



**RURAL BANK OF
GUINOBATAN, INC.**
SINCE 1964

Banking Forward

**2019
PRESIDENT'S
REPORT**

MESSAGE FROM THE PRESIDENT

To our Clients, Shareholders, and other Stakeholders,

I am pleased to report on our bank's accomplishments for the year 2019. The year just ended continued to deliver above industry incremental increases in almost all areas of the bank's operations.

These achievements would not have been possible if not for the direction set by the bank's Board of Directors, support of the management and the dedication of all employees of RBGI.

Strategic Direction

RBGI's strategic targets for the last 5 years from years 2014-2018 was very ambitious yet almost all target parameters were achieved. Now that the bank has proven its performance track of achieving its goals, the Board of Directors has approved the next 5 years (year 2019-2023) strategic goals of setting our sight to one billion pesos in total resources by the end of 2023 or "1B by 2023".

RBGI will be at the forefront of banking technological innovations. The bank's Core Banking System (CBS) has been online since the year 2012. Other functionalities such as bills payment to major billers like water and electric utility companies will be integrated into the CBS. ATM, POS and QR code capability will also be developed. Lastly, mobile applications will be developed to supplement the online capability of the CBS.

Microfinance will continue to increase its share in the bank's portfolio. Though expensive because of its nature as a very labor-intensive program, it is very effective in supporting the financial inclusion of the government, not to mention its higher return to the bank compared to other traditional loan products.

Loan and Savings products are the bank's unique advantage of not just knowing the clients but living where our clients are, will be developed to support the asset targets.

Competencies

The bank recognizes that our employees is the greatest asset that we have so we will continue to embank in continues training of our people alongside continued development of our policies, systems and processes. Succession plans will be enhanced to consider, and address needed skills for each major and minor functions in the bank's operations.

Partnerships

It is a known fact that lending to the agricultural sector is a challenge for the banks. RBGI has partnered with the Department of Agriculture - Agricultural Credit Policy Council (DA-ACPC) in the implementation of the Department of Agriculture's Production Loan (PLEA) to address the financial needs of the marginalized farmers and fisherfolks and the Survival and Recovery Loan Assistance Program (SURE) to assist agricultural households in calamity-affected areas regain their capacity to earn a living and provide immediate relief to small farmers and fisherfolk (SFF) through loan and emergency assistance package.

The bank has partnered with Small Business Corporation (SBCorp) to implement the government's P3 program or the Pondo Para sa Pagbabago at Pag-asenso to combat the usurious rates by the informal lenders. The bank will also maintain its relationship with the Land Bank of the Philippines and the Development Bank of the Philippines through their rediscounting facilities to support the Bank's liquidity and funding needs in the ever-growing lending clients.

Corporate Social Responsibility

With the effects of climate change increasing for the last few decades, Bicol was once again hit by Typhoon Tisoy last December 2019, wreaking havoc in the Bicol Region. The bank's clients who are vulnerable to the devastation by calamities like Tisoy were hardly hit. The Bank responded by mobilizing its manpower and resources to prepare 2,760 pax of relief goods distributed to affected clients in different barangays of Sorsogon Province.

Regulation

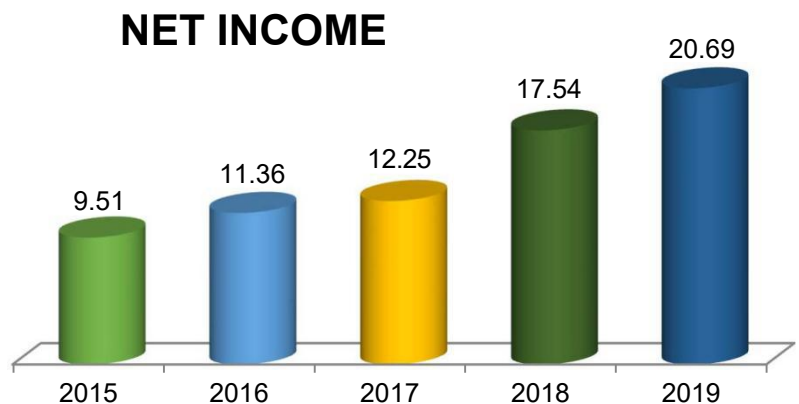
The Bangko Sentral ng Pilipinas has been recognized as a key component in the country's positive performance in the last decade. They have also been beefing up regulatory requirements to support the complex risk landscape of the financial sector. Though the rural banking sector represents only 1.46% of the Philippine banking system, rural banks are lumped with universal banks in regulatory issuances with no timeline difference in compliance. However, RBGI has weathered these critical challenges and addressing risks as evidenced by the high rating the Bank has enjoyed in the last several years.

