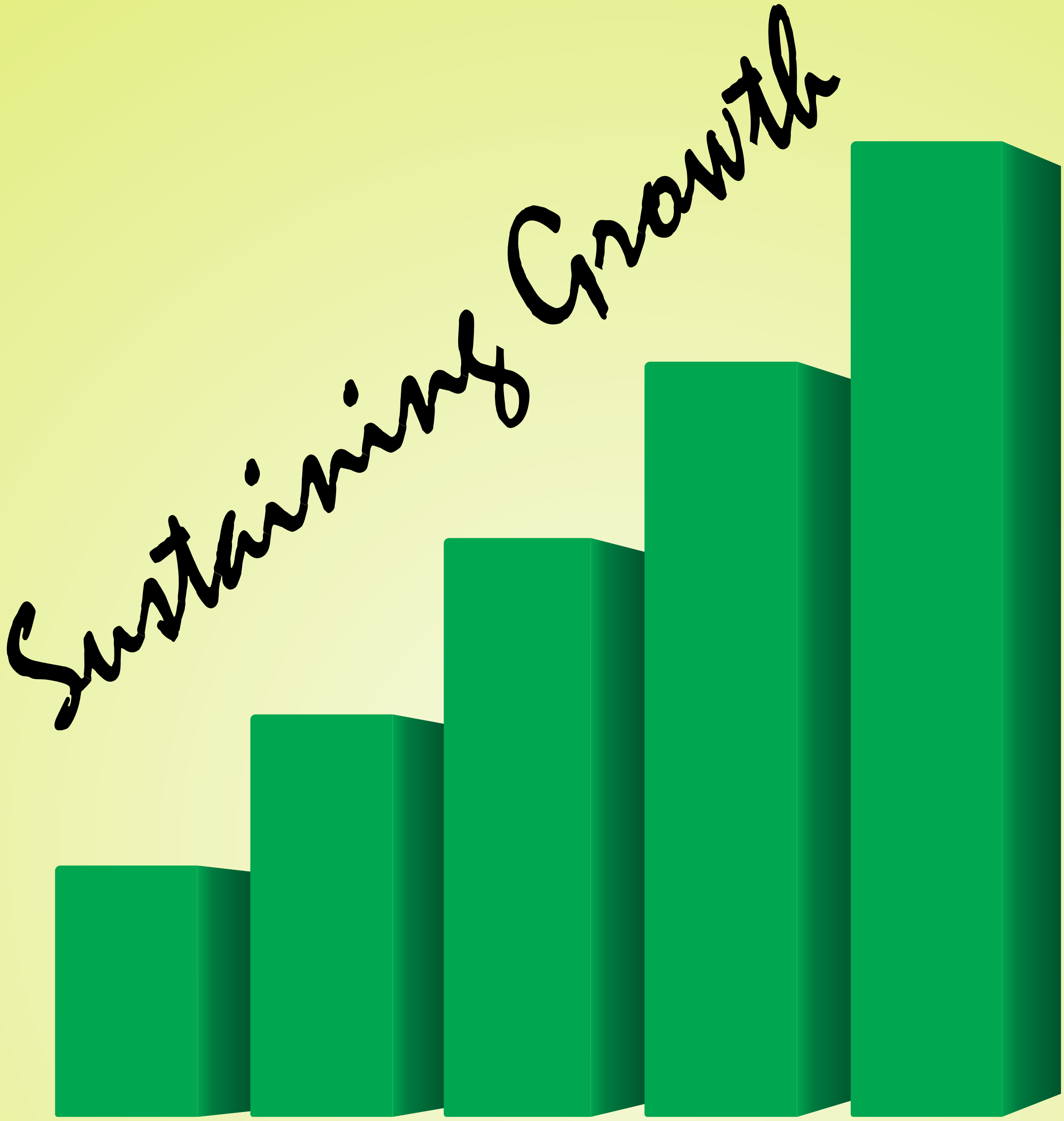

PRODUCERS SAVINGS BANK CORPORATION

ANNUAL REPORT 2014

PRODUCERS SAVINGS BANK CORPORATION

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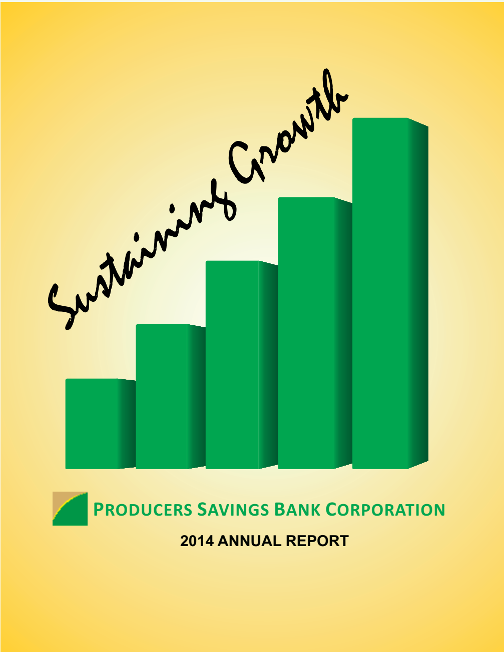

Our cover shows how Producers Bank has continuously sustained its growth through the years. By sustaining its growth, Producers Bank is able to make its presence relevant amidst the robust economic development in the countryside.

