy changes in government guarantee facilities resulting in delayed approval of the bank's guarantee lines.

However, efforts in collecting, improved monitoring and real-time reporting, and the impact of the loans that were written off resulted in a decrease bringing PD ratio to 21% at year-end 2019. Throughout the year, the Bank continuously implemented system and business process reviews resulting in the creation of the Credit Review Department in Q2 of 2019 and stricter controls within the loan origination system.

# OPERATIONAL HIGHLIGHTS

## CREDIT AND LOANS

In Q3 2019, the Bank launched a new microfinance product in coordination with Water.org that will provide financing to households so that they can have adequate and hygienic access to water and sanitation services. WASH, which stands for Water Access, Sanitation, and Hygiene, is a microfinance loan whose design is aligned with both the government's Sustainable Development Goals and CANBNK's mission to support financial inclusion and environmental protection. The Bank also focused on improving its existing products for fishermen and farmers based on factors including macroeconomic policies that affected local markets.

## BRANCH BANKING

Leading the way to improved financial access in the underserved, rural communities in Mindanao and Southern Leyte, Cantilan Bank expanded its network in 2019 by converting two branch lite units into full-service branches in Trento, Agusan del Sur and Hilongos, Southern Leyte. The Bank also established two new branch lite units in Santo Tomas, Davao del Norte, and La Paz, Agusan Del Sur. This expansion strengthened the bank's presence and capacity to deliver financially inclusive, high-quality services to its clients.

The bank's total network of 26 branches and 20 branch lites provided financial access to at least 100 communities (municipalities and cities) in unbanked and underserved areas across 12 provinces in Mindanao and in Southern Leyte. Through this network, the bank's 115,000 clients transacted over Php12.7 billion worth of deposits and Php 9.99 billion worth of withdrawals over the counter and via the ATM channel throughout the entire year.

As part of its 2016-2020 Strategic Plan and as an integral part of the bank's financial inclusion mission, the Bank will continue to expand its brick-and-mortar presence in unbanked areas. 46% of the country's unbanked towns are located in Mindanao and this serves as further impetus for the bank to continue its strategy of providing high-tech and high-touch services through its branches and its digital channels.

Building on the momentum of the expanded branch network supported by a scalable, resilient, and flexible cloud-based core-banking system, the Bank continued to invest its resources in digitizing business process improvements especially in loan origination and credit risk management with the aim of improving the end customer experience especially the loan turnaround time.

## Digital Channels: ATMs, POS terminals, and debit cards

The Bank's cloud-based corebanking system, Instafin, is integrated to Nationlink's ATM switch, an affiliate of BancNet, allowing the Bank and its clients to indirectly leverage off the wider BancNet network. As of December 2019, the Bank had a total of 14 Nationlink ATMs and was hosting through third-party agreements another 11 ATMs owned by DBP, 46 EasyDebit mPOS terminals, 41 BDO POS terminals, and 9 LBP POS terminals. At year-end 2019, the bank had over 54,000 debit cardholders using its EMV chip-enabled cards. These channels contributed to the Bank's reach and about Php7 million in fee-based revenue, representing 26% of the total fee-based income. These channels deepened the Bank's footprint and allowed the Bank to service more clients including cardholders from other banks.

# OPERATIONAL HIGHLIGHTS

## BRANCH BANKING

As part of its digital transformation plan for 2020, the Bank began preparations in Q4 2019 for its direct membership to BancNet and the replacement of all its ATMs with brand-new ATMs and the acquisition of on-us POS devices by Q2 2020. The bank will also be issuing new EMV chip debit cards after its planned move to BancNet, which will further enable clients to have direct and full access to BancNet's nationwide 117-member network of over 21,000 ATM terminals and over 420,000 POS terminals.

## Current/Checking Accounts

As of year-end 2019, the Bank facilitated a total value of Php 3.64 billion in inward clearing transactions for its 800 current account holders (mostly mSME owners), averaging Php 300 million transactions per month. More than 40,000 checks were issued by the bank's clients in 2019, cascading improvements in their respective mSME businesses. The demand for this service has increased as evidenced by the increasing average monthly portfolio from Php 100 million to Php 110 million. This service contributed Php 1.4 million to revenue.

## Remittances and Insurance

For over 15 years, the Bank has been offering interbank fund transfer services and remittance services such as Western Union, GRemit, BDO Remit, Moneygram. In total, these channels contributed Php 4.5 million to 2019 income.

In May 2019, the Bank, in collaboration with UBX and UnionBank, successfully piloted the i2i inter-rural bank payments platform in 10 branches with the aim of fully launching and onboarding all of its branches onto the i2i platform in the year 2020. The i2i platform was integrated to Pesonet and Instapay and allowed the bank to facilitate sending (not receiving) bank transfers via the two ACHs. It also facilitates bills payments through UnionBank's network of billers. In November 2019, the bank also participated in the successful pilot of cross-border inter-bank fund transfers via the i2i platform. The i2i platform was co-created by UnionBank, UBX, and Cantilan Bank with the objective of enabling and connecting rural banks to other rural banks and larger bank networks.

By the end of 2019, the Bank was offering at least five different insurance products (microinsurance, life and property) to all its clients, which brought in Php 7.9 million in income and helped clients mitigate their risks.

## FUND MANAGEMENT

Cantilan Bank ensured adequate liquidity for its clients despite the challenging economic conditions due to the government's implementation of TRAIN Law I and BSP's policy rate increases in 2019. The Bank ensured sound management of market, interest rate, and liquidity risks and such risks are within Board-approved operating limits.

# OPERATIONAL HIGHLIGHTS

## FUND MANAGEMENT

The Bank cushioned the impact of the reduced time deposits portfolio by concentrating its marketing efforts in micro-deposits bearing lower interest rates. With this deposit portfolio positional change, it reduced the cost of funds from 2018's 2.89% to 2019's 1.95%, saving 1% from interest expense.

The bank likewise effectively managed its held-to-maturity asset portfolio and optimized these asset returns through timely shifts in the investment outlets from high grade to high yield assets. These assets yielded P3.8M last 2018 to P5.5M this 2019; a yield increase of 44.7%.

In addition, the loans-to-deposit ratio performance increased from 2018's 94.8% to 2019's 100.3% with its funds parked in the above-mentioned held-to-maturity assets to ensure adequate liquidity to cover risks.

## INFORMATION TECHNOLOGY

As part of its IT Strategic Plan and Digital Transformation (DX) Plan, the bank successfully went live on Instafin, its new cloud-based corebanking system in January 2019. The IT and DX team implemented the pilot, full migration, and parallel run from 2017 to 2018. The migration to cloud gave the bank first-mover advantage and allowed it to leverage on the benefits of cloud including improved scale and reach, market relevance, and resilience to business continuity and geohazard risks.

In preparation for the move to cloud, the Bank invested in 2018 in upgrading its network and IT security infrastructure, which leveraged on SD-WAN and cloud technology. The investments in improved IT operations and services set the foundation for the bank's implementation of its new system and its future DX strategies and supported branch banking and Headquarters operations by providing a more stable, secure, and reliable internet connection.

The Bank's new ability to establish branches or branch-lites quickly in new areas that are previously unbanked is anchored on the flexibility provided by its cloud-based corebanking system and cloud-based network infrastructure.

The Bank endeavors to provide innovative, accessible, and wide-reaching products and services that can be realized through a well-crafted IT strategy. As it enters its 40th year of operations, Cantilan Bank is poised to continue affirming its resilience as an organization and to embark in redefining the rural banking experience for its existing and future customers.



# OPERATIONAL HIGHLIGHTS

## HUMAN RESOURCES

The Human Resources Division is the main driver in fulfilling CANBNK's mission to empower a professional and motivated workforce.

### Total Workforce as of December 31, 2019 – 515

BY EMPLOYMENT TYPE:	
Regular Employees	445
Probationary	70
BY GENDER	
Male	281 or 55%
Female	234 or 45%
BY AGE GROUP:	
< 30	292
31 - 40	167
41 - 50	48
> 50	8
BY JOB LEVEL:	
Staff	386
Supervisory	49
Middle Management	80
Senior Management	2

Cantilan Bank offers a wide range of career-development programs. In 2019, the Bank initiated 63 internal and 40 external trainings focused on strengthening the skills and knowledge of each employee with the aim of achieving optimum productivity. An Exchange Study Program was also piloted allowing employees to gain exposure in various fields of the Bank operations in order for everyone to have the same level of understanding on how the Corporate Headquarters and the Branch operate.

When the Bank fully-launched its new core banking system, Instafin, in January 2019, mandatory trainings on the use of the new system were launched bank-wide ensuring full knowledge of employees based on their user roles in the system. Data Analysis and Excel workshops were added to the regular training program for all bank officers.

TRAINING HOURS		
	Internal Trainings	External Trainings
Total # of Trainings	67	41
Total # of Trainings Hours	904 hrs.	464 hrs.
Total # of Classroom Training Hours	896 hrs.	424 hrs.
Total # of E-Learning Training Hours	8 hrs.	40 hrs.

# OPERATIONAL HIGHLIGHTS



## HUMAN RESOURCES

Due to the bank's continued brick and mortar expansion of its branch network as well as the overwhelming challenges in attrition, HRD through its various recruitment campaigns and initiatives on-boarded a total of 148 new employees. The Bank's total attrition rate for 2019 is 23.19 or a total of 115 employees. The table below shows the detailed presentation of Cantilan Bank staff turnover.

STAFF TURNOVER STATISTICS:	
BY GENDER	
Male	73 or 63%
Female	42 or 37%
BY AGE GROUP:	
< 30	86 or 75%
31 - 40	20 or 17 %
41 - 50	7 or 6%
> 50	2 or 2%
BY JOB LEVEL:	
Staff	98 or 85%
Supervisory	8 or 7 %
Middle Management	8 or 7 %
Senior Management	1 or 1 %

All newly-hired employees undergo a 5-day in-house training called General Orientation Course (GOC). HRD facilitated five rounds of GOC, a training program which provides an overview of the entire bank operations before their actual exposure at the branches.

NEW EMPLOYEES HIRED FOR 2019:				
General Orientation Course	Date Held	Total Participants/Hired	Male	Female
Batch - 48	January 7-12	25	18	7
Batch - 49	March 11-16	27	14	13
Batch - 50	March 14-24	16	15	1
Batch - 51	July 29 – Aug. 2	57	20	37
Batch - 52	October 21-25	5	5	0
Direct Hire		8	1	7
Balik-Cantilan Bank		10	6	4
<b>Total</b>		<b>148</b>	<b>79</b>	<b>69</b>

It was also in 2019 when the Bank completed its Succession Plan and implemented the Bank's new organizational structure thereby enhancing all the organizational structures per division and updating job descriptions with reference to the new business processes introduced by the migration to the new corebanking system.

# OPERATIONAL HIGHLIGHTS

## HUMAN RESOURCES

In 2020, as the Bank continues to shift its direction into a digitally-transformed organization, HRD aims to greatly enhance its training capabilities targeting production efficiency of manpower and equipping a workforce with the necessary skills to succeed in an increasingly agile and digital world.

## STRATEGIC MANAGEMENT

Strategy management involves cycling through three high-level processes: strategy formulation, strategy execution, and strategy learning that cycles back into strategy formulation. These high-level processes, however, are broken down into nine cross-functional processes (five core processes and four integrative processes): Balanced Scorecard Management, Organizational Alignment, Strategy Reviews, Strategic Planning, Strategy Communication, Planning/Budgeting, Initiative Management, Workforce Alignment, and Best Practice Sharing.

In 2019, the Bank successfully implemented its operational plans, capital development plan, and strategic plans including the Digital Transformation and IT Strategic Plan. The Bank considers innovation as a strategic imperative to reach market competitiveness, maintain relevance, and, finally, to achieve resilience and sustainability. Technology has been identified by the bank as a key driver for financial inclusion because it can level the playing field and provide fair access to all.

In the creation of its 2016-2020 Strategic Plan, the Bank took into consideration the following factors and assumptions: 1) 34% of Filipinos aged 15+ have a bank account according to the 2017 World Bank Financial Inclusion Global Findex 2) rural banks especially in Mindanao have to operate in an uncompetitive business climate, taking on disproportionate risks and costs 3) rural banks lack access to traditional banking and financial systems.

