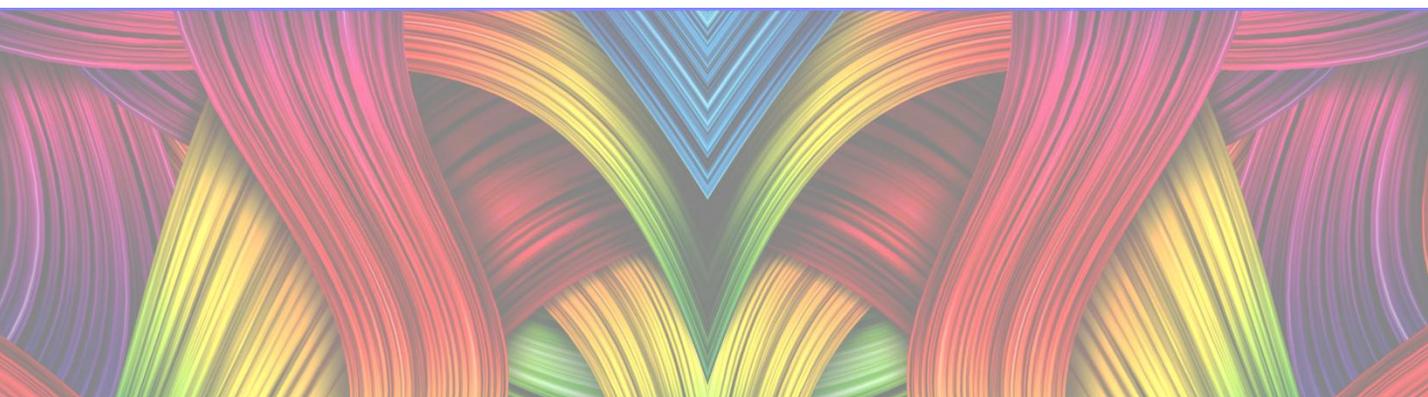




# **ANNUAL REPORT**

Year 2017



# Company Profile

We are a financial institution committed to support our clients' well-being. We share our clients' aspiration that they are given financial assistance through competitive rates and competent service while ensuring that fiscal discipline is realized.

We give reasonable rates of return for the public's hard earned money as reflected in our savings rates. Special accounts give better proceeds.

We also offer money remittance services to cater to the needs of our Overseas Filipino Workers. We improve our services to go in stride with technological advances.

We consciously practice prudent decision making in all transactions. Corporate good governance is upheld as a way of life.

# Vision

We will be the leading financial institution in the Bicol Region by focusing on the following:

Serving the underserved markets

Building a robust and dynamic organization

Building efficient and reliable processes

Creating a wider reach

Achieving superior financial performance

Becoming a trusted rural banking partner

# Mission

To be the trusted partner in providing innovative, accessible and wide reaching financial products and services in the countryside.

# Core Values

## Relationship

Connect positively!

We value healthy and positive relationships in all our connections and dealings. We listen and communicate openly. We respect diversity, ideas and beliefs among ourselves. We offer personalized service and sincere partnerships to our clients and our community. We value effective teamwork and deep commitment to group decisions and actions. We believe that banking is all about relationship and the greatest reward we can have is when the people we wish to serve choose to bank with us.

## Integrity

Be worthy of trust and respect!

We demonstrate Integrity by remaining transparent in our dealings, being consistent, sincere and honest in all the things that we do. We match what we say with our actions. We see the connection of credibility, public trust and long-term success. We formulate sound policies to heighten understanding and professionalism to avoid situations where personal interests may conflict or appear to conflict. Whatever we have to offer, we assure that it is fired with a moral obligation to do business.

## Service

Go the extra mile!

Our clients are the reason for our business. We affirm this through personalized service that always looks for appropriate yet convenient ways of doing business with us. We are responsive, attentive, accessible and reliable when it comes to their financial needs. Most importantly, we value their feedbacks so we can improve our brand of service, elevate it above the competition and satisfy their financial needs.

# Excellence

**Become better!**

We believe that in order to be effective, the Bank must be run efficiently with the highest and superior standards in the industry. Therefore, we go beyond mere compliance and continually challenge ourselves to improve, overcome barriers and remain passionate in what we do. We achieve excellence by seeking the best talent through promotion of personal and professional development and instilling a high level of dedication and professionalism based on shared values.

