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PERFORMANCE  
REPORT  
2012

# A MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS



The year 2012 marked a new chapter in the history of Katipunan Bank: The second generation members of the Board of Directors have assumed their rightful posts, it brought back the bank's calculated yet risk-taking personality- the same personality that grew KB in its early years.

A new direction has been set, strengthened further in November by the crafting of a new strategy for the next 5 years. It wasn't easy to pass on the torch, but indeed, our financials speak highly of our capability - surpassing our 2011 performance by more than 300%. A few reacted to our new means, but I have no doubt that the good of the majority shall prevail, and more importantly, the will of our regulators.

We have indeed come a long way, and we intend to grow further. With a new culture, a new drive, a revitalized spirit, Katipunan Bank intends to become the most preferred financial partner of every common "masa" in the Visayas and Mindanao area. Hence, join me, as we drive harder for our growth, and ultimately, success. The year 2013 will indeed be an even better for the Glory of God and the good of the Katipunero.

*I am certain that "Greater things are yet to come!"*

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BIENVENIDA T. ALANO  
Chairman, Board of Directors

# A MESSAGE FROM THE BOARD OF DIRECTORS



THE BOARD OF DIRECTORS from left to right:

EMMA CONCEPCION Z. BASTASA | MAGDALENA G. EGUIA | ZALDY W. PACIFICAR | RENO T. ALANO

We are now approaching four decades of an undeniably fruitful existence. Since 1979, Katipunan Bank (ZN), Inc. has grown from a single branch to sixteen branches and numerous offices to date. We have already acquired assets greater than expected, a success that has surpassed the performance of our rural bank competitors in the industry. Our resources have ballooned from just a little over 100,000.00 pesos in 1979 to over 1.2 billion and our employees have grown by the hundreds.

Indeed, the economic and social contributions of Katipunan Bank have been greatly felt by our clientele wherever we operate. Touching lives, enhancing economic growth and promoting social development remain the objectives of the untiring effort of the stockholders, the employees, the Board of Directors and the ever supportive incorporators.

As we celebrate the 34th Founding Anniversary of Katipunan Bank (ZN), Inc., it is our joy to express to you just how glad we are for all of you who have journeyed with us thus far. Your enthusiasm and your being pro-active in serving people as well as serving God through this institution in this noble endeavor has made Katipunan Bank the success it is today.

In the same way that we look forward to the next coming years, we also honor our past- our former Board of Directors- who, without them, we would not have the success and the reputation for compassion coupled with excellence to build upon. Today, and for always, we honor you and express our deepest, most heartfelt gratitude. Your spirit of excellence, integrity, compassion and honor- all expressing the heart of a true Katipunero- are forever the foundation of Katipunan Bank.

We are thankful for God's grace and Providence for prospering us and allowing us to make a difference in the lives of all Katipuneros in the Visayas and Mindanao. Together, we believe that He has good things in store and that "*Greater things are yet to come!*"

*Happy 34th, mga Katipunero!*

# WHO WE ARE



## Our History

*B*usinessman Gregorio P. Alano and his wife, Bienvenida T. Alano organized a group of visionaries in the municipality of Katipunan, Zamboanga Del Norte, to put up a rural bank that would cater to the financial needs of the municipality. Such was the birth of the Rural Bank of Katipunan.

On January 24, 1979, the Bangko Sentral ng Pilipinas (BSP) authorized the Rural Bank of Katipunan (RBK) to operate. The Rural Bank of Katipunan opened its doors to the public on January 29, 1979.

When Katipunan Bank consolidated with Plaza Rural Bank of Carcar, Cebu, its name was changed to Katipunan Bank (ZN), Inc., “A Rural Bank.” Katipunan Bank currently has 14 branches in Visayas and Mindanao and 16 Micro- Banking Offices with over 100,000 clients, 39,000 of whom are microfinance clients.

Katipunan Bank is currently being led by its Chairman, Bienvenida T. Alano, its President Dr. Magdalena Eguia and Mr. Zaldy Pacificar, the Executive Vice President. The other members of the Board of Directors are Mr. Reno T. Alano, Emma Z. Bastasa.

Katipunan Bank is one of the few rural banks in the country with over 1.3 Billion Pesos in resources.

