



PRESIDENT'S REPORT

MARCH 21, 2021



Dear Fellow Stockholders,

Welcome to the 64th Annual Stockholders' Meeting of Bangko Kabayan Inc. (A Private Development Bank).

MILESTONES IN 2020

2020 was truly an eventful, extraordinary and extremely difficult year in our history. We started off with the rare Taal Volcano eruption which affected many of us, employees, family members and customers. Another major development is the acquisition of Bangko Kabayan, Inc. by Union Bank of the Philippines, through its subsidiaries, City Savings Bank, Inc. and Union Properties, Inc., of the majority of the shares in BK. Almost simultaneously with the Unionbank group take-over was the declaration of the Enhanced Community Quarantine due to the COVID-19 pandemic. Unprecedented disruptions in our way of life, business dealings, work protocols and over-all behavior were experienced and, in many ways, still persist up to today. But we survived and overcame these challenges together. We are under a new normal way of going thru our work, business and lives. But with BK becoming an affiliate of UBP Group, it is expected that BK will be able to offer more and better services making it more competitive as it can leverage on the digital capabilities of Unionbank. It is also our continued vision that BK will gain a stronger foothold in the areas of its operation, making it the bank of choice in CALABARZON.



FINANCIAL HIGHLIGHTS

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

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

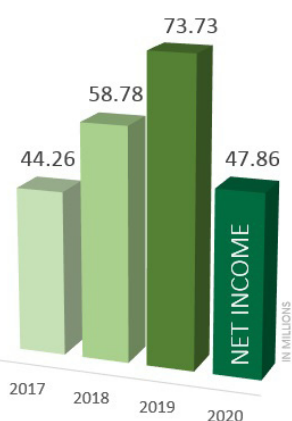
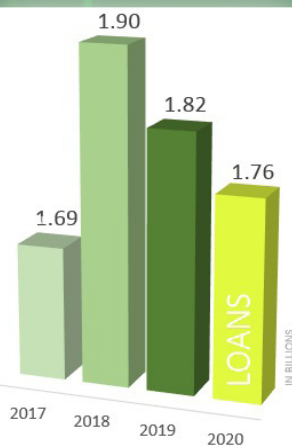
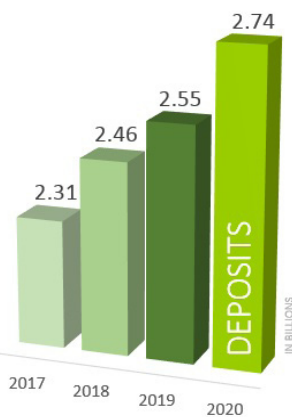
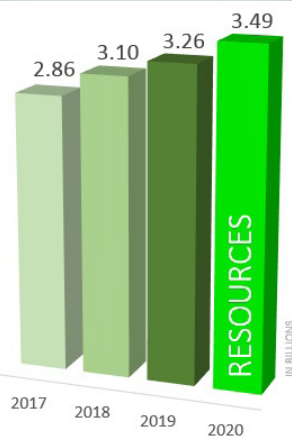
In light of the business lockdowns and the severely unfavorable economic landscape, the non-performing loan (NPL) ratio for 2020 is at 6.42% compared to the NPL ratio of 2019 which was only at 3.64%. The severe economic pressures on our SMEs resulted in a higher NPL ratio which, in turn, made us set up more loan loss provisions in 2020 in the amount of P44M. However, it is worth noting that the year-end ratio of 6.42% was already an improvement over the peak NPL ratio of 8.58% reached last October. The bank's NPL ratio is way better than the industry ratio of 7.91% as of December 2020. As of February 2021, we have managed to further bring down the ratio to 5.62%. We will not stop exerting all efforts to bring the ratio to pre-COVID levels.

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

OPERATIONAL HIGHLIGHTS

New Products, Services and Channels

We embarked on a number of digital initiatives last year, paving the way to extend our reach as well as streamline and expedite processes. We started our participation in the SeekCap digital



lending platform and Globalinker, a social media network composed of thousands SMEs all over the country. Both are lead generation digital platforms where prospective clients can log-in loan applications and expect expedited loan approvals, among other services. We intend to broaden our loan product base, use alternative credit scoring models and re-engineer loan policies, procedures and documentation for a smooth, fast and efficient end-to-end loan origination and processing.

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



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



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



Process Streamlining

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

BK also participates in various UBP and CSB oversight committees such as Shared Services,

Digital Integration, HR Oversight, Controllership, Group Internal Audit, Subsidiary Risk and Group Compliance. These committees were organized by UBP to ensure that our practices are aligned and so that we can all benefit from sharing of and leveraging on best practices and maximizing economies of scale.

Organizational Development

As a response to the new normal, sessions on Developing Hope-based Resilience in the Time of Pandemic were given to all employees of the bank to uphold positivity despite the challenges.

BANGKO KABAYAN ONLINE GROWTH SESSION

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

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

Batch 1: May 29 & June 5, 2020, 9:30 AM
Batch 2: May 30 & June 6, 2020, 9:30 AM

Resource Persons:
MIMO & AUBS PEREZ

The bank also conducted the Refreshing Operations Toward Business Unusual Sessions which covered (1) rising to post-crisis leadership challenges; (2) business strategy and planning and (3) organizational transformation.

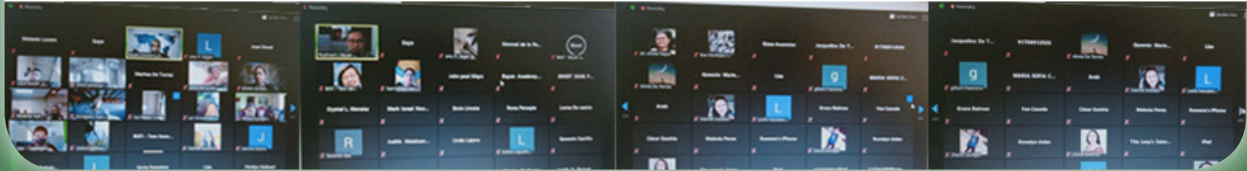
The first ever virtual general assembly of all BK employees, with the theme "Together, We Win," was also held to showcase the unwavering commitment and drive of the organization and its employees amidst the biggest challenge that the entire world has faced so far.

Response to Calamity

During the year, the bank strengthened its BCP Committee to better respond to the changes brought by the pandemic – declaration of community quarantine and Bayanihan 1 and 2. The bank also assisted the clients in restructuring accounts particularly those who have temporary financial difficulty. The bank also launched the Bayanihan para sa Kapakanan ng Kabayan program to assist MF clients in rebuilding their businesses.



Bangon Entrepreneurs at Sumabay sa Tagumpay Online Training Program November 21, 2020



CORPORATE SOCIAL RESPONSIBILITY

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

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



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



requirements to participate in the Modular Distance Learning. The yearly outreach programs also pushed thru as usual, although there were slight changes due to the limitations brought about by the pandemic. Both the Bayani ng Komunidad projects and the outreach programs were conceptualized and highly participated in by the employees of the bank.

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



FUTURE DIRECTIONS

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

Bayani ng Komunidad projects for 2020 focused on COVID- 19 initiatives which benefitted frontliners, COVID patients, students and schools who do not have the