# Stewardship

**Create value and do our part!**

We put significance in our stewardship role by being passionate and accountable in all our actions and decision. We are committed to create value not only to our business but also to our clients, partners and shareholders. We preserve institutional memory and honor the heritage of our past leaders by building on the foundation that is laid for us. We strive for unity and continuity. We do our part and remain prepared to successfully pass the baton at the right time to the capable hands of the next generation.

# President's Message



Camalig Bank has always been committed in serving our clients with utmost integrity and transparency. Throughout the years, the Bank has continuously tried to find means to expand our presence in communities where we are needed most. This has always been one of the driving forces why we continue to go to places where we believe we can best carry out Bangko Sentral ng Pilipinas' call for financial inclusion.

Camalig Bank has merged and consolidated with two other rural banks in the Bicol region, i.e., RB Virac (2000) and RB Ocampo (2015) and opened 11 branch offices in a span of 18 years. As of December 31, 2017, Camalig Bank is ranked 31<sup>st</sup> out of all rural banks in the country with total resources of 1.14 billion.

As we journey in the coming years, we are optimistic that there is much to look forward to. We will continue to make our presence felt either through physical expansion or digital means or introduction of new products and services. We will also continue harnessing the organization through external and internal trainings in order to fully equip it to the demands and challenges of the times.

Notwithstanding the ever changing regulations in banking, the Bank believes that we should continue to adapt to such changes in order for us to better serve the trusting public. With this, you can bank with us with confidence!

**JOSE MISAEL B. MORALEDA**  
Chairman/President

# Financial Highlights

## Operating Results (in million pesos)

	<b>2017</b>	<b>2016</b>
Total Net interest Income	110.59	99.63
Total Non-Interest Income	35.61	29.21
Total Non-Interest Expenses	128.91	118.45
Pre-provision Profit	110.95	99.63
Allowance for Credit Losses	22.22	26.02
Net Income	12.77	7.55
Liquid Assets	296.90	334.22
Gross Loans	644.19	666.13
Total Assets	1.138	1.172
Deposits	833.70	791.31
Total Equity	278.061	265.15

## Key Ratios

	<b>2017</b>	<b>2016</b>
Return on Asset	1.11%	0.68%
Return on Equity	4.70%	2.87%
Liquidity Ratio	37.41%	42.21%
Capital Adequacy Ratio	22.55%	21.52%
Past Due Ratio	7.61%	7.86%

# Risk Management

## Risk appetite and strategy

Camalig Bank has taken an active approach to risk management, ensuring that risks are mitigated and well understood in all cases.

The Board has established minimum and maximum thresholds that serve as guide for measuring different risks, tolerance levels, reviewing other key financial information and developing strategies to manage the Bank's Assets and Liabilities. These are contained in the Board-approved Camalig Bank Asset Liability Management (CALM) program.

## Risk exposure

The Bank's CAR and Liquidity position remained strong for 2017. This existing ratio is superior compared to Industry. Liquidity forecasting and controls have regularly been monitored by the ALCO and have continued to improve taking into consideration the regulatory and operational environments.

The Bank's PD ratio is within its set maximum limit and is superior compared to Industry. Collection and recoveries were made from clients that are unable to meet their loan obligation to reach a satisfactory conclusion while adhering to policy on treating clients fairly. Some accounts are offered with restructuring to adjust the repayments with their cash cycle and waiver of bank charges.

Loans to deposit is slightly below the minimum threshold but still manageable. It has been an ongoing challenge for the Bank to fully automate its systems and processes as these increases the exposure to operational risks. In 2017, decisions were made to enhance the core banking system by shifting to a new provider which is targeted to enable continued improvements in quality and efficiency of reports and transactions.

The Bank focuses on compliance with all relevant regulations, including any changes thereto. There is no over concentration of credit risk to a single borrower. The Bank is well-positioned with regards to its credit concentration levels.

## Risk structure

Camalig Bank's risk management structure is designed where roles and responsibilities are defined based on key function areas on the oversight of risk. It is comprised of the Board of Directors, key management positions and committees created and categorized into areas of operation/responsibilities.

The Bank's structure is constantly designed/redesigned not only to be responsive to the needs of the time but also to support the Bank's size with due consideration of its strategic direction while upholding its principles of good corporate governance.

The BOARD has overall responsibility for ensuring effective risk management within the Bank. The Board reviews report and procedures to ensure adherence with the CALM (Camalig Bank Asset and Liability Management) policy.