It is our earnest desire to continue to strengthen our position as a leader in the Rural Banking Industry by providing competitive interest rates, excellent customer service and innovative financial products to our clients.

Recently, Katipunan Bank partnered with Euromoney Awardee, Pioneer Life Inc., to provide clients with All-In-One Microinsurance protection.

Our commitment to our clients, passion for excellence and desire to make a lasting impact in whatever community we operate in, allows us to proudly declare, “Katipunan Bank: Katabang sa Kalampusan.”

# OUR NEW VISION AND MISSION

## VISION

### *Katipunan Bank*

will provide excellent services that positively influence our stakeholders financially, environmentally, and socially.

#### *As a people:*

To love God, and love others as ourselves.

#### *As a Rural Bank:*

To serve wholeheartedly our stakeholders through cost-effective, superior, and responsive financial products and services using practices and standards duly recognized by multi-industries.

#### *As an employer:*

To ensure growth of our employees by encouraging fair performance competition, recognizing high performance, and providing a culture of continuous learning and holistic improvement.

## MISSION

# OBJECTIVES AND COMPANY VALUES

## OBJECTIVES

### *As a catalyst of change,*

we will offer only products that suit the needs of our clients. To achieve such, we continuously use analytics to innovate products & services with focus on value added services normally taken for granted by competitors.

### *As social entrepreneurs,*

we will ensure the financial sustainability of all our endeavors with utmost consideration of the benefits we can provide to our socio- economically challenged clients. We will continuously raise the bar in excellence, passion and the social impact we have on our clients and in our various areas of operation.

### *As a business entity,*

we will consistently deliver high performance to achieve growth of our resources in an upscale and sustainable manner. We also ensure a fair financial return to our stockholders and partners through transparent management of our financials and operations.

### *As an employer,*

we will exert effort to create a pride of belongingness amongst our employees. To achieve such, we promote and improve the work- life balance of all employees. We also ensure the delivery of commitments through the employment of highly qualified personnel who can fulfill our social, operational, and financial responsibilities.

## COMPANY VALUES

### INNOVATION

We are creative. We do not settle for the status quo. We are flexible.

### INITIATIVE

We are passionate and proactive. We don't let things happen, we happen to things.

### INTEGRITY

We commit to honor God. We strive to walk uprightly and be consistent. Amidst success, we stay humble. We are committed to doing only that which is fair, honest, ethical, and good.

### LEADERSHIP

We pull up the people under us and push up the people above us. We are servant- leaders. We put others before ourselves. We each do our individual parts and contribute to the whole. We listen. We appreciate constructive criticism. We work together to

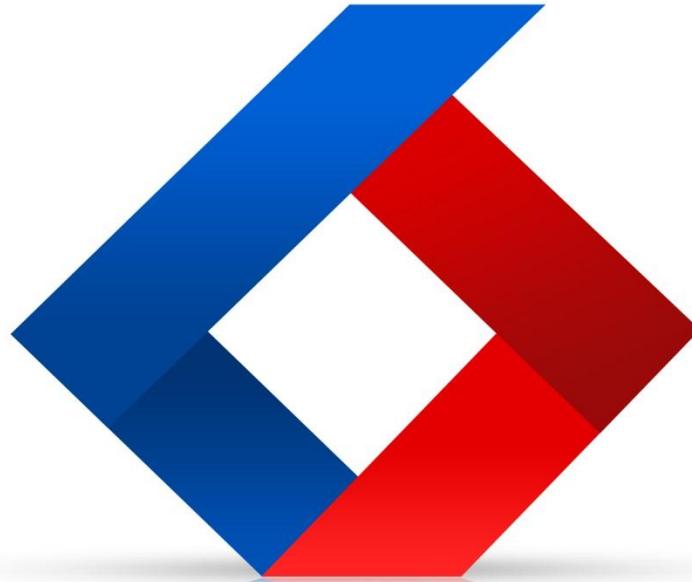
### SOCIAL ACTIVISM AND JUSTICE

We are concerned with more than just poverty alleviation. We work to provide equal access to market, appropriate financial products and services that will meet the needs of our clients. We are committed to improve the quality of our clients' lives- financially, emotionally, relationally and spiritually.

### GOOD STEWARDSHIP

We take care of what God has given us. We are thankful for all our blessings- this is displayed through concrete planning and management. We plan, mitigate risks, manage our resources in order to maximize profitability, return of investment and do social good.