Cloud technology was identified by the bank in its 2016-2020 Strategic Plan as a key driver and aligned its plans and budgets towards the shift to its new cloud-based corebanking systems and its new cloud-based network and security systems. This translated to activities in change management, business process mapping and re-engineering, and 3rd party integration. With cloud technology, the bank builds market relevance, improves scale and reach, increases responsiveness to customer needs, and gains multi-channel capabilities. The benefits of cloud also include improved risk management in the following risk areas: IT and data security and resilience, geohazard and business continuity risks, operational risks, and enterprise risk.

On January 21, 2019, Cantilan Bank went live on Instafin, its new SaaS cloud-based corebanking system. This pioneering move is one of the vital foundational elements of the bank's digital transformation journey, defined as a customer-driven strategic business transformation that requires cross-cutting organizational change as well as the implementation of digital technologies.

In July 2019, Cantilan Bank conducted its annual strategic review and planning sessions for the creation of the new 2020-2024 Strategic Plan, focused on the bank's continued digital transformation. The bank established its 2020 DX Roadmap, which focused on the migration to the BancNet ATM switch and the development and launch of a mobile banking app in 2020. The bank's digital strategy identified opportunities to innovate through partnerships, to improve customers' ability to transact through digital channels, and to automate processes.

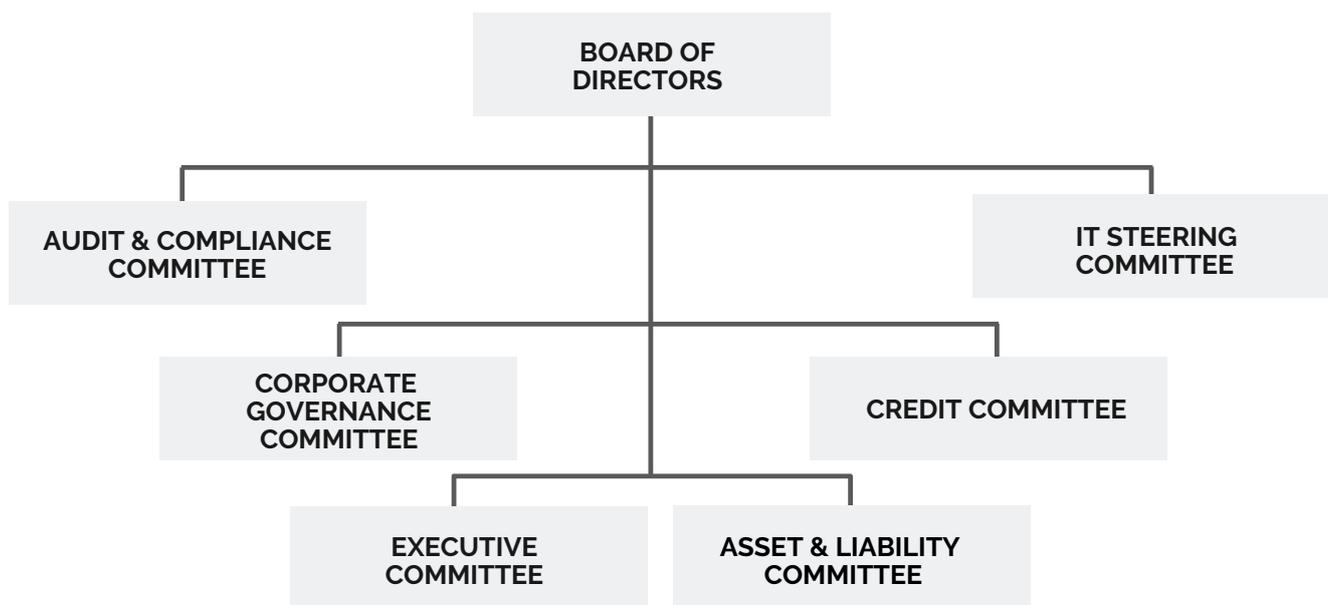
# RISK MANAGEMENT FRAMEWORK

## OVERALL RISK MANAGEMENT CULTURE AND PHILOSOPHY

Cantilan Bank recognizes that banking is inherently a business of managing risks. As a bank, it is incumbent upon Cantilan Bank to manage risks such as credit, collection, liquidity, reputation, operational, compliance, IT, business continuity, and strategy, among many others. These risks must then be balanced against the bank's business goals and strategies as well as market opportunities and innovations – all tempered by prudential requirements.

The bank's risk-taking activities are governed by an overarching policy framework with a scope that covers the following: 1) balance risks with the bank's sustainable growth, profitability, and capital adequacy objectives 2) align the bank's risk management processes and internal controls with best practices and banking standards and regulations 3) develop bank-wide risk awareness.

## RISK MANAGEMENT STRUCTURE OF CANTILAN BANK



The risk governance framework provides the foundation and guidelines for the bank to properly identify, measure, control, and monitor risks that emanate from certain business functions and from particular products or portfolios. Under this framework, effective and efficient risk management policies, procedures, and guidelines are continuously developed and designed in compliance with the respective risk and capital management regulations.

Currently, the bank does not have a separate risk management committee. The relevant risks are managed in the respective committees and reported to the board. The Board provides general oversight on these risks.



# RISK MANAGEMENT FRAMEWORK

## CREDIT RISK

Credit Risk is the risk of loss arising from a borrower's failure to meet the terms of any contract with the bank or otherwise perform as agreed. Credit risk stems from the probability that the borrower or counter party in a transaction may default and cause potential loss to the bank, as it is exposed to risk as a direct lender. The Board-level Credit Committee is primarily responsible for credit risk management oversight.

The assessment of this risk, in relation to its impact on capital adequacy, is governed by the relevant provisions as prescribed by BSP Circular 855.

### Expected Credit Loss (ECL)

In 2019, the Bank adopted IFRS 9 – an accounting standard published by the IASB, which addresses the accounting for financial instruments. This standard is adopted locally and is known as PFRS 9. The standard came into force on 1 January 2018, replacing the earlier IFRS for financial instruments, IAS 39. The implementation of this new standard meant that the Bank had to design a new methodology for measuring expected credit loss or impairments specifically for financial assets – loans and receivables. The new ECL model is based on the Bank's historical data and default definitions aligned with relevant provisions in BSP Circular 941.

The ECL framework was applied bank-wide and calculates risk according to portfolio segmentation or product type. In general, the Bank adopted the standard Basel formula in calculating ECL which is composed of 3 elements, as follows:  $ECL = PD \times LGD \times EAD$ . Given the basic formula for ECL computation, the Bank adopted 2 model approaches – simplified and sophisticated – that are applied depending on a portfolio segment's contribution to the total portfolio and on the availability of historical data.

In the 2019 model, three years' worth of historical data was used as basis for deriving the default probabilities. On the other hand, LGD was based on an analysis of eight years' worth of recovery experience. In addition to the standard ECL formulation, a macroeconomic overlay methodology was likewise employed. The overlay calculation captures the yearly change in rural bank industry past due ratio since it reflects the general movement of credit deterioration.

## LIQUIDITY RISK, MARKET RISK, INTEREST RATE RISK

**Liquidity Risk – risk of loss arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses**

**Market Risk – risk of loss arising from movements in market prices**

**Interest Rate Risk – risk of loss arising from movements in interest rates**

The Asset and Liability Committee is primarily responsible for the management of these risks.

# RISK MANAGEMENT FRAMEWORK

## OPERATIONAL RISK

**Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events**

The Operations Group is primarily responsible for the management of operational risks. The Internal Audit and Compliance control functions provide the necessary components for proper risk governance and oversight. The Internal Audit Division and the Compliance Division both report directly to the board-level Audit and Compliance Committee and to the Board of Directors.

## IT AND INFORMATION SECURITY (IS) RISK

**Risk of loss resulting from failure of computer hardware, software, devices, systems, applications and networks**

**Risk of loss resulting from information security/cyber security breaches**

The bank's IT Risk Management System encompasses IT and IS risk management and governance principles, policies, and procedures that are aligned with the relevant BSP regulations. The Information Security Officer has bank-wide oversight responsibility to validate if policies, standards, guidelines, processes, and procedures are in place and adhered to support the risk management program. Meanwhile, the internal IT audit provides assurance that management processes are adequate to identify and monitor significant risks and provides assurance regarding the effectiveness and efficiency of risk responses and related control activities. The bank conducts bankwide IT and IS risk assessments at least once a year.

The IT Steering Committee ensures proper IT governance covering bankwide IT structure, processes, and operations and assumes primary responsibility on oversight of IT performance. The ITSC committee regularly reports to the Board of Directors on the status of major IT projects, results of IT/IS risk assessments, and any IS/cyber security issues.

## REGULATORY AND COMPLIANCE RISK

**Risk of loss arising from probable midstream changes in the regulatory regime affecting current position and/or strategy**

**Risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities**

The Compliance Division is the primary risk owner of Regulatory and Compliance Risks. The Chief Compliance Officer reports directly to the board-level Audit and Compliance Committee and directly to the Board of Directors.



# RISK MANAGEMENT FRAMEWORK

## **MONEY LAUNDERING/TERRORIST FINANCING RISK**

**Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events**

Risk of loss resulting from the involvement in money laundering and terrorist financing activities

## **BUSINESS CONTINUITY RISK**

**Risk of loss resulting from the prospective inability to resume operations in the event of a disaster**

After conducting Business Impact Analysis, the bank has identified IT operations as one of the primary risk drivers for business continuity risk and has the greatest impact on the bank's ability to resume operations. The ITSC therefore provides guidance in the continuous development of the Business Continuity Plan - a plan used by the bank to respond to disruption of critical business processes, and provides a contingency plan for restoration of critical systems.

## **LEGAL RISK**

**Risk of loss resulting from uncertainty of legal proceedings that we are currently or expected to be involved in**

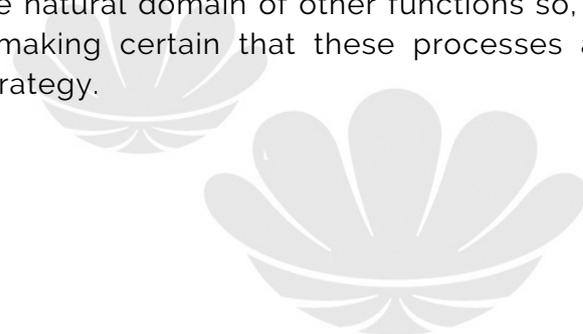
The Legal Division is the office of primary responsibility as the risk owner of Legal Risk. Meanwhile, the Executive Committee and the Board provide oversight.

## **STRATEGIC RISK**

**Risk of loss arising from adverse business decisions or lack of responsiveness to industry changes**

Strategy management involves cycling through three high-level processes: strategy formulation, strategy execution, and strategy learning that cycles back into strategy formulation. The Office of Strategic Management has primary responsibility for most of these individual processes.

In total, the OSM is responsible for nine cross-functional processes. Of these, **there are five core or critical processes that reside naturally in the OSM**. The remaining four processes are in the natural domain of other functions so, in such cases, the OSM plays a coordinating role, making certain that these processes are tightly integrated with the overall corporate strategy.



# RISK MANAGEMENT FRAMEWORK

## STRATEGIC RISK

### Core Processes

Balanced Scorecard Management, Organizational Alignment, Strategy Reviews, Strategic Planning, Strategy Communication

### Integrative Processes

OSM's other major role is to ensure the alignment of these critical processes with the strategy. Meanwhile, existing Cantilan Bank divisions and departments still retain their primary responsibility and accountability for the following processes: Planning/Budgeting, Initiative Management, Workforce Alignment, and Best Practice Sharing.

The OSM reports regularly to the Board. The ExeCom and the Board provide overall guidance and supervision for Strategic Risk management.

## REPUTATION RISK

### Risk of loss arising from negative public opinion

The ExeCom is the primary risk owner of reputation risk and reports to the Board.

## CAPITAL MANAGEMENT

Cantilan Bank has a 5-year capital development plan for the years 2016 to 2020. Both senior management and the Board of Directors are involved in capital planning. Senior management reviews all capital planning activities and informs the board of any changes in the plan. On the other hand, the Board of Directors expresses the bank's risk appetite and aims to strike a balance between reinvesting capital and providing returns to the stockholders. CANBNK capital development plan is divided into four processes: 1. Identifying and evaluating risks; 2. Setting and assessing capital adequacy goals that relate to risk; 3. Maintaining a strategy to ensure capital adequacy and contingency planning; and 4. Capital adequacy assessments.