There are 3 BOD Committees: Audit Committee that monitors the regulatory risks; Corporate Governance and Compensation Committee that evaluates and recommends compensation and other benefits of the Bank's personnel (including officers and directors), as well as corporate governance matters; Risk Management Committee that is responsible for the development and oversight of the Bank's Risk Management Program.

Management Committees have been established to ensure detailed governance of different risk type.

# Corporate Governance

The guiding principles of Camalig Bank's Corporate Governance are summarized into 3S – which also serves as the heart of the Bank's corporate governance framework.

## Stewardship

Stewardship spells the principle of “accountability” as one of the primary goals of the Bank when developing policies and procedures and in the conduct of operation. It is the view of the Bank that accountability is not only a proper function in itself but it also plays a critical role in achieving prevention.

Through “accountability” and sense of stewardship, the Bank and its people shall focus to achieve improvements based on self-awareness and empowerment. Taking “accountability” allows the Bank more opportunity to prudently utilize all of its resources for continuing progress and development.

## Straightforwardness

Straightforwardness in all Bank dealings promotes transparency. The Bank views this as a gateway to earning credibility and public trust. Without credibility and trust, the Bank cannot survive.

Through transparency the Bank aims to build trust within its operational environment and ecosystem for its long-term success.

## Sustainability

Camalig Bank recognizes that thinking in terms of sustainability hand in hand with social responsibility makes good business sense and strategy. It helps the Bank in coming up with decisions where all sides, economically, socially and environmentally, are considered.

By embracing and being open to new ideas, technologies and methods where the needs of the present and future generations are properly considered if not fulfilled, the Bank's business operation shall be driven towards continuous improvement and excellence.

## Board of Directors

The Bank's Board of Directors is comprised of nine (9) members who are elected by the Bank's stockholders entitled to vote at its annual stockholders' meeting.

The Board is responsible for ratifying decisions, monitoring and overseeing management action and performance.

The Board has the duty to act for the Bank and in accordance with their best judgment.

The Board is responsible for approving and overseeing the Bank's strategic objectives, risk strategy, corporate governance, and corporate values.

The Board shall foster the long-term success of the Bank, and to sustain its competitiveness and profitability.

## Chairman of the Board

The Chairman of the Board presides at all board meetings and ensures that meetings are held in accordance with the Bank's by-laws. He provides leadership in the board, and assists in ensuring compliance with the Bank's corporate governance guidelines. He maintains qualitative and timely communication lines between the board and the management. He also ensures that the board maintains a sound decision-making process.

## Board Composition and Other Details

Name	Type of Directorship	No. of years served as Director	Number of Direct Shares Held*	Number of Indirect Shares Held	Percentage of Shares against Outstanding Shares of the Bank
Jose Misael B. Moraleda	Executive	2.5	307,513	1**	14%
Geraldine P. Moraleda	Executive	2.5	217,199		10%
Martin Faustino B. Moraleda, M.D.	Non-executive	2.5	304,898		14%
Josefina B. Valer, M.D.	Non-executive	2.5	5,305		0%
Ana Maria B. Moraleda	Non-executive	2.5	304,890		14%
Atty. Ferdinand M. Casis	Independent	2.5	1		0%
Atty. Andres David M. Bolinas	Independent	2.5	1		0%
Rogelio A. Encinas, CPA	Independent	1.4	1		0%
Atty. Christopher A. Tan	Independent	6 months	1		0%



(L-R)

### Atty. Andres David M. Bolinas

Filipino, 44 years old

Previous affiliation: Air Philippines Corp.; Lafarge Iligan, Inc.; Lafarge Mindanao, Inc.

Concurrent directorship/officership: Republic Cement Land & Resources, Inc.; Republic Cement Mindanao, Inc.; Republic Cement Iligan, Inc.; PVLB, Inc.

### Josefina B. Valer, MD

Filipino, 58 years old

Previous affiliation: JP Rizal Hospital

Concurrent directorship/officership: Lagonoy High School

### Atty. Ferdinand M. Casis

Filipino, 58 years old

Previous affiliation: NEC Multipurpose Cooperative; Department of Agrarian Reform

Concurrent directorship/officership: Sentro ng Alternatibong Lingap Panlegal; Ateneo de Manila University College of Law; National Confederation of Cooperatives; Far Eastern University Institute of Law; K-Cooperative

## Atty. Christopher A. Tan

Filipino, 48 years old

Previous affiliation: Bridge Philippines Investments; Grameen Foundation Asia; Shore Bank Advisory Services; SALIGAN; Ateneo de Manila University

Concurrent directorship/officership: PHINMA Education; Fair Training Center

## Geraldine P. Moraleda

Filipino, 48 years old

Previous affiliation: Ateneo Center for Social Policy & Public Affairs; Philippine Business for Social Progress; Urban Bank

Concurrent directorship/officership: Ayuda de Manos, Inc.