OUR NEW LOOK

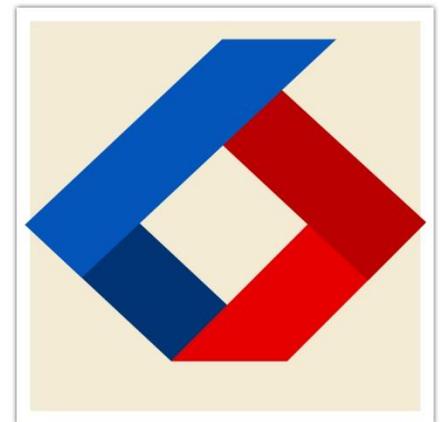
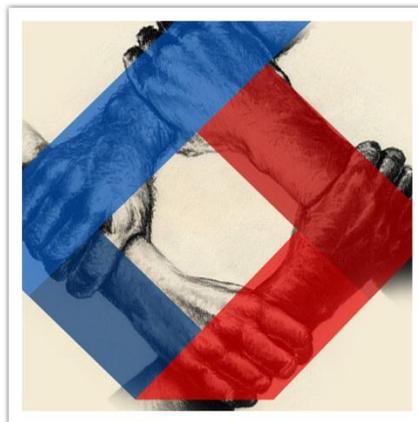


# Katipunan Bank

A Rural Bank

established 1979

## LOGO DESCRIPTION



# OUR PARTNERS

In our quest to provide the best and most accessible financial services in the Visayas and Mindanao area, we partner with only the best and most respected institutions. At Katipunan Bank, you can rest assured that we have your best interest at heart.



Land Bank of the Philippines



PCFC



National Livelihood Development Corporation



Rural Bankers Association of the Philippines



# WHERE WE ARE

## OUR BRANCHES AND MBOS

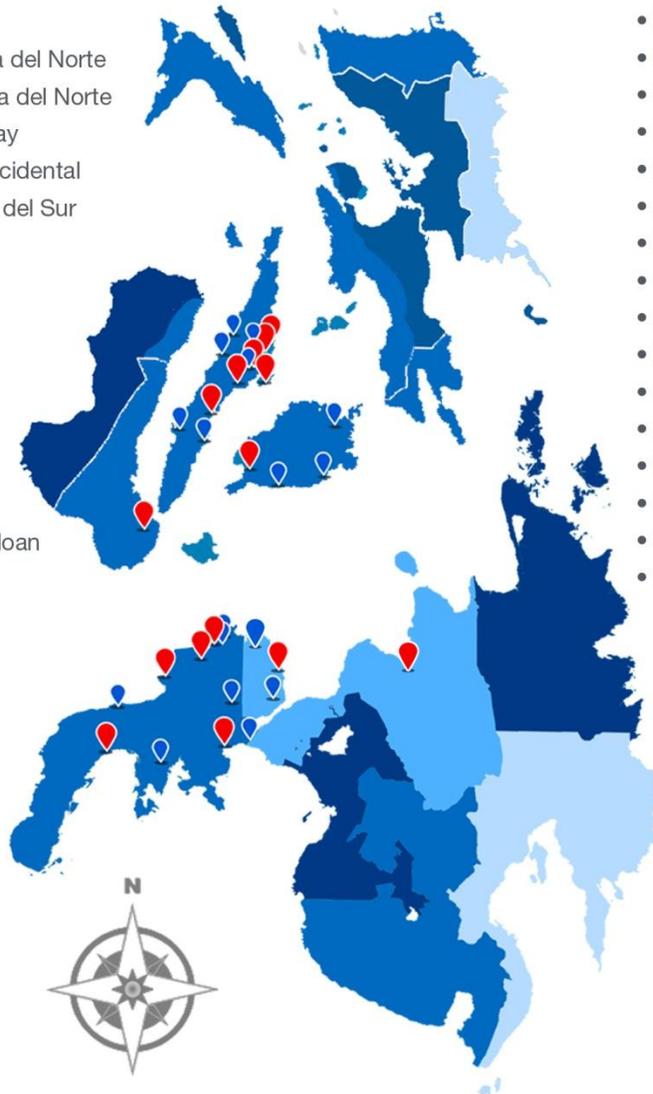
The management knows no limit in coming up with ways how to improve the bank. The initial step in reaching out to more clients, of course, was establishing branches outside the municipality of Katipunan. Dipolog was the obvious first choice, being the capital of Zamboanga del Norte. The breakthrough year came in 1998, with eight new employees.