# RISK MANAGEMENT FRAMEWORK

## RISK APPETITE STATEMENTS OF CANTILAN BANK

Risk appetite is the amount of risk the bank is willing to take in pursuit of its strategic objectives, reflecting the bank's capacity to sustain losses and continue to meet its obligations under normal as well as adverse circumstances. Cantilan Bank's risk appetite statements are approved by the Board and form the basis for establishing risk management policies and risk thresholds. Evaluation and setting of the bank's risk appetite statements are usually conducted in the annual operational and strategic planning and midyear review.

**1. Credit Risk:** Potential losses arising from the failure of borrowers to meet their obligations. Risk appetite: Cantilan Bank provides for provision for credit loss; however, our risk appetite seeks to optimize a higher level of return whilst achieving appropriate risk versus reward performance.

**2. Data Security Risk:** Financial loss and reputational damage due to a breach of data or technology disruption caused by the internal/external attack. Risk appetite: Cantilan Bank has no tolerance for the loss of, or otherwise authorized or accidental disclosure of, customer or other sensitive information.

**3. Technology Risk:** Unscheduled system downtime impacts our service to clients causing reputational damage and financial loss. Risk appetite: Cantilan Bank has a very low tolerance for risks that compromise our ability to process client transactions.

**4. Legal and Regulatory Risk:** Failure to adhere to legal, regulatory and financial requirements leads to financial and reputational damage. Risk appetite: Cantilan Bank will obey the spirit and the letter of the laws and regulations that apply to us.

**5. Liquidity Risk:** Failure to meet short term financial demands. This usually occurs due to the inability to convert a hard asset to cash without a loss of capital and/or income in the process. Risk appetite: Cantilan Bank is not willing to accept risks that compromise our ability to serve our clients.

**6. Operational Risk:** Prospect of loss resulting from inadequate or failed procedures, systems or policies. Risk appetite: Cantilan Bank has a low appetite for operational risk. The Bank makes resources available to control operational risks to acceptable levels.

The Bank monitors risk levels for all identified and emerging risks to ensure timely review of risk positions and exceptions. Reports are prepared on a regular, timely, accurate and informative manner and distributed to the risk taking units an appropriate oversight body to ensure timely and decisive management action.



# RISK MANAGEMENT FRAMEWORK

## **ANTI-MONEY LAUNDERING (AML)/TERRORIST FINANCING (TF) GOVERNANCE AND RISK MANAGEMENT FRAMEWORK**

Banks, as gatekeepers of the financial system, hold a higher level of responsibility to prevent financial crime. Cantilan Bank continues to regularly update its Money Laundering/Terrorist Financing Prevention Program (MTPP) to align with relevant regulations (including BSP Circular 1022) regarding the protection and preservation of the confidentiality of bank accounts and to ensure that the bank will not be used as a money laundering site and channel for proceeds of unlawful activities.

In 2018, the bank hired a full-time Anti-Money Laundering (AML) Officer in compliance with the plans and programs of Compliance Division to help oversee internal anti-money laundering policies and remain compliant with important regulations and proactively monitor transactions in order to prevent money laundering activities.

The Bank has its core components on achieving the AML Risk Rating:

- a. Board and Senior Management Oversight
- b. Money Laundering Prevention Program (MTPP)
- c. Internal Control and Audit
- d. Implementation



### **BOARD & SENIOR MANAGEMENT OVERSIGHT**

The Bank has a board-level committee tasked to assist the Board of Directors in fulfilling its oversight responsibility over the Bank's AML Compliance Management to make sure that the Bank complies with the provisions of the AMLA, as amended, its Revised Implementing Rules and Regulations.

The Senior Management provides a full access and cooperation when investigation on covered and suspicious transactions occur and full discretion to invite any employee who is involved on investigation team and Director or Officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

The AML Officer also submits quarterly reports to the Chairman and Board which encompass the total number of covered and suspicious transactions reported with amount, scopes of AML Testing, target achieved based on the plans and programs and result with recommendation of the Division on how to address the deficiencies noted during the AML testing.

### **MONEY LAUNDERING PREVENTION PROGRAM**

The recently issued Circular 1022 will help the bank in adopting a comprehensive and risk-based money laundering/terrorism financing prevention program (MTPP) designed to promote professional standards and prevention of the covered person from being used, intentionally or unintentionally for money laundering and terrorist financing activities.

The Bank designed a program based on Circular 1022 to manage and mitigate the risks that have been identified in the risk assessment, including taking enhanced measures for those classified as posing higher risks.

# RISK MANAGEMENT FRAMEWORK

## **INTERNAL CONTROL & AUDIT**

The role of Internal Control and Audit in the bank is to provide independent assurance that an organization's risk management, governance, and internal processes are operating effectively. This is also to ensure compliance with any and all relevant laws and regulations, dissemination of information to employees and officers, and consistency on AML testing programs and scheduled audit.

## **IMPLEMENTATION**

The AML office takes responsibility in ensuring the full implementation of AML programs that are geared towards best banking practices. A quarterly AML testing and internal audit is being done at the branches to eliminate possible AML - related risks.

## **ACCOMPLISHMENTS**

The Bank, in pursuit to effectively manage the Anti-Money Laundering has gradually achieving its objectives in overseeing internal anti-money laundering policies and remains compliant with important regulations and proactively monitor their clients in order to prevent money laundering activities.

### **Watch list Vetting**

In 2019, the bank used existing databases as appropriate tools for watch list vetting using the AML UN Sanctions List and Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury as tools for the watch list process. The watch list vetting process is performed by the Customer Relations Associate (CRA) during the opening of an account for all type of deposits. The result of watch list vetting is attached to the client's Customer Information Sheets and uploaded in the client's profile in the Instafin core banking system. The management of CBI is committed to execute the updated watch list vetting process to all existing clients, including previously on-boarded clients - individual and corporate.

### **PEP Database**

The Bank implemented an internally developed bank-wide PEP database in 2019. All front liners at the branches and branch-lite units have access to this database. This now forms part of the screening procedures for newly opened accounts. The PEP Data Base includes incumbent officials and immediate family members and the entities related known to bank personnel in each area of operations. The management also regularly revisits the PEP policies and procedures in identifying PEP accounts as defined by the law and continuously revising the existing PEP policies.

### **Digitization of Customer Records**

The Bank in compliance to the new policy on the Digitization of Customer Records (DIGICUR) issued by AMLC Regulatory Issuance A, B and C, No.2, Series of 2018 has started its digitization with the newly opened accounts. The new system is in compliance and has the capability to upload documents such as valid identification cards, and other supporting documents. The Bank is continuing its effort to fully implement this new circular through coordination with Branch Banking Division in mandating the branches to digitize all customer records.

# RISK MANAGEMENT FRAMEWORK

## ANTI-MONEY LAUNDERING (AML)/TERRORIST FINANCING (TF) GOVERNANCE AND RISK MANAGEMENT FRAMEWORK

### Money Laundering/Terrorism Prevention Program (MTPP)

The Bank updated its manual based on significant amendments on Circular 1022 incorporating to the internal policies which includes the strengthening of Section 9 (a) of AMLA, in relation to Rule 9.A, 2016 RIRR on Customer Identification Requirements particularly on Risk Profiling. Currently, the bank is finalizing the risk scoring system for integration in the core banking system, Instafin. Once this risk scoring system is integrated in Instafin, the client's risk score can be automatically generated in Instafin without manual intervention and therefore, without any subjective judgement being introduced. This undertaking is part of the commitment of the Bank in preventing money laundering activities.

### Implementation

The battleground, the branches, has continuously updated through the bank's training program under the Human Resource Division to reflect any changes in policies and procedures. The Compliance Division continues to coordinate with HR and the Branch Banking Division to ensure that regular AML trainings are conducted and to ensure consistent implementation across branches. The AML Officer also quarterly submits report to the Chairman which encompass the total number of covered and suspicious transactions reported with amount, scopes of AML Testing, target achieved based on the plans and programs and result with recommendation of the Division on how to address the deficiencies noted during the AML testing. The Senior Management have a full access and cooperation when investigation on covered and suspicious transactions occur and full discretion to invite any employee who is involved on investigation team and Director or Officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions. The bank continues and gradually improves the deficiencies noted during BSP examinations and internal AML testing. This is through quarterly AML testing and internal audit and giving them recommendations on how to improve the branch AML through risk-based approach.



# CORPORATE GOVERNANCE

Good corporate governance is the foundation of safe and sound banking operations. It embodies the principles of fairness, accountability and transparency; hence, it promotes protection of the rights of all stakeholders. This is critical particularly in the banking industry, where public trust is paramount to sustain resiliency.

## **ELECTION OF DIRECTORS**

The election of the board of directors of Cantilan Bank, Inc. is governed by the ELECTION CODE as further amended in the BOD (Resolution No. 17-013 on January 30, 2017).

The Board of Directors of the Bank shall create and select an independent Electoral Board consisting of Five (5) members for a fixed tenure of Three (3) years to oversee the election. The members of the Electoral Board are selected from among the stockholders of the Bank who are neither members of the Board of Directors nor an employee of the Bank and with proven competence and integrity.

The elections are held in the afternoon of the regular annual stockholders meeting as part of the regular agenda. There shall be elected Seven (7) directors: Five (5) Regular Directors and Two (2) Independent Directors, whose term of office shall be in accordance with the By-Laws of the Bank. Minimum qualifications and disqualifications for regular and independent directors are set by this code to include but not limited to the fit and proper rule which consist of Integrity/Probity, Competence, Education, Diligence, and Experience/Training.

Nominations of candidates for regular directors and independent directors shall be filed in writing by accomplishing the Nomination Form for each specific director. On the fifteenth day (15) prior to the election, the Corporate Governance Committee and the Nomination Committee shall meet to decide on the qualifications and disqualifications of the Regular Directors and Independent Directors.

Each stockholder or proxies who are qualified to vote shall fill up the respective ballot for the regular and independent director. The Canvassing as mentioned above applies to both the regular and independent directors.

## **BOARD'S OVERALL RESPONSIBILITY**

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 training. A self assessment of their performance and effectiveness as a body is conducted including the peer evaluation of the individual directors.

## **General responsibility of the Board of Directors**

The position of a bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The board of directors is primarily responsible for approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the board of directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the institution.

# CORPORATE GOVERNANCE

## General responsibility of the Board of Directors

- 1) To approve and monitor the implementation of strategic objectives.
- 2) To approve and oversee the implementation of policies governing major areas of banking operations.
- 3) To approve and oversee the implementation of risk management policies.
- 4) To oversee selection and performance of senior management
- 5) To consistently conduct the affairs of the institution with a high degree of integrity
- 6) To define appropriate governance policies and practices for the bank and for its own work and to establish means to ensure that such are followed and periodically reviewed for on-going improvement
- 7) To constitute committees to increase efficiency and allow deeper focus in specific areas. The board of directors shall create committees, the number and nature of which would depend on the size of the bank and the board, the complexity of operations, long-term strategies and risk tolerance level of the bank
- 8) To effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors. The board of directors shall recognize and acknowledge the importance of the assessment of the independent, competent and qualified internal and external auditors as well as the risk and compliance officers in ensuring the safety and soundness of the operations of a bank on a going-concern basis and communicate the same throughout the bank.

## SEPARATE ROLES OF THE CHAIRPERSON & THE CEO

There is a delineation of function between the Chairman of the Board and the President or the Chief Executive Officer. The duties and responsibilities of the Chairman and the President are separate to ensure an appropriate balance of power, increased accountability and better capacity for decision making by the Board.

**The Chairman of the Board** shall provide leadership in the Board. He is mainly responsible for the proper governance of Cantilan Bank, Inc. through the Board of Directors. The Chairman is also responsible for the efficient functioning and the Board including maintaining a relationship of trust with the members of the Board. The Chairman ensures that the monthly meetings of the Board and the annual stockholders' general assembly are held in accordance with the by-laws. The Chairman also ensures that there is quality, timely lines of communication and flow of information between the Board and Management.