## Jose Misael B. Moraleda

Filipino, 52 years old

Previous affiliation: Social Action Center – Archdiocese of Legazpi; Albay Chamber of Commerce and Industry

Concurrent directorship/officership: Ammin Holdings, Inc.; FC Moraleda, Inc.; Ayuda de Manos, Inc.; Sacred Heart Clinic Legazpi City, Inc.; Albay Electric Cooperative; Rural Bankers Research & Development Foundation, Inc.

## Ana Maria B. Moraleda

Filipino, 50 years old

Previous affiliation: Fort Bonifacio Development Corp.; The Manor, Camp John Hay; Fil-Estate Group of Companies; Mareco Broadcasting Network

Concurrent directorship/officership: Ammin Holdings, Inc.; PVLB, Inc.; Philippine Transmarine Carriers, Inc.

## Martin Faustino B. Moraleda, MD

Filipino, 54 years old

Previous affiliation: Lourdes Hospital

Concurrent directorship/officership: FC Moraleda, Inc.; Sacred Heart Clinic Legazpi City, Inc.; Estevez Memorial Hospital; Bicol Regional Training and Teaching Hospital

## Rogelio A. Encinas, CPA

Filipino, 68 years old

Previous affiliation: Bangko Sentral ng Pilipinas

## Board Administration

The Board implements and accomplishes an annual self-rating system that measures the performance of the board and the senior management.

Each new member of the board is required to undergo an orientation and a corporate governance seminar within three (3) months from date of election/appointment. To maintain a current and effective board, all members are encouraged to attend at least one (1) training or seminar relevant to the banking operation per year.

The Bank's Corporate Governance Manual provides the succession procedures in cases of planned and unplanned separation of a BOD member.

The policy and procedures are subject for review annually.

Compensation, which may be in various forms, is fixed by a Board resolution, pursuant to the Bank's By-Laws. The CEO / Executive Director receives remunerations as officer and not as director. Remuneration of officers follows the Bank's pay structure as approved by the Board.

The Bank chooses individuals with sufficient banking knowledge to serve as members of the Board and senior management through a critical nomination process, following a set of criteria and qualifications, to ensure that they are fit and proper for the position.

Name of Directors	Board		Audit Committee	
	No. of Meetings		No. of Meetings	
	Attended	%	Attended	%
1 Jose Misael B. Moraleda	14	100%	N.A.	N.A.
2 Geraldine P. Moraleda	14	100%	N.A.	N.A.
3 Martin Faustino B. Moraleda, M.D.	13	93%	N.A.	N.A.
4 Josefina B. Valer, M.D.	13	93%	N.A.	N.A.
5 Ana Maria B. Moraleda	14	100%	N.A.	N.A.
6 Atty. Ferdinand M. Casis	13	93%	10	100%
7 Atty. Andres David M. Bolinas	12	86%	9	90%
8 Rogelio A. Encinas, CPA	14	100%	10	100%
9 Atty. Christopher A. Tan*	5	83%	N.A.	N.A.
<b>Total Number of Meetings Held During the Year</b>	<b>14</b>		<b>10</b>	

\*Elected as Independent Director on 19 August 2017

Note: Corporate governance and risk management concerns are discussed by the Board en banc. For the compensation and payscale, last meeting was held on 21 January 2017.

# Independent Function

## Independent Directors

The Bank has three (3) independent directors. They are selected based on their ability to exercise impartiality and sound judgment which are independent from the views of senior management.

## Internal Audit

The Internal Audit Department implements the Bank's Audit Program. It reports directly to the Audit Committee. The adequacy and effectiveness of the Bank's internal control system is periodically reviewed and changes are recommended, if any, by the Department Head.

## Compliance Department

The Bank's Compliance Department designs and implements the Bank's Compliance System. It reports directly to the Corporate Governance and Compensation Committee and whenever necessary, to Audit Committee and Risk Management Committee.