### BRANCHES:

- Dipolog City
- Katipunan, Zamboanga del Norte
- Sindangan, Zamboanga del Norte
- Ipil, Zamboanga Sibugay
- Oroquieta, Misamis Occidental
- Pagadian, Zamboanga del Sur
- Tagbilaran, Bohol
- Carcar, Cebu
- Talisay, Cebu
- Compostela, Cebu
- Liloan, Cebu
- Lapu-lapu City, Cebu
- Escario, Cebu City
- Dumaguete City
- Bangko Rural Ng Tagoloan

### MICRO BANKING OFFICE:

- Dipolog City, Zamboanga del Norte
- Polanco, Zamboanga del Norte
- Calamba, Misamis Occidental
- Liloy, Zamboanga del Norte
- Molave, Zamboanga del Sur
- Aurora, Zamboanga del Sur
- Imelda, Zamboanga Sibugay
- Ozamiz, Misamis Occidental
- Jagna, Bohol
- Loay, Bohol
- Ubay, Bohol
- Argao, Cebu
- Bogo City, Cebu
- Carmen, Cebu
- Consolacion, Cebu
- Mandaue, Cebu City



BRANCH



MICRO BANKING OFFICE

# WHAT WE DO

## STORIES FROM THE FIELD

Manong Jun is from Cebu and now lives in Roxas, Zamboanga del Norte with his wife and family.

He hand-carves these piggy banks out of dried coconut shells, a craft he learned from his time in Cebu. Katipunan Bank partnered with Manong Jun and he is now the official supplier of our Katipunero Kids Pet Coin Bank.

We're excited to let everyone know that his partnership with Katipunan Bank has enabled him to put electricity in his home!

His next project? A toilet!

It's always a joy and an honor for us to share stories like Manong Jun's because it inspires us to keep on pressing forward- it's true, for ourselves and for micro entrepreneurs like Manong Jun, we believe that *"Greater things are yet to come!"*



# WHAT WE DO

## STORIES FROM THE FIELD

Marinita started out as a retailer of bulad (dried fish) in Taboan, Cebu. In 2009, Marinita partnered with Katipunan Bank and grew her business. Now, Marinita and her husband Lolito are wholesalers of dried fish- they are now suppliers of dried fish to vendors in the Taboan area.

Presently, they bring in their dried fish by tons from places like Palawan and Puerto Princesa and they regularly ship their bulad to different parts of the country. Her 3 children are all in school and her business has grown dramatically.

Stories like Marinita's inspire us to keep pressing forward- to keep doing the work we do. We're passionate about progress, about helping people make their goals and dreams a reality. For every regular Filipino we work with and for every life that's been touched, we rejoice. It's results like these that humbly allows us to call ourselves "Katipunan Bank: Katabang sa Kalampusan."