**The President** is in charge of and exercises general responsibility over management and ensures compliance to laws and regulations of the BSP and other regulatory agencies. He also maintains relations with the Rural Bankers Association of the Philippines and other industry associations. He ensures that the business and affairs of Cantilan Bank, Inc. are managed in a sound and prudent manner. He also makes sure that operational, financial, and internal controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operation, safeguarding of assets and compliance with laws, rules and regulations and contracts.

The President provides leadership for management in developing and implementing business strategies, plans and budgets to the extent approved by the Board. He provides the Board with a balanced and understandable account of the Bank's performance, financial condition and results of operations.

# CORPORATE GOVERNANCE

## NON-EXECUTIVE DIRECTORS

Non-executive directors shall refer to those who are not part of the day to day management of operations and shall include the independent directors. However, not all non-executive directors are considered independent directors.

## INDEPENDENT DIRECTORS

The Board has a sufficient number of independent directors that gives the assurance of independent views and perspectives. Currently, the Bank has 2 independent directors. Both are active in various committees of the Bank and participate extensively in Board discussions.

On an annual basis, the Corporate Governance Committee reviews and evaluates the qualifications of a person nominated to the Board as an independent director and determines that he meets all of the qualifications and possesses none of the disqualifications of an independent director under relevant laws and regulations. The attributes of an independent director include independence from management or from any business or relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment, and the lack of relationship to the corporation, its related companies or substantial shareholder as a regular director or officer or relative of the same, as an executive or professional adviser within the last 5 years, or business relations other than arm's length, immaterial or insignificant transactions.

## THE 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 (6) non-executive directors and one (1) executive director who is concurrently President of the Bank.

## Cantilan Bank Board of Directors

NAME OF DIRECTOR	TYPE OF DIRECTORSHIP	NO. OF YEARS AS DIRECTOR	NO. OF SHARES	PERCENTAGE OF SHARES
HOTCHKISS, WILLIAM III K.	Non-executive	21	77,799.08	15.0256%
HOTCHKISS, MA. TERESA P.	Non-executive	2	61,838.69	11.9431%
ARREZA, WENCESLAO R.	Non-executive	21	12,517.46	2.4175%
HOTCHKISS, CHARLES Y.	Executive	15	15,124.40	2.9212%
JULVE, ROLANDO U.	Non-executive	23	10,225.39	1.9749%
JULVE, BERNARDINO B.	Independent Director	1	1,401.24	.2706%
ZAYAS, JEANETTE P.	Independent Director	7	953.62	.1842%

## BOARD QUALIFICATIONS

The Board member must be fit and proper for the position of a director. In determining whether a persons fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education/financial literacy/ training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities.

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies. An elected director has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under MORB Section 132.

# BOARD OF DIRECTORS

## **LT GEN WILLIAM K HOTCHKISS III (RET)** CHAIRMAN OF THE BOARD

Has served as Cantilan Bank 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 the General Staff Course at Escuela Superior del Aire, in Madrid, Spain in 1982 and the International Fellows Program at the National Defense University, Washington, D.C. in 1991.

He served as the country's 24th Philippine Air Force Commanding General (1996-1999), as Director General of the Civil Aviation Authority of the Philippines (2012-2016), as Trustee of the Armed Forces of the Philippines (AFP) RSBS (1996-1999) & the AFP Mutual Benefit Association, Inc. (1993-1994), as President of the Philippine Eagle Foundation (2005-2012), as Chairman/President of the Rural Bankers' Association of the Philippines (2005-2006) and the Rural Bankers' Research & Development Foundation (2006-2008).



**FILIPINO, 76**

## **WENCESLAO R. ARREZA** VICE CHAIRMAN

Joined Cantilan Bank in 1999 as Member of the Board and served 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.



**FILIPINO, 84**

## **BRIG GEN CHARLES Y HOTCHKISS (RET)** DIRECTOR/PRESIDENT

Has served as CANBNK 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 the Philippine Air Force in 1980 as Squadron Commander and retired as Wing Commander. He joined CANBNK in 2005 as a member of the Board and assumed the position of Executive Vice President from 2008 to 2014.



**FILIPINO, 70**

# BOARD OF DIRECTORS

## **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.



**FILIPINO, 79**

## **MARIA TERESA P. HOTCHKISS** DIRECTOR

Maria Teresa Paloma - Hotchkiss first served as a regular director in Cantilan Bank's board in 2004. She was elected as a regular director again in 2018 and since then has been a member of the Credit Committee and Bids & Awards Committee. She graduated from Saint Theresa's College of Cebu with a Bachelor of Science degree in Commerce in 1977. Before joining the Bank, she was a Managing Director of Country Wide Lending Center (1993-1997) and a Senior Adviser of the Philippine Air Force Officers' Ladies' Club (1996-1999). She also worked as an Administrative Assistant for the National Security Council of the Philippines (1986-1989) and as Executive Assistant at Riggs National Bank of Washington D.C. (1991-1992). Presently, she is the Chief Financial Officer at Hotchkiss Learning Center and a Managing Director at Nova Manufacturing & Trading, Inc.



**FILIPINO, 64**

## **ATTY. BERNARDINO C. JULVE** INDEPENDENT DIRECTOR

Atty. Julve has been a member of the Cantilan Bank board since April 2019. He earned his Bachelor of Arts and Sciences degree in History at the University of San Carlos - Cebu in 1973 and Bachelor of Laws degree at the University of the Philippines - Diliman in 1977. In 1998, he completed his Master's degree in National Security Administration at the National Defense College of the Philippines. Before joining CANBNK he held various government positions at the Department of Labor and Employment: Assistant Regional Director - Region 4 (1987-1989), Assistant Director/Regional Director - Region 7 (1989-1990), Regional Director - NCR (1990-1993), Assistant Secretary (1993-2000), and Labor Attache (2000-2015). He was also a Commissioner at the National Labor Relations Commission (2015-2017). He was the managing partner of Julve, Tajano & Guerson Law Offices (1984-1987) and practicing lawyer of Alentaja, Ricasa & Velarde Law Offices (1982-1984).



**FILIPINO, 67**

## **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.



**FILIPINO, 43**

# CORPORATE GOVERNANCE

## BOARD-LEVEL 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:**

Atty. Bernardino B. Julve

**MEMBERS:**

Wenceslao R. Arreza

Rolando U. Julve

Jeanette Y. Palang-Zayas

### II. AUDIT & 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 Y. Palang-Zayas

**MEMBERS:**

Wenceslao R. Arreza

Rolando U. Julve

### 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, and another one a bank officer (ex-officio). The committee approves the loan applications from a maximum total sum of P501,000 to P3M 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.)

Ma. Teresa P. Hotchkiss

Albino A. Duero - Head, Credit & Loans Division

### IV. IT STEERING COMMITTEE

Composed of at least one (1) non-executive director, IT Head, Information Security Officer, and six (6) 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 -EVP/CTO

**MEMBERS:**

Jeanette Y. Palang-Zayas - Ind. Director

Archie Miranda - IT Head

Grace Naumi A. Lim - HR Head

Rebecca A. Ravelo - Accounting Head

Sheryl G. Asio - FMD Head

John Rey R. Duero - I.T Support Specialist

Andrea V. Cale - HR Admin

Shanelou T. Bermejo - DX Team Member

Rose Florence V. Estrada - ISO Head

# CORPORATE GOVERNANCE



## MEETINGS & QUORUM REQUIREMENT

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

For the period January to December 2019, attendance at the board and board committee meetings is as follows:

January to April 2019

NAME OF DIRECTOR	NO. OF MEETINGS		CREDIT COMMITTEE		AUDIT & COMPLIANCE COMMITTEE		CORPORATE GOVERNANCE COMMITTEE		IT STEERING COMMITTEE	
	NO.	PERCENTAGE	NO.	PERCENTAGE	NO.	PERCENTAGE	NO.	PERCENTAGE	NO.	PERCENTAGE
HOTCHKISS, WILLIAM K. III	4	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
ARREZA, WENCESLAO R.	4	100%	n/a	n/a	12	92%	9	100%	n/a	n/a
JULVE, ROLANDO U.	4	100%	9	100%	13	100%	9	100%	n/a	n/a
HOTCHKISS, CHARLES Y.	4	100%	9	100%	n/a	n/a	n/a	n/a	n/a	n/a
HOTCHKISS, MA. TERESA P.	4	100%	7	78%	n/a	n/a	n/a	n/a	n/a	n/a
AMBRAY, AQUINO F., CPA	2	50%	n/a	n/a	n/a	n/a	0	0%	n/a	n/a
ZAYAS, JEANETTE PALANG	4	100%	n/a	n/a	13	100%	8	89%	7	100%
<b>TOTAL NO. OF MEETINGS HELD</b>	<b>4</b>	<b>100%</b>	<b>9</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>9</b>	<b>100%</b>	<b>7</b>	<b>100%</b>

May to December 2019

NAME OF DIRECTOR	NO. OF MEETINGS		CREDIT COMMITTEE		AUDIT & COMPLIANCE COMMITTEE		CORPORATE GOVERNANCE COMMITTEE		IT STEERING COMMITTEE	
	NO.	PERCENTAGE	NO.	PERCENTAGE	NO.	PERCENTAGE	NO.	PERCENTAGE	NO.	PERCENTAGE
HOTCHKISS, WILLIAM K. III	10	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
ARREZA, WENCESLAO R.	10	100%	n/a	n/a	12	92%	9	100%	n/a	n/a
JULVE, ROLANDO U.	10	100%	9	100%	13	100%	9	100%	n/a	n/a
HOTCHKISS, CHARLES Y.	10	100%	9	100%	n/a	n/a	n/a	n/a	n/a	n/a
HOTCHKISS, MA. TERESA P.	10	100%	7	78%	n/a	n/a	n/a	n/a	n/a	n/a
JULVE, BERNARDINO B.	9	90%	n/a	n/a	n/a	n/a	7	78%	n/a	n/a
ZAYAS, JEANETTE PALANG	10	100%	n/a	n/a	13	100%	8	89%	7	100%
<b>TOTAL NO. OF MEETINGS HELD</b>	<b>10</b>	<b>100%</b>	<b>9</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>9</b>	<b>100%</b>	<b>7</b>	<b>100%</b>

# THE SENIOR MANAGEMENT

## Selection Process of the Senior Management

The President and the Executive Vice President positions are for annual appointment by the Board of Directors. The selection process includes nomination, review of qualification and screening, short-listing of candidates, and voting. Candidates nominated should be fit and proper for the particular position. At the minimum, candidates are screened based on integrity/probity, education/training, work experiences, accomplishments and their competencies relevant to the functions of the President and EVP such as their knowledge, skills and diligence.

### **BRIG GEN CHARLES Y HOTCHKISS (RET),** PRESIDENT

Has served as CANBNK 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 the Philippine Air Force in 1980 as Squadron Commander and retired as Wing Commander. He joined CANBNK in 2005 as a member of the Board and assumed the position of Executive Vice President from 2008 to 2014.



**FILIPINO, 70**

### **TANYA P. HOTCHKISS** EXECUTIVE VICE PRESIDENT

Tanya P. Hotchkiss has served as Cantilan Bank's Executive Vice President since 2016. As EVP, she is responsible for steering the bank's strategies for sustainable growth, digital services, and financial inclusion. She is in charge of driving the bank's digital transformation towards cloud and blockchain solutions and mobile banking services for the unbanked and underserved markets in Mindanao.



**FILIPINO, 39**

She joined the Bank in 2012 as Head of Strategic Management and became a member of the board from 2015 to 2016 and re-elected in 2020. 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 awards 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 concurrently serves as Executive Director of the Hotchkiss Foundation and School Administrator of the Hotchkiss Learning Center.