# Related Party Transactions

The Bank recognizes the need to strengthen its policy on related party transactions to avoid or mitigate risks of conflict of interest and abuse that are disadvantageous to the Bank and its depositors, creditors and other stakeholders.

The policy on Related Party Transactions is in conjunction with the following existing policies:

- Code of Conduct and Ethical Policy
- Conflict of Interest Policy
- Policy on Lending to DOSRI
- Whistleblowing Policy

For the year 2017, no material related party transactions were recorded.

# Dividend Policy

The Bank is compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital, except when the Bank is prohibited by the BSP or any FI / creditor to do so without consent; or when such retention is necessary for special circumstances, such as the need for special reserves; or when justified by definite and approved corporate expansion projects or programs. In 2017, no dividends were declared.

# Anti-money Laundering Governance

The Bank has established an AML Program with a duly approved written Manual containing among others the following salient information: defined duties and responsibilities, customer identification process (Cash Operations Manual), reporting system, record-keeping guidelines and disposal procedures and training program.

For 2017, applicable provisions of BSP Circular 950 were incorporated in the Cash Operations Manual and policy controls on proper checking of required reports were also enhanced.

AML trainings were conducted three times in the Orientation Seminar on Banking, thrice in the quarterly Inter-unit Resource Sharing and part of the modules of the Supervisory Training Program (STP) of the Bank.

# Consumer Protection

The Board is responsible for ensuring that the Bank has an updated consumer protection compliance program which is embedded in the Bank's business operations. It shall demand to be apprised of consumer protection current trends, regulatory updates, exceptions to related Bank policies and amendments thereto.

A Consumer Support Unit is placed in the Bank's organizational structure and positioned under the Corporate Affairs Department (CAD) to centrally address and manage the Bank's consumer protection compliance. The primary objective of the Bank's consumer protection program is to reduce regulatory violations and protect consumers from non-compliance and associated harms or loss.

The risk management structure of the Bank on financial consumer protection is designed where roles and responsibilities are defined based on key function areas on the oversight of risks. A risk process map is in place to guide the organization.

Camalig Bank recognizes the significance of an effective risk management program for financial consumer protection that would identify risks at the onset before they become full blown problems. Likewise, the program is analyzed so as to determine eventual impact, probability, and time frame and to classify and prioritize risks according to desired action. Risks are reported and handled based on the risk rating. A risk grid with reporting party and business unit concerned is in place to guide the organization.

To ensure at the minimum that the Bank complies with regulatory standards and requirements, the overall assessment of the Consumer Protection Compliance Program is primarily based on the regulatory risk grid and corresponding assessment base.

# Corporate Social Responsibility

The Bank through and with the Camalig Bank Foundation, Inc. is active on the following undertakings or programs:

- Scholarship Program (25 existing scholars)
- Financial Literacy Program (3,317 participants in 22 seminars conducted)
- Disaster Preparedness Program
- Soup Kitchen Activities (1,000 participants in 5 activities conducted)
- Fire and Earthquake Drill (31 participants in 1 session conducted)
- Community Outreach Program (reached 75 families and 207 individuals in 2 activities conducted)

# Company Information

## Organizational Structure

The Bank management believes that its organizational structure should enhance rightsizing, promote decentralization of duties, streamline cross-functional teams, improve career-pathing and reinforce internal housekeeping programs.

The Bank's present organizational structure shall remain flexible to accommodate any adjustments to enhance the Bank's chances of achieving its established goals and objectives.

### Corporate Office

The Corporate Office acts as the headquarters of the Bank where important functions are coordinated for the overall success of the organization. It plays a major role in the following areas of Bank management and/or operation: (1) Promoting good corporate governance across the organization; (2) Harnessing economy of scale through the balance of efficiency and effectiveness; (3) Driving of the Bank's competitive advantage towards the achievement of business goals; and (4) Delivering shared services for support and back-office functions.

### Functional Groups

- Independent Group
- Relationship Management Group
- Product and Services Management Group
- Support and Delivery Management Group

### Branch Banking Group

This group is composed of the Bank's branches which is divided into two (2) geographical groups each headed by a Group Head.

The Bank has 15 branches across Bicol Region, and as of 21 December 2017, the BSP has approved the Bank's application for authority to open 5 branch-lite units. (Please visit our official website, [www.camaligbank.com.ph](http://www.camaligbank.com.ph) for the complete list of Camalig Bank branches.)