KATABANG SA KALAMPUSAN

MARINITA, Bulad (Dried Fish) Retailer

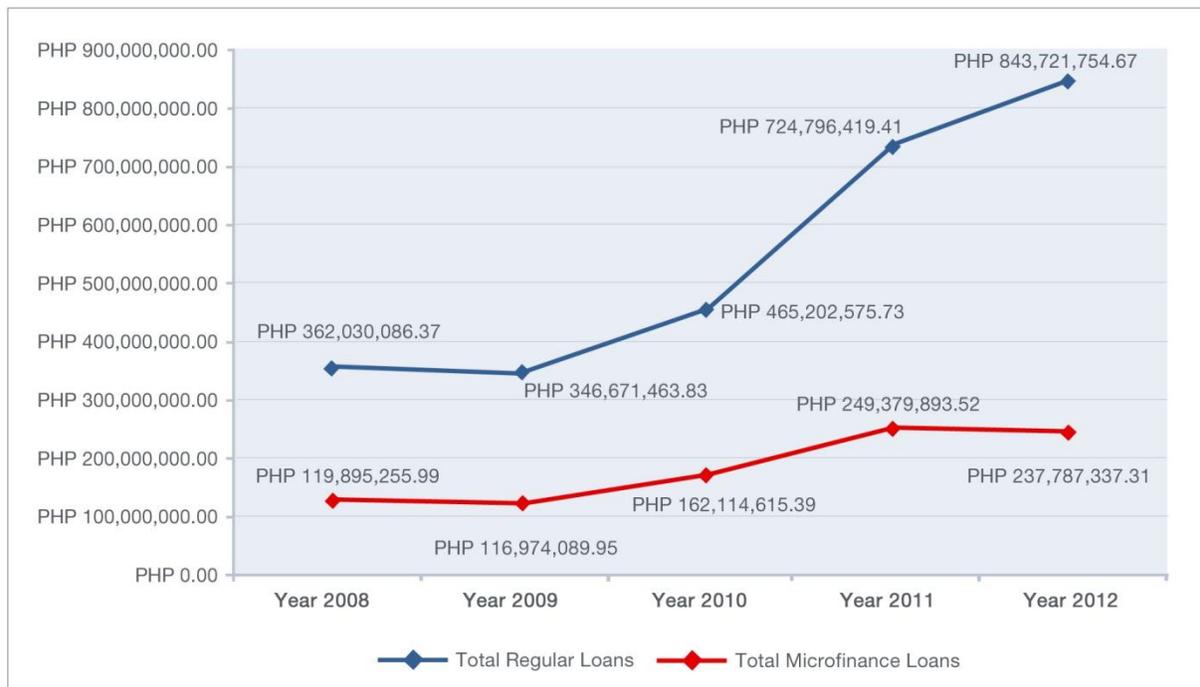
# WHAT WE'VE DONE: 2012 IN REVIEW



# HOW WE ARE:

## Loan Portfolio

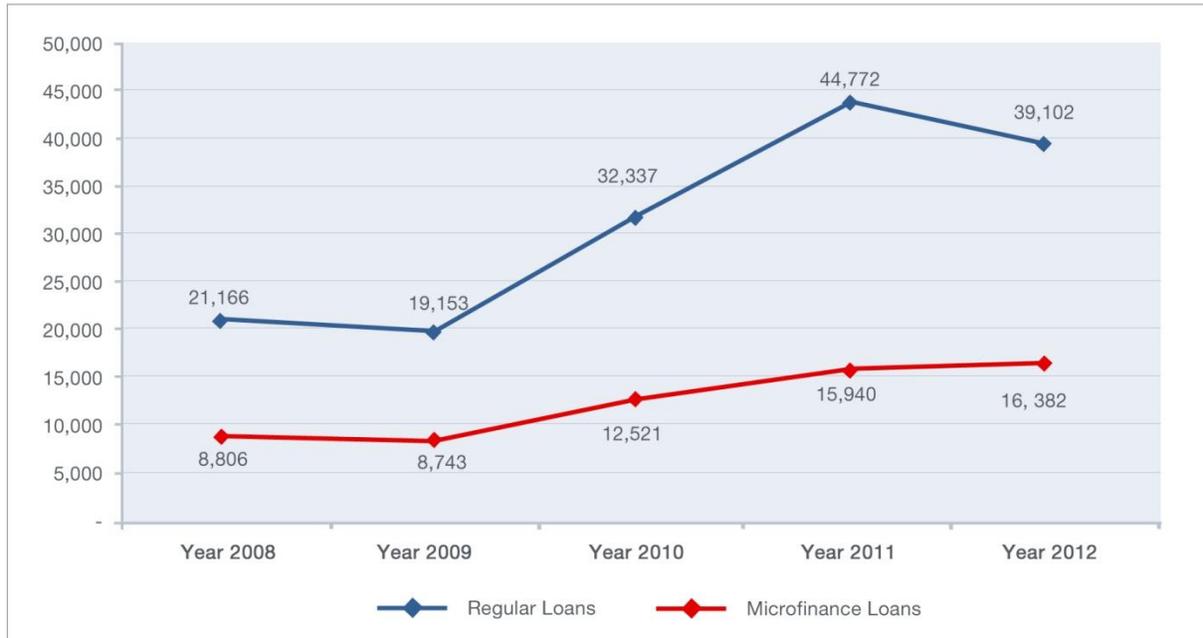
We bank increased our portfolio by 11% from the previous year. Microfinance decreased from 26% in 2011 to 22% as of December 31, 2012. On the other hand, regular loans increased from 74% to 78% by the end of 2012.