# CORPORATE GOVERNANCE

## EXECUTIVE OFFICERS & SENIOR MANAGEMENT

NAME	POSITION
LT. GEN. HOTCHKISS, WILLIAM K. III (RET.)	CHAIRMAN
BRIG. GEN. HOTCHKISS, CHARLES Y. (RET.)	PRESIDENT/CHIEF SECURITY OFFICER
HOTCHKISS, TANYA P.	EXECUTIVE VICE PRESIDENT/CHIEF TECHNOLOGY OFFICER

## DIVISION HEADS

NAME	POSITION
DUERO, ALBINO B.	ACTING HEAD, CREDIT & LOANS DIVISION
BARROT, COLLEEN MARY C.	CHIEF COMPLIANCE OFFICER/ ASST. CORPORATE SECRETARY
COQUILLA, CLEMENTE JR. T.	HEAD, INTERNAL AUDIT
ASIO, SHERYL G.	HEAD, FUND MANAGEMENT DIVISION
GUERTA, RICO C.	HEAD, BRANCH BANKING DIVISION
RAVELO, REBECCA A.	HEAD, ACCOUNTING DIVISION
GONZALES, ERNESTO L.	HEAD, LOGISTICS DIVISION
LIM, GRACE NAUMI A.	HEAD, HUMAN RESOURCE DIVISION
MIRANDA, ARCHIE T.	HEAD, INFORMATION TECHNOLOGY DIVISION
DIGAUM, ATTY. LUCKS MAE D.	HEAD, LEGAL SERVICE DIVISION

## DEPARTMENT HEADS/PRODUCT HEADS

NAME	POSITION
ESTRADA, ROSE FLORENCE	INFORMATION SECURITY OFFICER/DATA PROTECTION OFFICER
COCA, MARISSA L.	HEAD, BRANCH BANKING OPERATIONS ADMINISTRATION
MONTEROSO, ALAN B.	HEAD, DEPOSIT PRODUCT DEPARTMENT
DUERO, EMMARY A.	HEAD, MARKETING DEPARTMENT
TRUGILLO, REMYBERT C.	HEAD, MICROFINANCE LENDING MANAGEMENT DEPT.
CAGALITAN, ALGEIR G.	CREDIT REVIEW OFFICER
CALE, ANDREA V.	HEAD, ADMINISTRATION DEPARTMENT
ARONES, DINDO JUNNIFER A.	HEAD, RETAIL LENDING DEPARTMENT
MOLEJON, JOVEN ERNESTO A.	HEAD, CORPORATE LENDING DEPARTMENT
GALINATO, GINALEE P.	HEAD, CONSOLIDATION DEPARTMENT
DUERO, JOHN REY R.	ACTING HEAD, DATABASE ADMINISTRATION
DELA PEÑA, NOREEN A.	ASSISTANT COMPLIANCE OFFICER
CANDA, REY A.	HEAD, IT AUDIT
CATUBURAN, BONIELYN E.	HEAD, GENERAL AUDIT DEPARTMENT
TUMALON, HAZEL T.	HEAD, SPECIAL AUDIT DEPARTMENT
KINDICA, PAMELA A.	ACTING HEAD, GEN. SERVICES DEPARTMENT
GUIRAL, JOLLYWINCH T.	EXECUTIVE ASSISTANT
CUARTERO, MAY L.	BUDGET OFFICER
AMBRAY, BIENVINIDO P. III	OIC, REMITTANCE & OTHER SERVICES DEPARTMENT
LUMAPAS, MARK BRYAN R.	HEAD, SAFETY & SECURITY DEPARTMENT
SUAREZ, JOEL J.	HEAD, CONSTRUCTION & ENGINEERING SERVICES & FACILITY MAINTENANCE DEPARTMENT

# CORPORATE GOVERNANCE



## BRANCH HEADS

### NAME

TABILE, JULIA S.  
AVECEDO, JAY S..  
GORDO, SAGARES JR. S.  
FERNANDEZ, ARNALITO S.  
TUBIA, RUEN A.  
URQUIA, LILIBETH B..  
CORTES, DENNIS M.  
CARDUZA, JOCELYN R.  
CATUBURAN, AL D.  
NALDOZA, AMIEL W.  
IDEA, RONALD M.  
MAGADAN, JUVY R.  
QUINOÑEZ, NEILBRIAN D.  
GELI, CLARISSA C.  
PAMA, ARIEL P.  
ARIATE, AJI AGUSTIN L.  
PLAZA, JOAN WALTER F.  
ANUNCIO, JOCINE S.  
GENDEVE, VICENTE C.  
LAGRIMAS, GAUDENCIO JR.  
NAVARRO, RONIEL E.  
CALIJAN, RANDOLPH RAY B.  
PELIGRO, HERBERT M.  
MASONGSONG, MICHAEL C.

### POSITION

BRANCH HEAD, CANTILAN BRANCH  
BRANCH HEAD, MADRID BRANCH  
BRANCH HEAD, TANDAG BRANCH  
BRANCH HEAD, SAN AGUSTIN BRANCH  
BRANCH HEAD, LIANGA BRANCH  
BRANCH HEAD, CLAVER BRANCH  
BRANCH HEAD, SAN MIGUEL BRANCH  
BRANCH HEAD, SOCORRO BRANCH  
BRANCH HEAD, TAGBINA BRANCH  
BRANCH HEAD, ALEGRIA BRANCH  
BRANCH HEAD, SURIGAO BRANCH  
BRANCH HEAD, BUTUAN BRANCH  
BRANCH HEAD, SAN FRANCISCO BRANCH  
BRANCH HEAD, DAVAO BRANCH  
BRANCH HEAD, TAGUM BRANCH  
BRANCH HEAD, GINGOOG BRANCH  
BRANCH HEAD, LINGIG BRANCH  
BRANCH HEAD, SOGOD BRANCH  
BRANCH HEAD, DAPA BRANCH  
ACTING BRANCH HEAD, PROSPERIDAD BRANCH  
BRANCH HEAD, NABUNTURAN BARNCH  
BRANCH HEAD, LUPON BRANCH  
ACTING BRANCH HEAD, BUENAVISTA BRANCH  
BRANCH HEAD, MALAYBALAY BRANCH

# CORPORATE GOVERNANCE

## TRAINING AND EDUCATION PROGRAM FOR BOARD OF DIRECTORS AND SENIOR MANAGEMENT

CANBNK invests reasonably in the continuing education of its employees, especially its Officers, Senior Management and Board of Directors. The continuing education program for Senior Management and Board of Directors includes but is not limited to attendance to external training, symposiums, forums, educational tours, and round table discussions; and active affiliations and participation with organizations in the banking/financial industry.

Below are the training attended by the Board of Directors and Senior Management of Cantilan Bank for 2019.

DIRECTORS	COURSE	DATE OF TRAINING
BOD BERNARDINO B. JULVE	Corporate Governance Courses for Rural Bank Director	May 28, 2019
BOD MARIA TERESA P. HOTCHKISS	Best Practices on Implementing Effective Business Control	June 20, 2019
	New Corporate Code	June 19, 2019
	Advance Corporate Governance Course	September 21, 2019

SENIOR MANAGEMENT	COURSE	DATE OF TRAINING	
BRIG. GEN. CHARLES Y. HOTCHKISS (RET.) PRESIDENT	RBAP 66TH Annual Convention & Gen. membership meeting	May 20-21, 2019	
	Strategic Planning in Siargao	July 18-19, 2020	
	Oradian Community Summit	October 25, 2019	
	RBAP 62nd Charter Anniversary Symposium	November 6-7, 2019	
	TANYA P. HOTCHKISS, EXECUTIVE VICE PRESIDENT	APEC Digital Trade Policy Dialogue in Santiago, Chile	March 2, 2019
		Instafin Reporting	April 12, 2019
		RBAP 66TH Annual Convention & Gen. membership meeting	May 20-21, 2019
		BSP Stakeholders Award & Appreciation Lunch	July 10, 2019
		Strategic Planning in Siargao	July 18-19, 2019
		IT Strategic Planning	July 24-26, 2019
Resource Speaker at BSP event re: Leveraging the Cloud		September 17, 2019	
Continuation of Strat. Planning		September 23-24, 2019	
BancNet Outsourcing Conference		October 10, 2019	
ADB Asia Finance Forum		November 4-6, 2019	
RBAP 62nd Charter Anniversary Symposium	November 6-7, 2019		
Singapore FinTech Festival 2019	November 11-15, 2019		

## PERFORMANCE ASSESSMENT OF THE BOARD & SENIOR MANAGEMENT

CANBNK has framework for evaluating board effectiveness to enable directors to evaluate their individual performance as well as the collective performance of the Board.

The members of the Board conduct an annual self-assessment of the Board as a whole, of themselves as the individual members and as member of the Board Committees. The self-assessment includes an evaluation of the independent judgment, objectivity and balanced perspective of each member and of the Board as a whole. Performance evaluation is conducted at least sixty (60) days prior to the annual stockholders meeting.

In the current practice, the President's performance is assessed by the Board on a yearly basis while the EVP is evaluated by the President semi-annually, consistent with that of the rest of the employees. The performance evaluation is based on the Officer's quality of work; work competencies; work attitude; and leadership and management.

The Bank has mechanism to consolidate and summarize the results of recent evaluation of Board, individual director's performance and committees to ensure that results of Board and Senior Management's performance evaluation are discussed at the Corporate Governance Committee.

# CORPORATE GOVERNANCE

## RETIREMENT AND SUCCESSION POLICY OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

In August 13, 2019 per BOD Resolution No19-194, the Board approved the Retirement Policy for the Cantilan Bank Board of Directors. As part of the succession plan, the Board adopted the policy on retirement for Directors that promote dynamism and avoid perpetuation in power in order to ensure growth and a continued increase in the shareholders' value. The retired board will receive retirement package of cash and shares of stocks.

For Senior Management, the mandatory retirement age of 60 does not apply for the President and the Executive Vice President. For as long as the incumbent are fit and proper, they may be reappointed for the same position year in year out. Meanwhile, the Succession Policy of the Bank states that in case of vacancy, the Board of Directors elect the President from the among the Directors, while for the Executive Vice President position, the Board may appoint from within the organization or may consider hiring from the outside, when necessary.

## REMUNERATION POLICY

The remuneration of the Senior Management, being part of the plantilla of the Bank, is based on the existing Salary Structure applicable to all regular employees where in all positions are rated from Job Level 1 up to Job Level 11. The higher the position and the bigger the responsibilities are, the higher the job level and the corresponding pay. The President is rated Job Level 11 while the Executive Vice President is rated as Job Level 10. The other officials that belong to the top 4 highest remuneration are the Group Heads in Job Level 9 and the Deputy Group Head in Job Level 8. The increment per job level is 25% while vertical increment (step increment) is 5% at most.

The Board of Directors receive monthly honorarium during board meetings and committee meetings. They likewise receive allowance and per diems during official travels, seminars and trainings and conferences.

## CODE OF ETHICS

The CANBNK Code of Ethics and Business Conduct establishes the ethical standards that govern the way CANBNK employees and Directors deal with colleagues, customers, stakeholders and the bank itself. Complying with the code is part of the terms and conditions of our employment with CANBNK. Anyone who violates the ethical standards of the bank may face a disciplinary action, including termination of employment.

CANBNK is committed to conducting all its affairs to the highest level of ethics, integrity, honesty, fairness and professionalism, with no exception. While achieving our business goal is important, how we do it is equally important. The CANBNK Code of Ethics and Business Conduct applies to all employees and directors.

## RELATED PARTY TRANSACTION

In accordance with the regulations on Circular No. 895, Guidelines on Related Party Transactions issued by Bangko Sentral ng Pilipinas (BSP), CANBNK recognizes the need to strengthen its policy on related party transactions and other similar situations so as to prevent or mitigate abusive transactions with related parties and avoid risks of conflict of interest. This is to ensure that every Related Party Transaction is conducted in an arm's length transaction that will protect the Bank from conflict of interest which may arise between the Bank and its Related Parties; and to ensure proper review, approval, ratification and disclosure of transactions between the Bank and any of its Related Parties as required in compliance with legal and regulatory requirements.

The Bank's Board of Directors appointed Corporate Governance Committee to administer the responsibilities of an RPT Committee. The committee shall oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including the periodic review of the RPT policies and procedures. Master list of related parties are being established. All related party transaction shall be elevated to the Board of Directors for ratification/approval. Currently, Board approved material related party transactions are those loans to DOSRI and a Memorandum of Agreement with the building of Hotchkiss Learning Center (HLC) Elementary School, used as Training Center of Cantilan Bank. Hotchkiss Learning Center is school owned and operated by the Hotchkiss Family.