## Officers and officers-in-charge

Name	Position
Jose Misael B. Moraleda	Chairman / President
Geraldine P. Moraleda	Chief Operations Officer
Johanna B. Monis	Corporate Secretary / Head – Corporate Affairs Department
Jo-Ann T. Pontanes	Head – Compliance Department
Josephine V. Dino	Head – Risk Management Department
Joy P. Carreon	Head – Credit Department
Quennie N. Zuñiga	Head – Business Development Department
Ninette B. Banzuela	Head – Personnel Administration Unit
Agnes Chona Magno-de la Cruz	Head – Training, Development, and Recruitment Unit
Michael T. Fernandez	Head – Finance Department
Ma. Celeste B. Moraleda	Head – Information Technology
Dominic A. Adra	Head – Cash Operations Unit / Funding and Investment Unit
Kristian R. Belaguin	Head – Central Clearing and Settlements Unit
Rosemarie O. Dado	Head – Internal Audit Department
Arnold L. Ajero	Head – General Services Department
Ma. Rosewin B. Napay	Head – Branch Banking Group 1
Francis Y. Egar	Head – Branch Banking Group 2
Lhea R. Adra	Branch Manager – Head Office
Majel Joy B. Oriarte	Cashier – Head Office
Michelle G. Alvarez	Branch Manager – Camalig Office
Jonalyn L. Mirafuentes	Branch Manager – Legazpi Port Office
Rochelle B. Marbella	Branch Manager – Daraga Office
Remedios D. Domo	Branch Manager – Sorsogon City Office
Annelyn S. Amor	Branch Manager – Bulan Office
Mario B. Faura, Jr.	Branch Manager – Irosin Office
Jonel R. Ocay	Branch Manager – Iriga City Office
Djohanna T. Alcaide	Branch Manager – Ocampo Office
Clarice M. Aragon	Branch Manager – Milaor Office
Zeth Y. Sales	Branch Manager – Daet Office
Kathleen T. Muñoz	Branch Manager – San Andres Office
Ma. Vithany T. Molet	Branch Manager – Virac Office
Sheryll L. Navarro	Branch Manager – Masbate City Office
Rodrigo A. Granadillos	Security Officer
Alexis M. Torremaña	OIC Head – Credit Investigation and Appraisal Unit
Leizel M. Patacsil	OIC Head – Consumer Support Unit
Charis A. Borsigue	OIC Branch Manager – Tabaco City Office

## Major Stockholders

Name	Nationality	Percentage of Stockholdings	Voting Status
Jose Misael B. Moraleda	Filipino	14%	Current
Martin Faustino B. Moraleda	Filipino	14%	Current
Ma. Celeste B. Moraleda	Filipino	14%	Current
Ana Maria B. Moraleda	Filipino	14%	Current
Geraldine P. Moraleda	Filipino	10%	Current

## Bank Products and Services

### DEPOSIT PRODUCTS

UV Account	Checking Account
Blue Account	Savings Account
Rainbow Account	Savings Account
Yellow Account	Savings Account
Green Account	Savings Account
BB Account	Savings Account
Orange Account	Special Savings Account
Orange Account (Term)	Special Savings Account with Term
Gold Account	Time Deposit
Gold Five Account	Time Deposit

### OTHER PRODUCT AND SERVICES

Micro Insurance (CB Kalinga)
ATM powered by DBP
Bills Payment via 3 <sup>rd</sup> party (RuralNet)
Remittance Facilities (Western Union)
Airtime Loading via third party (Ayannah-Sendah)
SSS & Philhealth Collecting Agent
SSS Pension Payment Program
Point-of-Sale Terminal (BDO)
Conduit Partner of LBP re: CCT payouts

### LOAN PRODUCTS

#### Group Accounts

- DepEd Elem/HS
- Autonomous School
- LGUs
- Barangays
- Other Government Offices
- Private School
- Private Offices

\* LENDR Mobile Salary Loan

#### Individual Loans

- |                            |                           |
|----------------------------|---------------------------|
| Gintong Puhunan            | Microfinance Loans        |
| Angat Negosyo              | mSME Loans                |
| Bayaning Bayanihan         | OFW Loan                  |
| Personal Consumption Loans |                           |
| LOANadan Program           | Car Loan/Chattel Mortgage |
| Agricultural Loan          |                           |

\* In 2017, the Bank piloted Mobile Salary Loans through the Lendr digital loan platform, in coordination with FINTQ.