Over the years, we have continuously increased our portfolio. Microfinance decreased in 2012, and has been decreasing since the last quarter of 2011. A significant number of clients stopped availing of loans after we decided to stop offering the health benefits of KB-Mutual Benefits Association Inc. The stoppage was due to the growing risk of fraudulent claims in the area of Oroquieta, Ozamiz, and Pagadian. The management reacted swiftly by engaging with Pioneer Insurance to offer, not only micro insurance, but health benefits as well. The management also re-directed its resources from microfinance loans to regular loans.

# HOW WE ARE:

## Outreach



Regular loans increased by 3% in 2012, up from 15,940 in 2011 to 16,382 as of December 31, 2012. On the other hand, Microfinance decreased by 13%, from 44,772 in 2011 to 39,102 by the end of 2012.

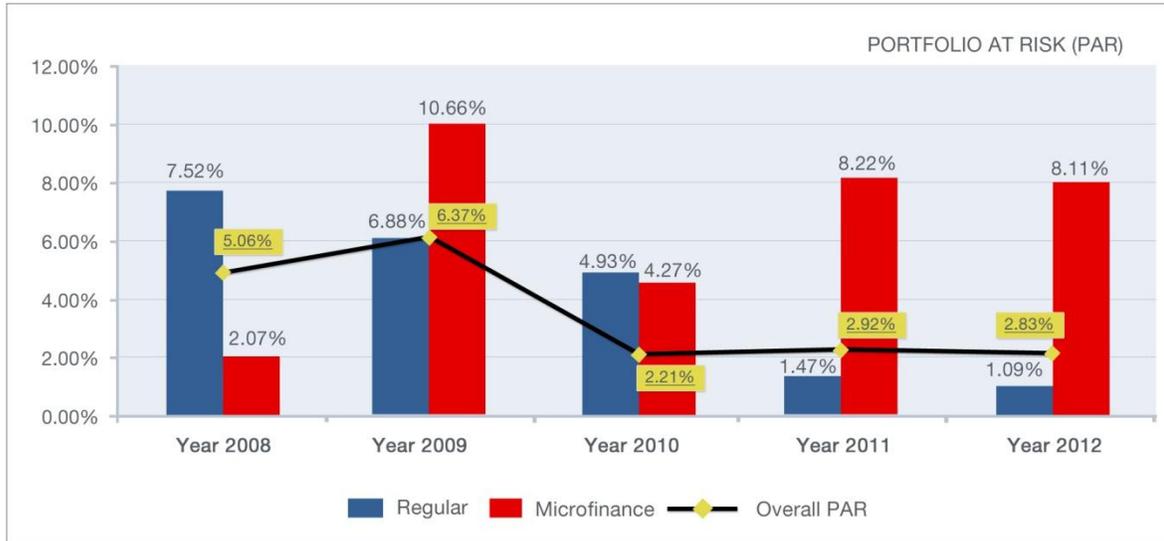
## Average Loan Size



The average loan size for Microfinance has increased by 9%, from PhP 5,570 in 2011 to PhP 6,081.21 as of December 31, 2012. Average loan size for regular loans, on the other hand, has increased by 13%, from PhP 45,470.29 in 2011 to PhP 51,502.98 by end of the year. Our average loan size for regular loans has been continuously increasing since 2010 amidst the growing demands of Bangko Sentral ng Pilipinas to diversify portfolios of banks. We aim to increase the average loan size of Microfinance over the next coming years through introduction of new products and the offering of business development services.