## CONFLICT OF INTEREST

Directors must avoid any situation or activity that compromise, or may compromise, their judgment or ability to act in the best interest of the Bank. It is the duty of a Director to fully disclose to the Board of any conflict of interest or presumption thereof involving him/her which could materially impair his/her judgment, exercise of duties and responsibilities and loyalty to the Bank. Any transaction with conflict of interest requires prior approval of the members of the Board. The Director, who is in conflict of interest, should not be counted in determining the existence of a quorum at the Board of Directors' meeting at which the matter is voted upon.

# CORPORATE GOVERNANCE

## SELF-ASSESSMENT FUNCTIONS

### THE COMPLIANCE DIVISION

Cantilan Bank, Inc. is committed to safeguard the integrity of the Bank by maintaining a high level of regulatory compliance. The Compliance Division was created by virtue of BSP Circular No. 145, as amended by Circular No. 972 dated August 22, 2017.

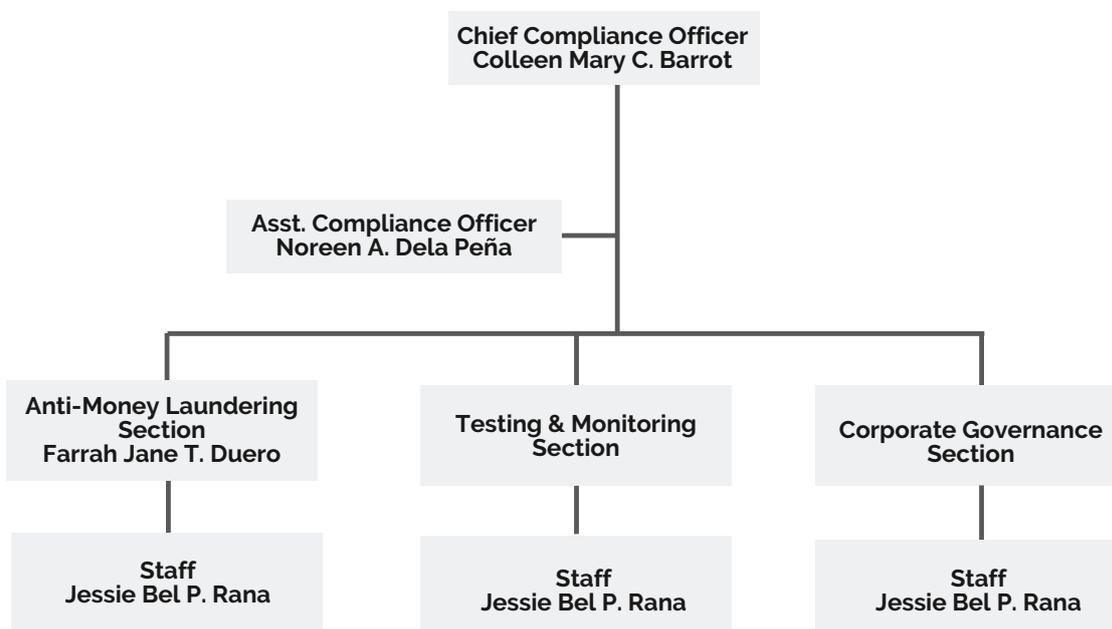
The Chief Compliance Officer (CCO) is the lead senior officer for the purpose of administering the compliance program and interacting with the BSP on compliance related issues. The principal function of the CCO is to oversee the design of an appropriate compliance system, promote effective implementation and address the breaches that may arise. The CCO also regularly updates the Bank's Compliance Manual.

The Compliance Division is independent from the business activities of the bank. The Compliance Officer has the right to obtain access to information necessary to carry out its responsibilities, to conduct investigations of possible breaches of the compliance policy and the right to direct access to the Board of Directors and to the appropriate board-level Committees. The Division periodically reports to the Audit and Compliance Committee and to the Board of Directors all significant compliance issues requiring immediate corrective action.

The Board, through the Audit and Compliance Committee, ensures that a compliance program is defined for the Bank and that compliance issues are resolved expeditiously. On a periodic basis, the BOD requires the CCO to report on the compliance status of the Bank. The report will assist the board members in making an informed assessment as to whether the bank is managing its compliance risks effectively.

The Compliance Division is composed of the Chief Compliance Officer, Compliance Officer, and three sections namely: Anti-Money Laundering (AML) Section, Testing and Monitoring Section, and Corporate Governance Section. The AML Section is in charge of the compliance risk assessment and testing on anti-money laundering; suspicious and covered transactions reporting; AML trainings; and monitoring compliance risk exposures related to AML. The Testing and Monitoring Sections conducts compliance testing, ensures integrity and accuracy of documentary requirements, trainings, monitoring of compliance risk exposures, and performs review and implementation of specific policies and guidelines. The Corporate Governance Section handles the bank's corporate matters, the custodian of all corporate files, and the secretary of the Corporate Governance Committee. It is also in-charge of the correspondence with regulatory bodies.

### THE COMPLIANCE STRUCTURE



# CORPORATE GOVERNANCE

## SELF-ASSESSMENT FUNCTIONS

### THE INTERNAL AUDIT DIVISION

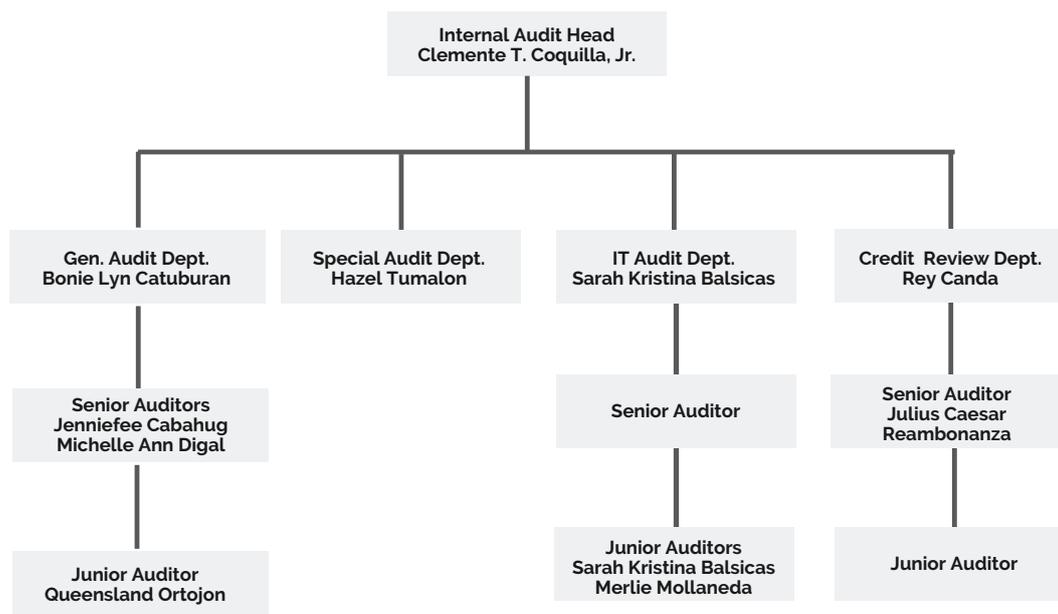
In January 20, 2019, Cantilan Bank went live on the new core banking system, the cloud-based system- Instafin. With this, IA needs to keep up and adapt to digitalization. In the adoption of technology to radically improve the performance and reach of the bank, it is therefore hastening an evolution that is expanding the role of Internal Audit. Traditionally, IA has focused on the oversight role to ensure that protocols for processes, controls, resources, and performance measures are being followed and are yielding expected results.

IA needs to move even further and develop foresight to determine whether the bank is capable of addressing future risks as its digitalization program evolves. The scale of future growth and challenges require adjustments. IA needs to ensure to understand digitalization and its effect on the current and potential future risks to provide insight and foresight. IA must develop the skills to effectively evaluate digitalization risks and better understand the related risk responses. To grasp digitalization's potential will be to provide value to the bank in an environment where disruption has become the rule rather than the exception.

Moving to the cloud-based system-Instafin, IA obtains data analytics for the conduct of audits. Audit methodology was enhanced and segmented into on-site and off-site audit. On-site audit means the auditor is at the auditable unit. Off-site audit is a remote audit or the auditor is not in the auditable unit but located at another location wherein the auditor can access the data through the system and devices. IA enhanced the audit scope and procedures for off-site audit that conformed to the Instafin system. Off-site audit shortened the distances, travel time, and costs, reducing the environmental impact associated with audit travel. On the other hand, an on-site audit is to be conducted for validation of original documents, client visitation, and confirmation and assessing the compliance of internal control purposes of an auditable unit.

IA benefited the accessibility to the data and reports in conducting an audit. With COVID-19 declared as a global pandemic, IA was grateful that Cantilan Bank already moved to the Instafin system. It enables the IA functions to respond with flexibility and creativity in facing the challenges of the pandemic crisis. IA was able to put its Audit Plan in its place with fewer worries in the audit activities. Though there were limitations and connectivity issues, IA was still able to keep on track of its audit function with the help of the Instafin system.

### THE INTERNAL AUDIT STRUCTURE



# CORPORATE GOVERNANCE

## **DIVIDEND POLICY**

In compliance to Section X136 of the MORB, the Board approved the Cantilan Bank Dividend Policy in May 4, 2018, with Board Resolution No. 18-119.

In the policy, the net amount available for dividends shall be 70% of the retained earnings or defined as amount of unrestricted or free retained earnings reported in the Financial Reporting package (FRP) as of the calendar/fiscal year-end immediately preceding the date of dividend declaration. 30% of the retained earnings are reserve. The liquidity ratio must not fall below 25% after the time of release of the dividend.

In 2019, the Board of Directors declared cash dividend amounting to P24,656,073.50



# CORPORATE SOCIAL RESPONSIBILITY



Convergence for Sustainable Watershed during signing of Statement of Commitment and Oath Taking with DENR and DILG Secretaries.



Convergence for Sustainable Watershed during signing of Statement of Commitment and Oath Taking with DENR and DILG Secretaries and the CCMCL Mayors.

## Cantilan Bank initiates Convergence for Sustainable watersheds in CarCanMadCarLan

Cantilan Bank gathered together private and public-sector stakeholders from the five Surigao del Sur communities of Carrascal, Cantilan, Madrid, Carmen, and Lanuza (CarCanMadCarLan) for a convergence on Sustainable Watersheds held at the Cantilan Bank Training Center on August 20, 2019.

"As a community bank, we believe that our sustainability completely depends on the sustainability of our environment. Our clients are mostly farmers and fisher folk whose livelihoods mainly depend on natural resources. We are initiating this Public-Private Partnership that would help ensure the sustainability of our communities and the protection of our watersheds against destruction. And, the best way to achieve this goal is to partner with stakeholders who share the same vision as ours," said CANBNK Chairman Lt. Gen. William K. Hotchkiss (Ret.).

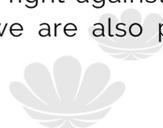
The Convergence on Sustainable Watersheds was kicked off by the signing of a Statement of Commitment proclaiming all critical watersheds as NO GO ZONES for extractive industries – be it mineral production or timber harvesting. The five neighbouring communities of CarCanMadCarLan were represented by their respective municipal mayors and other local government representatives. The Secretary of the Department of Environment and Natural Resources Roy A. Cimatu and Department of Interior and Local Government Secretary Eduardo M. Año were among the top guns who joined the convergence and witnessed the signing of the Statement of Commitment.

Cantilan Bank will continue to have a dialogue with local and national stakeholders to realize what has been envisioned during the convergence for the benefit of the environment and the people.

On November 14, 2019, the Philippine Eagle Foundation (PEF) was invited in the Convergence initiative so we can all together protect Mount HilongHilong, a critical watershed that is a known habitat of our National Bird, the majestic Philippine Eagle. From November 14-19, 2019, the Philippine Eagle Foundation, The Cornell Lab of Ornithology, and USAID partnered with Cantilan Bank and its Foundation, Cantilan Bank Foundation present a documentary film that follows a pair of Philippine eagles that protects their young until it learns to fly off nest and fend for itself, called Bird of Prey.