KEY FINANCIAL HIGHLIGHTS

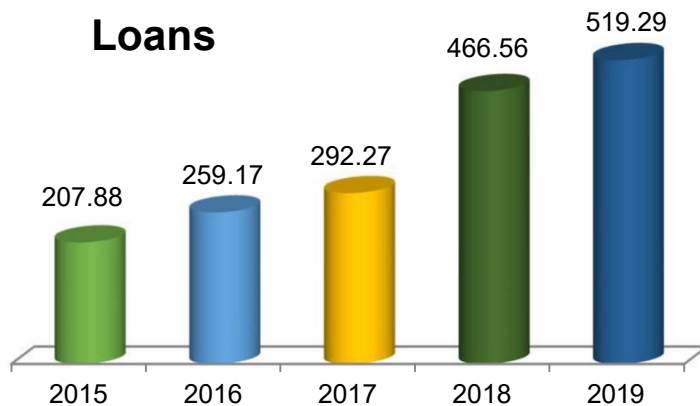
**NET INCOME for
the year 2019**

P20.69M

Total Net Income of the bank has consistently grown in the last five years. Growth for the year 2019 is 18%, which is consistent with the year-on-year growth. Revenues from core interest rates and service charges are the major contributors in the positive net income of the Bank.



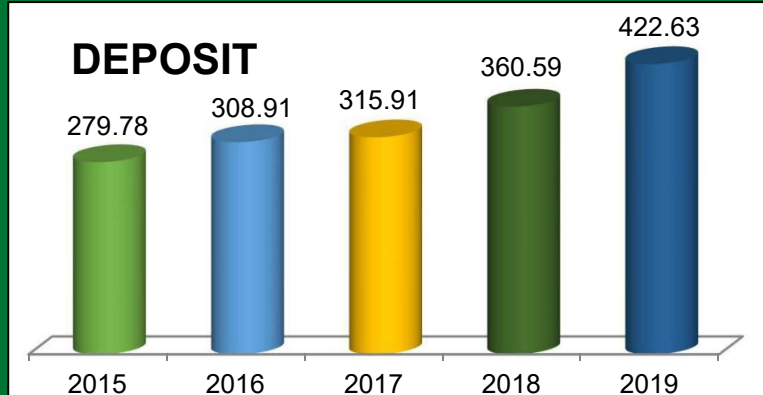
Loans



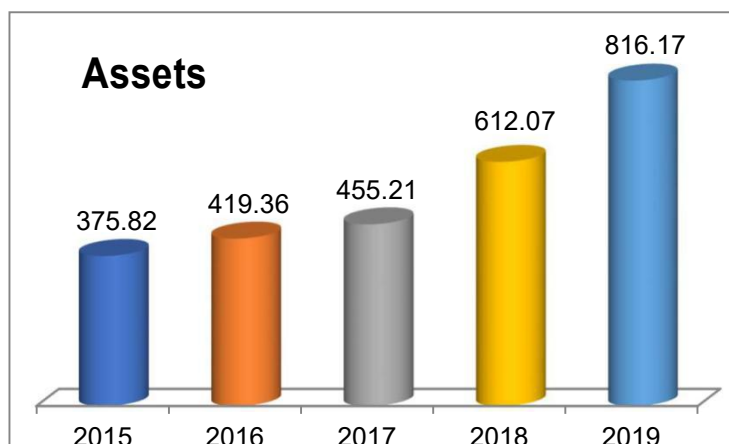
Year 2019 ended with 519.29M in total loans. It has increased by 11.3% over the previous year. The significant increase is attributed to two loan products - the BOLA and HUGE. HUGE loan releases can be attributed to the Bank's focus in supporting the province's quarry business in the form of heavy equipment such as excavators and dump trucks.