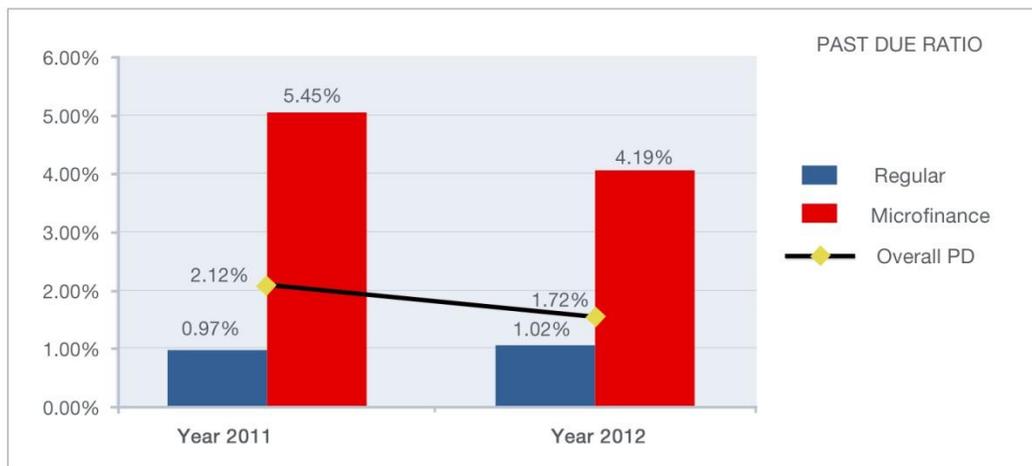
# HOW WE ARE:

## Portfolios At Risk (PAR) Ratio



The bank's portfolio quality, as reflected by its Portfolios At Risk (PAR) ratio, has been manageable for the last 3 years. Overall, the ratio decreased from 2.92% in 2011 to 2.33% as of December 31, 2012. The ratio for regular loans had relevant decrease from 1.47% in 2011 to 1.09% in 2012. Microfinance's ratio had minimal decrease, from 8.22% from 2.92% in 2011.

## Past Due Ratio



The bank's past due ratio of its regular loans slightly increased from 0.97% in 2011 to 1.02% as of December 31, 2012. On the other hand, the ratio for Microfinance improved by 31%, from 5.45% in 2011 to 4.19% by end of 2012. Overall, the bank's ratio decreased from 2.12% in 2011 to 1.72% in 2012.

# GREATER THINGS ARE YET TO COME!

## HIGHLIGHTS OF THE 5- YEAR STRATEGIC PLAN

### 2013

- Launch of Katipunero Kadaugan ug Kalipay Raffle Promo
- Six Sigma Certification and Implementation
- Enhance of the CORE Banking System
- Re-visit incentive program
- Consolidate with BRTI
- Become a Remittance Provider and SSS Collection Agent
- Strengthen Organizational Development through salary standardization, strengthen competency and segregation of microfinance and regular operation
- Increase Competency of Audit Staff
- Standardized Data Filing System and BCP Infrastructure
- Strengthen Branding of KB
- Strengthen Feedback Mechanism
- Construct 2 buildings
- Conduct at least one (1) activity for our CSR program
- Strengthen Information Security
- Business Development Project

### 2014

- Celebration of 35th Anniversary
- Grand Raffle Draw of Katipunero Kadaugan ug Kalipay Raffle Promo
- Salary Standardization
- Merge with another Rural Bank
- Re-visit of incentive program
- Social Performance Management Implementation
- Strengthening all of Back-office Functions (based on department's priority)
- Construction of 2 buildings
- Online Banking System Stabilization
- PHILHEALTH and PAG-IBIG collection agent accreditation
- Public relations strengthening
- Set-up of Audit Program for System Audit
- Six Sigma Project Implementation
- Conduct at least one (1) activity for our CSR program
- Business Development Project

# GREATER THINGS ARE YET TO COME!

## HIGHLIGHTS OF THE 5- YEAR STRATEGIC PLAN

### 2015

- Mobile Phone Banking Implementation
- Salary Standardization
- Introduction of two (2) new products (1 loan and 1 deposit)
- Construction of 2 buildings
- Stabilization of Online Banking System
- Re-visit of incentive program
- Conduction of System Audit
- ISO Certification
- Certification on Good Corporate Housekeeping
- Six Sigma Project Implementation
- Strengthening of all Back-office Functions (based on department's priority)
- Conduct at least one (1) activity for our CSR program
- Review of BCP
- Business Development Project
- Katipunero Card

### 2016

- Certification from SMART Campaign on "Consumer Protection"
- Salary Standardization
- Introduction of two (2) new products (1 loan and 1 deposit)
- Construction of 2 buildings
- Implementation of Internet Banking (inquiries)
- Six Sigma Project Implementation
- 100% full compliance to loan portfolio distribution
- Re-visit of incentive program
- Conduct at least one (1) activity for our CSR program
- Social Performance Audit
- Business Development Project