The target audiences are the High School students of CCMCL. With today's environmental crises and the beginning of mass extinction, we believe that the youth should be the ones to take the lead. This way, they can be involved in protecting the critical watersheds and species that are vital to our survival and existence.

Alongside the regular coastal cleanups, Bitaoag Tree Planting activities were also initiated by Cantilan Bank Foundation as part of Cantilan Bank's 39th Founding Anniversary celebration and World Oceans Day. Cantilan Bank volunteers also joined in the fight against plastic pollution during the International Coastal Cleanup. If we protect the environment, we are also protecting ourselves and the lives of our clients including the next generations.



# CONSUMER PROTECTION PRACTICES

## ROLE AND RESPONSIBILITY OF THE BOARD AND SENIOR MANAGEMENT

The Bank's Board of Directors is responsible in ensuring that the policies of Bangko Sentral ng Pilipinas on Consumer Protection are being well implemented throughout the overall operations of the bank.

The Senior Management, on the other hand, has a role to keep the Board of Directors properly informed about the bank's performance on such matter. The board should routinely review the policies and reports for counter-checking. Senior Management reports to the board on a regular basis.

## CONSUMER PROTECTION RISK MANAGEMENT SYSTEM OF CANBNK

The Consumer Protection Risk Management System (CPRMS) enables Cantilan Bank to identify, measure, monitor, and control customer protection risks inherent in its operations.

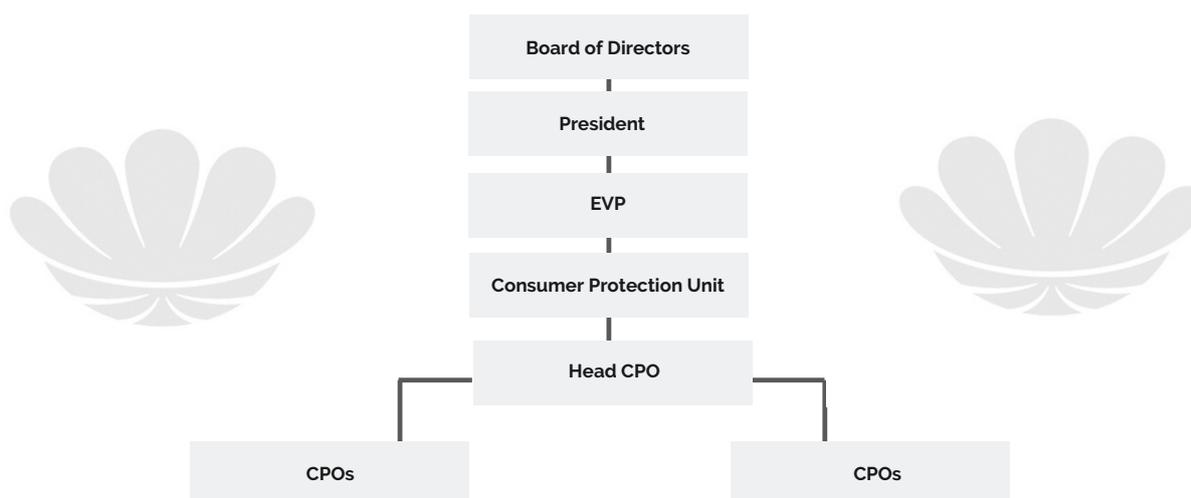
It provides the foundation for ensuring the Bank's adherence to Consumer Protection standards of conduct and compliance with consumer protection laws, rules, and regulations in order to prevent risks to the Bank and any harm or financial loss to the customers.

Cantilan Bank uses the CPRMS as a means to safeguard the best interests of its consumers at all times underpinned by well-maintained consumer protection policies on risk management.

## CONSUMER ASSISTANCE MANAGEMENT SYSTEM OF CANBNK

Cantilan Bank follows its existing operational channels in handling customer feedback (complaints/suggestions). It has designated its Branch Heads to serve as the Consumer Protection Officers (CPOs), while the Branch Marketing Assistants (BMAs) take the responsibility in assessing the process. In the absence of the BMA, the Customer Relations Associate (CRA) will take over the responsibility. The CPOs then report all received customer feedback to the Head Consumer Protection Officer (HCPO) assigned in the Headquarters. The HCPO will then submit a summary report of feedback to the Consumer Protection Unit (CPU). The Board will also be provided with a monthly report of feedback with actions taken for their review and discussion.

The Structural Chart for CAMS is presented below:



Moreover, different communication channels such as, e-mail, website, facebook, SMS, telephone, and suggestion boxes are made available to clients for their complaints and/or suggestions. The Consumer Protection Unit manages these channels and uses them in reaching out with the concerned customers.

Cantilan Bank's Consumer Protection Unit strengthened its monitoring of complaints and reports system. In 2018, a database was developed for monitoring the ATM related Complaints. The system can log complaints and generate reports.

# CONSUMER PROTECTION PRACTICES

## CONSUMER PROTECTION UNIT

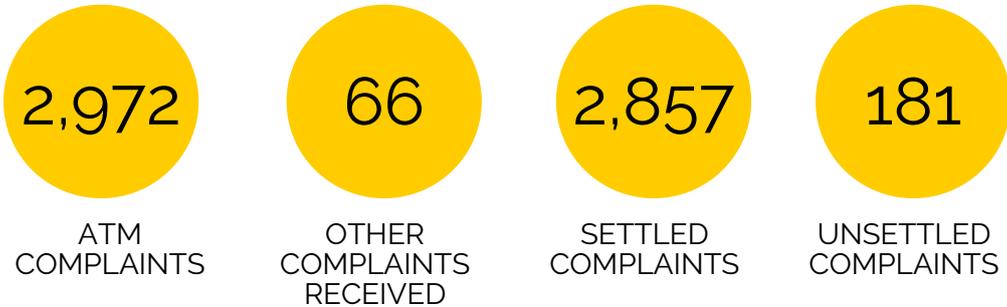
CANBNK's Consumer Protection Unit, through its I.T. Division, has developed a database for the branches and offices where they can log their customers' ATM complaints upon receipt from clients. The database can be accessed by both the Consumer Protection Unit and the ATM Reconciliation Team for faster processing and resolution.

A regular orientation among Consumer Assistance Officers and new hires have been included in the list of training to be conducted by the Consumer Protection Unit to properly impart their roles in complaints handling and recording.

Now that the Bank has developed a more comprehensive data-capturing mechanism, it is now capable of comprehensively capturing both ATM-related and non-ATM related complaints, which are regularly reported to the level of the Senior Management up to the Board. Internal Audit Division will examine the overall processes of the Consumer Protection Unit.

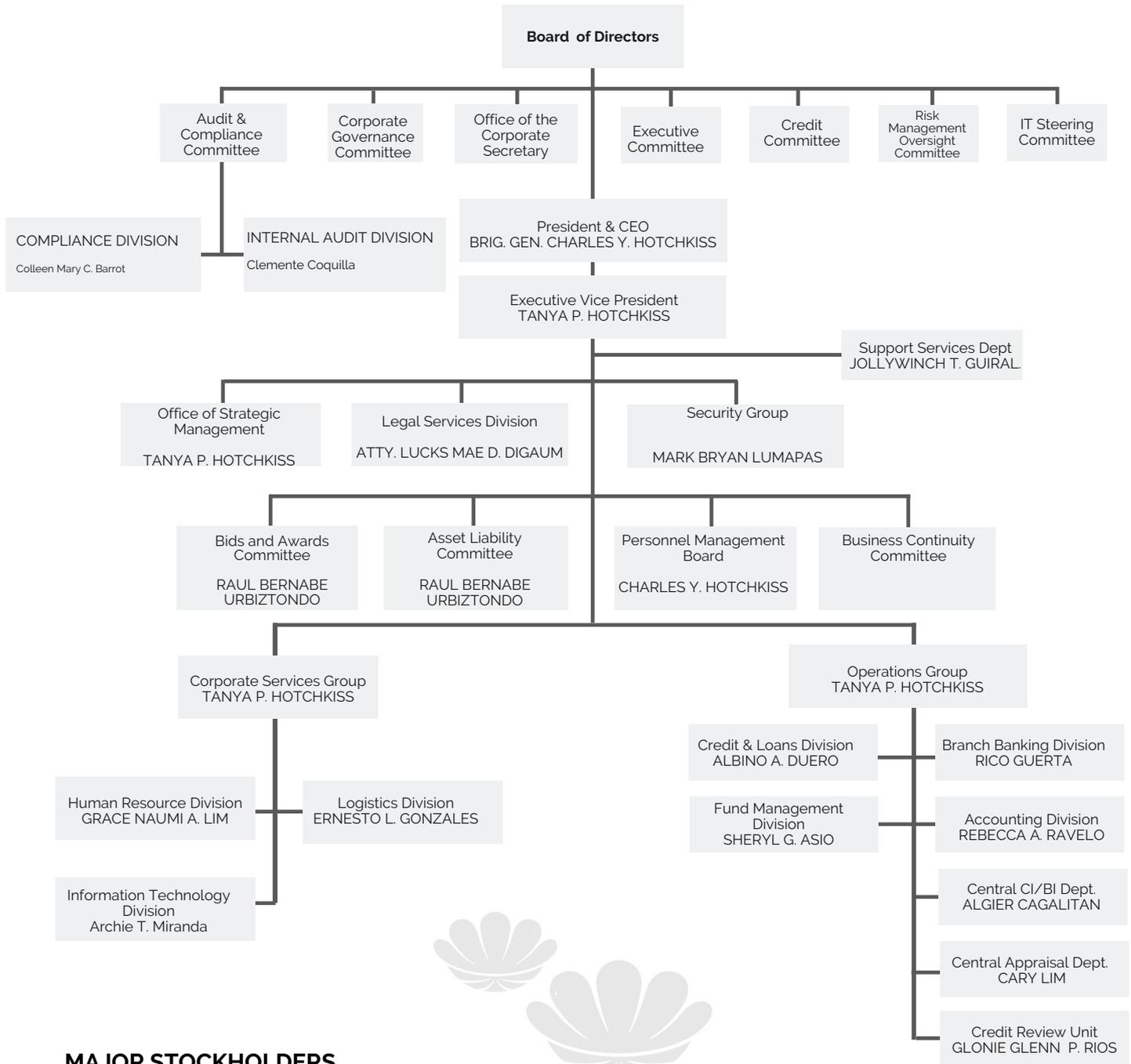
## STATISTICS OF COMPLAINTS

### SUMMARY OF COMPLAINTS FOR THE YEAR 2019



# CORPORATE INFORMATION

## ORGANIZATIONAL STRUCTURE



## MAJOR STOCKHOLDERS

Name of Stockholders	Nationality	Percentage of Stockholdings
1.HOTCHKISS, WILLIAM III	Filipino	15.0256%
2.HOTCHKISS, MA. TERESA	Filipino	12.3522%
3.PICHAY, PROSPERO, JR.	Filipino	8.9538%
4.HOTCHKISS, EDWARD	Filipino	4.5216%
5.JULVE, HERMILA	Filipino	4.4434%
6.ONG, FERMINA	Filipino	3.5607%
7.ARREZA, JULIA	Filipino	3.1622%
8.HOTCHKISS, CHARLES	Filipino	3.2480%
9.ARREZA, WENCESLAO	Filipino	2.4175%
10.HOTCHKISS, TANYA	Filipino	2.2128%
11.JULVE, ROLANDO	Filipino	1.9749%
12.ORTEGA, LUCIANO	Filipino	1.6553%
13.PALANG, JEANA	Filipino	1.3607%
14.COSMIANO, MARGARITA	Filipino	1.3079%
15.MUNOZ, PEPITA	Filipino	1.1047%

# PRODUCTS & SERVICES

## DEPOSITS

### Regular Savings

An interest bearing deposit evidenced by a passbook and can be withdrawn anytime within the banking hours. Withdrawal can be made upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook.

### Regular Time Deposit

Time Deposits represent interest-bearing deposits with specific maturity dates and evidenced by Certificate of Time Deposit issued by the Bank.

### Premium Time Deposit

Investment Savings Account/Time Deposits represents interest-bearing deposits with specific maturity dates and evidence by certificates issued by the Bank.

### Moneycard (ATM)

A savings deposit product using a CANBNK ATM card. This product is being developed to respond the needs of our growing community by giving them more access to non-stop banking convenience.