Deposit Liabilities continued to grow by 14% for the year 2019. Deposit mix was maintained at a balanced level. This growth signifies that clients continue to patronize and trust the Rural Bank of Guinobatan, Inc.

DEPOSIT



Assets



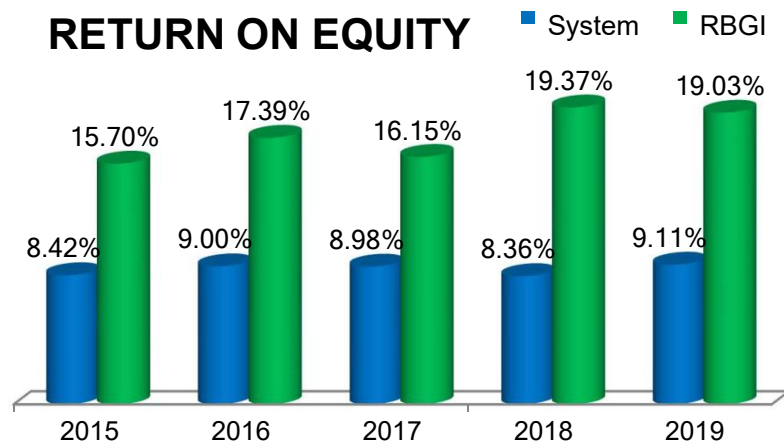
Bank assets has grown by 33% in the year 2019. The significant increase can be attributed to the similarly significant increase in Loan Portfolio. Funding for the deficit in loanable fund was sourced through credit partners such as the Land Bank of the

Philippines, Development Bank of the Philippines and the SB Corporation.

The Bank's core capital rose by 17.8% for the year 2019. Bulk of this increase came from Retained Earnings. This level is enough to give the Bank a Capital Adequacy ratio of 16.14% for the year ended 2019 which is enough to cover for the minimum of 10% set by the BSP and to address for adverse financial shocks.



The bank's return of equity has been maintained at the 19% level but has been consistently giving our shareholders an average generous return of 17.53% for the previous 5 years.



2019 MILESTONES

Check Clearing

RBGI has registered with the Philippine Clearing House Corporation (PCHC) as a direct clearing participant. This is a significant milestone as the Bank will no longer pass through with a conduit Commercial Bank partner but will clear directly with the PCHC. Cutoff time is stretched about 2 hours from the cutoff-time of the PCHC. The cutoff-time of the PCHC on normal times is 4:30pm so clients can still deposit their checks on or before 2:30pm which is a big improvement from the 10:00 am cutoff-time set by the conduit commercial banks. Clearing days will be greatly improved to only 1 day, meaning if a client deposits a check before the cutoff-time, their check deposit will already be cleared on the following day, which is the same as the clearing days of commercial and universal banks.

Philippine Payments Management, Inc. (PPMI) Accreditation

The Bangko Sentral ng Pilipinas (BSP) come up with a platform for the interconnection of all digital interbank fund transfers and transactions. This is called the National Retail Payment System or NRPS. The NRPS is a policy and regulatory framework that aims to



provide direction in carrying out retail payment activities through BSP supervised financial institutions (BSFIs) by defining high-level policies, principles, and standards, which when adopted, would lead to the establishment of a safe, efficient and reliable retail payment system. The PPMI is the supporting body of the BSP in monitoring the implementation of the NRPS.

RBGI has been accredited by the PPMI to proceed with the Bank's plan to be an active participant of the NRPS. This is the first stage in the realization of the Bank's plan to interconnect with the member banks of the NRPS where more than 90% are commercial and universal banks. The Bank is aiming to be online on the NRPS platform by year 2020.

Record Net Income

RBGI posted the highest absolute net income for the Bank. Net Income growth of the bank was consistent year-on-year with the increase resulting to P20.69M

Acquisition of Ligao and Masbate Properties



RBGI acquired two properties at a very strategic locations – one in Ligao City and another one in Masbate City. These will be used as future offices of the Bank. The Ligao City property will be utilized first as lease contract for the existing branch will expire in February

2020. Construction of the building has already started and the premises will be ready by February 2020. The Masbate City property will be on standby. Construction of the building there will commence on 2022.



Banking Forward!