# GREATER THINGS ARE YET TO COME!

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## HIGHLIGHTS OF THE 5- YEAR STRATEGIC PLAN



# 2017

- Construction of 2 buildings
- Salary Standardization
- Six Sigma Project Implementation
- Re-visit of incentive program
- Introduction of two (2) new products (1 loan and 1 deposit)
- Conduct at least one (1) activity for our CSR program
- Business Development Project
- Php. 2 Billion Resources



# HOW WE ARE:

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## Performance Summary

Our new vision is clear, and we have started inculcating a culture driven by performance and motivated by competition. Below are points worth mentioning;

- Our resources grew by 16%
- We experienced a 147% increase on our Net Income after Tax
- Our loan portfolio increased by 11%
- Though our outreach in Microfinance decreased, our average loan size for microfinance increased by 9%.
- Our portfolio-at-risk ratio has improved to 2.83% from 2.92% in 2011.
- Our past-due ratio has improved to 1.62% from 2.12% in 2011.

The year has ended with colorful achievements, but certainly, it is now history. Today, more than ever, we are gearing for a better position in the industry. With a new set of objectives, renewed passion, vision and dedication, Katipunan Bank will continuously soar high.

# KATIPUNERO AWARDS

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## THE 1<sup>ST</sup> KATIPUNERO AWARDS

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*D*evelopment finance, especially Microfinance, captures the heart of Katipunan Bank. We're passionate about people and progress. Daily, we are surrounded by people who inspire us and challenge us. Our clients and their stories remind us of why we do the work we do. Our Account Officers, Project Officers and Loan Officers- every member of the Katipunan Bank family- are the ones who make our passion a catalyst of change in the lives of many.

Our men spend hours under the sun, in the rain, eat lunch way past lunch time, go home at night and deal with the hazards and dangers of handling Microfinance and collateral- free accounts. Their effort, passion, commitment and dedication to Katipunan Bank and all that we stand for make this company great. For their hard work and dedication, we wish to honor them.

Our clients enable us to keep doing the work we do. Their dreams fuel us and inspire us to come up with responsive new products, provide social safety nets (like microinsurance, microfinance and microsavings) and strive for more.

Whether you're an employee, a client, a partner or a stockholder of Katipunan Bank, you are considered a Katipunero- a partner in a revolution to break chains of injustice and poverty, to empower people to build better lives for themselves, to make their dreams come true and to live the victorious lives that God designed for them to live.

For every single Katipunero, the 1st Katipunero Awards is a celebration of people, passion and the accomplishments that mark a great 2012. Ultimately, it's a reminder that for every Katipunero, "Greater things are yet to come!"

# KATIPUNERO AWARDS

## TOP 5 ACCOUNT OFFICERS



Angelo C. Gulfan  
Lapu-lapu Branch  
Katipunero Since: November 2010



Bryan B. Acasio  
Escario Branch  
Katipunero Since: April 2010



James E. Elacan  
Sindangan Branch  
Katipunero Since: July 2009

# KATIPUNERO AWARDS

## TOP 5 ACCOUNT OFFICERS



Jay C. Camarillo  
Katipunan Branch  
Katipunero Since: September 2009



Joseph T. Ducosin  
Pagadian Branch  
Katipunero Since: February 2010



Lloyd Cabungcal  
Carcar Branch  
Katipunero Since: October 2008

# KATIPUNERO AWARDS

## TOP 5 PROJECT OFFICERS



Jyson B. Ledama

Compostela Branch  
Katipunero Since: June 2010



June Ryan B. Regis

Carcar Branch  
Katipunero Since: March 2010



Lemar B. Pepito

Talisay Branch  
Katipunero Since: August 2010

# KATIPUNERO AWARDS

## TOP 5 PROJECT OFFICERS



Marlon B. Largo

Talisay Branch  
Katipunero Since: February 2010



Roy F. Anadio

Lapu-lapu Branch  
Katipunero Since: May 2010

# GET IN TOUCH: HOW TO CONTACT US:



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Layout and look by:  
The Katipunan Bank Marketing Department



*“Greater things are yet to come!”*



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