### Current Account

Also known as checking account or demand deposit account. A non-interest bearing deposit subject to withdrawal by issuance of checks.

### Student Savers' Club

A deposit product primarily designed for school children. We wish that more will get into the habit of savings, thus we start it with the children. As much as possible, children should learn good money habits early and how to handle their money well.

### Commitment Savings Deposit Account

A passbook-based interest-bearing savings deposit auto-debited from clients' payroll account. The clients' payroll account will be the sourced account while the CSDA is the recipient account.

## LOANS

### Agri Value-Chain

An individual loan intended to provide affordable and customized credit facility to qualified small farmers engaged in crop production, poultry, livestock raising, and aqua culture. Members of a certified farmers' organization are automatically eligible to avail of this product.

### Business Enterprise Loan

An individual loan intended to provide accessible, affordable credit facility to Small and Medium Enterprise (SME) borrowers. A change in mindset from collateral based lending to risk based lending. Risk based lending simply means that the bank has a systematic way of assessing, identifying, quantifying, classifying, and mitigating credit risks.

### Back to Back Loan

An individual loan granted to CBI depositors. This product aims to provide affordable and customized credit window to depositors for a wide array of purposes, from investment to a mere personal or family use in nature.

### Salary Loan

A loan product intended for regular government-paid employees and those working in private institutions who have established good financial standing in the community supported with the growth in manpower generation and tested by the bank's credit record over the past years.

# PRODUCTS & SERVICES

## **Pension Loan**

A credit facility intended for eligible pensioners. A borrower can take a loan of up to 80% of his monthly net pension pay.

## **KITA (Kita Insakto Tipon Asenso)**

KITA stands for Kita Insakto (Sufficient Income), Tipon (Bigger Savings), Asenso (Growth). This product aims to provide opportunities for microenterprise operators to expand their business activities, increase their income, improve their capacity to save, and enhance their status as productive members of their respective communities.

## **HFL (Home Financing Loan)**

HFL is categorized into 2: HFL Small & HFL Secured

### **HFL Small**

A loan product to cater the housing needs of individuals who do not have the complete documents necessary in real estate mortgage and those who are in need of bridge financing. It focuses on clients with sufficient sources of income and of good credit record.

### **HFL Secured**

A loan product for clients with sufficient sources of income and with real property to offer as collateral. This is for clients who want to avail of loan for their housing needs but not limited to house construction, to include residential lot purchase and house repairs.

## **Agricultural loan**

A loan product intended for farmers for agricultural crop production and agricultural equipment acquisition.

## **LIFE (Life Insurance & Investment for Entrepreneurs)**

Individual loan intended for qualified existing AVC and KITA loan clients as incentive for establishing a good repayment record. This is an add-in product coterminous to the main loan availment.

## **AVC Farm Equipment Loan**

Individual loan intended for acquisition of farm equipment for Small-hold farmers (ex. Water pump, Diesel engine, Accessories, and Installation of farm Equipment).

## **Barangay Honorarium Loan**

A loan product for elected and co-terminus officials and permanent Government Employees. Wide array of purposes from investment or income generating activities to a mere personal or family use in nature.

## **Wash Loan**

A loan product that would finance the construction of toilets and facilitate water connections from public utilities to help communities achieve safe and clean surroundings.

## **REMITTANCE AND OTHER SERVICES**

### **Inter-branch Deposit**

A deposit made at any branches of CBI other than the branch where the account is maintained, to fund a savings or checking deposit account.

### **Inter-branch Withdrawal**

A withdrawal made from a savings deposit account at any branches other than the branch where the account is maintained.

### **Inward Inter-bank Fund Transfer**

A deposit made at any conduit commercial banks like DBP, PNB, RCBC, LBP, UCPB, BPI, BDO & MBTC), to fund a CBI's Savings or Checking deposit account .

### **Outward Inter-bank Fund Transfer**

A transfer made at any branches of Cantilan Bank, to fund a commercial bank Savings or Checking deposit account.

# PRODUCTS & SERVICES

## **Western Union**

A remittance service offered by the bank as sub-agent of PETNET, Inc. under the Western Union Money Remittances.

## **CB-Kalinga MicroInsurance**

A micro-insurance product of Country Bankers Life Insurance Corp. (CBLIC) to meet the needs of the low income sector clients for their risk protection and relief against distress, misfortune and other contingent events.

## **Alalay Sa Buhay Microinsurance**

A micro-insurance product of Country Bankers Life Insurance Corp. (CBLIC)

## **Nego Asenso Microinsurance**

A microinsurance product of Bankers Assurance Corp. (BAC) under Malayan Group of Insurance Companies, supplementing the existing micro insurance especially in the aspect of Fire assistance.

## **ATM Services**

Nationlink & DBP ATMs installed in the premise of some branches and extension offices and in some strategic locations other than bank premise.

## **POS (Point-Of-Sale)**

Alternative cash out facility instead of ATM for Debit and Cash Card withdrawals. The amount withdrawn shall be credited to the settlement account of CBI and the cardholder shall be paid by the bank representative of the amount withdrawn.

## **EasyDebit**

A payment processing solution using a micro ATM Device and an Android Smart Phone application to enable customers to withdraw cash from their existing bank accounts using their debit ATM cards or to perform cash advances from their credit card accounts.

## **Payroll Servicing**

CANBNK is currently engaged in payroll servicing of some government and private agencies to give more convenience and lessen embedded risk to both the employees and payroll in-charge of the agency.

## **SSS premium/loan payments**

A service offered by the bank to the pensioners of SSS. CANBNK is also an authorized collecting agent of SSS to receive SSS members' premium contribution and amortization.

## **Collection of Utility Bills**

Utility Bill collection is a CANBNK service that provides an easy solution to collect dues from respective Subscribers of the Billers enrolled to this type of service.

## **i2i**

The country's first blockchain inter-rural bank payment platform with the intention of addressing financial inclusion by enabling different institutions to offer multiple financial products and services to their customers.

# BRANCHES & OFFICES

BRANCHES	BRANCH LITE UNITS	ADDRESSES
1. Cantilan		Orozco St., Magosilom, Cantilan, Surigao del Sur
2. Madrid		San Isidro St., Brgy. Linibunan, Madrid, Surigao del Sur
3. Tandag		Osmeña St., Bag-ong lungsod, Tandag, Surigao del Sur
4. San Agustin	Aras-asan	P-Sampaguita, Brgy. Aras-asan, Cagwait, Surigao del Sur
5. Claver	Marihatag	P-2 Brgy. Hornasan, San Agustin, Surigao del Sur
6. San Miguel	Taganito	Nat'l Highway, P-Kauswagan, Poblacion, Marihatag, Surigao del Sur
7. Socorro	Bad-as	Nat'l Highway, Brgy. Ladgaron, Claver, Surigao del Norte
8. Tagbina		Nat'l Highway, P-2 Brgy. Tag-anito, Claver, Surigao del Norte
9. Alegria		P-4 Brgy. Bad-as, Placer, Surigao del Norte
10. Surigao City		P-7 Brgy. Tina, San Miguel, Surigao del Sur
11. Butuan City	Hinatuan	P-1, Burgos St., Brgy. Navarro, Socorro, Surigao del Norte
12. San Francisco	Barobo	Purok 1 Nat'l Highway-Poblacion, Tagbina, Surigao del Sur
13. Tagum City	Santiago	Nazareno St., Brgy. Aquino, Hinatuan, Surigao del Sur
14. Davao City		Purok 1 Nat'l Highway, Poblacion, Barobo, Surigao del Sur
15. Gingoog City	Tungao	Brgy. Gamuton, Alegria, Surigao del Norte
16. Lingig	Cabadbaran	Rizal St., Purok 6, Poblacion 1, Santiago, Agusan del Norte
17. Lianga		Parrucho St. Brgy. Washington, Surigao City, Surigao del Norte
18. Sogod		Brgy. San Ignacio North Montilla Blvd., Butuan City, Agusan del Norte
19. Dapa	Asuncion	Brgy. Tungao, Butuan City, Agusan del Norte
20. Prosperidad	Sto. Tomas	E. Curato St., Brgy. 3, Cabadbaran, Agusan del Norte
21. Nabunturan	Calinan	P-3, Brgy. 5, Rotonda, San Francisco, Agusan del Sur
22. Lupon		Juan Luna St., P-6, Poblacion, Trento, Agusan del Sur
23. Buenavista	Mangagoy	Circumferencial Road, Bayanihan, Magugpo West, Tagum City
24. Malaybalay	Cateel	P-2, Cambanogoy, Poblacion, Asuncion, Davao del Norte
25. Hilongos		Purok 6, Feeder Road 2, Tibal-og, Sto. Tomas, Davao del Norte
26. Trento	Abuyog	Doors 5 & 6 LA Bldg., Lapu-Lapu St., Brgy 15-B, Davao City
	Del Carmen	OJLC Bldg. P 26 Datu Abeng St., Calinan, Davao City
	San Isidro	Veterans St., Brgy. 17, Gingoog City, Misamis Oriental
	General Luna	P-1 A Rizal St., Poblacion, Lingig, Surigao del Sur
	Bayugan	Abarca St., Brgy. Mangagoy, Bislig, Surigao del Sur
	La Paz	Silverio St., Poblacion Cateel, Davao Oriental
		P-3, Rizal St., Poblacion, Lianga, Surigao del Sur
		Osmeña St., Zone 2, Sogod, Southern Leyte
		R.V. Fulache St., Eastern Barangay, Hilongos, Leyte
		Barangay Loyonsawang Poblacion, Abuyog, Leyte
		Corner Zamora and Sto. Niño St., Brgy. 9, Dapa, Surigao del Norte
		P-2 Brgy. Del Carmen, Surigao del Norte
		P-4 Brgy. Del Carmen, San Isidro, Surigao del Norte
		P-2 Brgy. Poblacion, General Luna, Siargao Island, Surigao del Norte
		Purok 8 Poblacion, Prosperidad, Agusan del Sur
		Narra Avenue, National Highway, Bayugan City, Agusan del Sur
		Purok 4, Poblacion, La Paz, Agusan del Sur
		Evangelio Ave., Purok 1, Poblacion, Nabunturan, Compostela Valley
		Purok Malipayon II, Rizal St., Poblacion Lupon, Davao Oriental
		Nat'l Highway, Brgy. 1, Buenavista, Agusan del Norte
		Pesacico Bldg., Market Side, Brgy. 9 Malaybalay City, Bukidnon
		R.V. Fulache St., Eastern Brgy. Hilongos, Leyte
		Juan Luna St., P-6, Poblacion, Trento, Agusan del Sur



## 46 branches and offices across Mindanao & Visayas



Legend:  Branches

 Branch-lites

# CONTACT DETAILS

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# CLIENT TESTIMONIAL



*Rosana Pomad Luad*  
WASH loan client

A 38-year-old Rosana Pomad Luad, a resident of Songkit, Madrid, SDS, has been Cantilan Bank's client since 2007. Her family owned a small rice field that supports their needs. Her husband is a tricycle driver and they have 3 children.

Ms. Luad is first an Agri-Loan client. Through Cantilan Bank's service, she was able to send her children to school and repair their house, but their resources were not enough to finish their home. Their comfort room budget was short.

Their family's comfort room was located outside their house. It was built of Nipa and wood materials, which Ms. Luad described as an "uncomfortable" comfort room. It has always been her dream to have their comfort room inside their house.

Cantilan Bank acknowledged the water and sanitation problem in some parts of the countryside and answered this problem by offering the WASH Loan product. It helped finance the construction of restrooms and facilitate water connections from public utilities to help communities achieve safe and clean surroundings.

Since Ms. Luad maintained a good record with the bank with her Agri-Loan Account, Cantilan Bank offered her WASH Loan where she was granted PHP 41,000 in December 2019, payable for 2 and half years for the sole purpose of building their comfort room inside their house.

The 41K she loaned from the bank was enough to build a presentable comfort room inside their house, with the water outlet still under construction.

"Nagpasalamat ako sa Cantilan Bank na nakatabang sila sa ako tangandoy na maka CR kami sa suyod sa amo bayay." –Rosana Luad (I thanked Cantilan Bank for helping me achieved my dream of having a restroom inside our house) – Rosana Luad

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