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OUR CORPORATE LOGO

The Producers Bank logo represents the aspiration of the Bank as expressed by the ideals of its four publics (customers, employees, creditors and shareholders). These four publics are the four sides of the logo. These interlocking publics, if put together, share a common spirit of sacrifice, honesty, and teamwork; thus creating a solid and stable institution represented by the square of the logo. The Bank sees itself becoming the avenue - the yellow path - through which the countryside's green resources are transformed into new golden wealth. It aims to be the primary development financial institution - represented by the color yellow - in the Philippine countryside - represented by the color green. The Bank, therefore, is the yellow sun rising on the Philippine countryside bringing new hope to Filipinos who seek a better future. Producers Bank is the dawn rising, shedding light to families and towns and bringing hope by supporting the local economy to help SMEs and farmers produce more wealth.

VISION

To be the most progressive, stable and strong private development financial institution in the Philippine countryside

MISSION

- To make our depositors happy with the value and quality of services they get from Producers Bank;
- To provide responsive and innovative credit and other services needed by farmers, small and medium-entrepreneurs;
- To assure challenging and rewarding jobs and long-term employment for our employees;
- To make our stakeholders very proud of our contributions to economic development in the Philippine countryside

TAG LINE

We support the local economy by helping SMEs and farmers produce more wealth.

PHILOSOPHY

The main purpose for our existence is to create long-term value to our shareholders by generating for them superior and sustainable returns. We will achieve this by:

- Providing our customers value-added products and better service delivery;
- Adhering to what our laws and regulations require;
- Promoting a corporate culture that subscribes to high moral and ethical standards underpinned by codes of corporate governance and best practices;
- Creating a working environment based on the values of equal opportunity and meritocracy; and
- Improving the quality of life of our employees and in the communities that we serve particularly in areas that are not served by the large financial institutions.

CORPORATE PROFILE

The principal office of Producers Savings Bank Corporation (Producers Bank or the Bank or PSBC) is located at the 17th Floor One San Miguel Avenue (OSMA), Shaw Boulevard corner San Miguel Avenue, Ortigas Center, Pasig City.

Producers Bank acquires Rural Bank of Cainta Inc.,

On 18 December 2014, the Monetary Board (MB), in its Resolution No. 2055, approved the acquisition by Producers Bank of up to 100% of issued and outstanding common shares of stock of the Rural Bank of Cainta Inc. (RBCI) and also noted the takeover of RBCI's management by Producers Bank on 24 July 2014.

Consolidation with New Rural Bank of Victorias, Inc.

The Securities and Exchange Commission (SEC) issued on 1 October 2012, the Certificate of Incorporation of Producers Savings Bank Corporation and the Certificate of Filing of the Articles and Plan of Consolidation by and between (the 'old') Producers Savings Bank Corporation and New Rural Bank of Victorias, Inc. (NRBVI) to be known as "Producers Savings Bank Corporation".

Pursuant to Republic Act (RA) No. 7906 and to MB Resolution No. 963 dated 15 June 2012, the Bangko Sentral ng Pilipinas (BSP) awarded PSBC's Certificate of Authority to operate as a thrift bank on 8 October 2012.

PSBC commenced operations as a consolidated bank on 12 October 2012. When the consolidation took place, Producers Bank had 73 operating branches while NRBVI had 5 operating branches and 1 Other Banking Office (OBO).

Under the consolidation, PSBC, the newly-incorporated thrift bank, absorbed all the rights, privileges, immunities, franchises, properties and assets, as well as assumed all the liabilities and obligations of both Producers Bank and NRBVI in the same manner as if it had itself acquired all the rights, privileges and assets and incurred such liabilities or obligations.

The consolidation of Producers Bank and NRBVI into PSBC is an effective scheme for the purpose of expansion, increasing resources, capital base and for a more effective business operation which the BSP promotes among banks as a means to achieve larger and stronger financial institutions.

Merger with Iloilo City Development Bank

On 31 October 2013, the Securities and Exchange Commission (SEC) issued the Certificate of Filing of the Agreement and Articles and Plan of Merger by and between Producers Bank ("Surviving Corporation") and its thrift bank subsidiary, Iloilo City Development Bank ("Absorbed Corporation"). As such, on 31 October 2013, the corporate term of Iloilo City Development Bank (ICDB) was automatically terminated pursuant to the aforementioned Plan of Merger and Agreement and Articles of Merger, and its assets and liabilities were absorbed and assumed, respectively, by Producers Bank.

The issuance by the SEC of the Certificate of Filing of the Agreement and Articles and Plan of Merger by and between Producers Bank ("Surviving Corporation") and ICDB ("Absorbed Corporation") came after the approval by the MB of the merger of Producers Bank and ICDB with Producers Bank as the surviving bank. The approval was contained in MB Resolution No. 1498 dated 13 September 2013. The MB approval also granted several meaningful consolidation incentives to the merged bank.

Producers Bank has 118 operating branches and 9 approved but unopened branches as of 31 December 2014, compared to 106 operating branches and 21 approved but unopened branches as of 31 December 2013.

It currently operates in 11 regions, namely, Cordillera Autonomous Region (CAR), Regions I to III, National Capital Region (NCR), Region IV-A (CALABARZON) and in Regions V, VI, VII, X and XI. Apart from branches in Metro Manila, the Bank also has branches in 30 provinces namely: Aklan, Albay, Antique, Aurora, Bataan, Batangas, Benguet, Bulacan, Cagayan, Camarines Sur, Capiz, Cavite, Davao del Sur, Iloilo, Isabela, Laguna, La Union, Metro Manila, Misamis Oriental, Negros Occidental, Nueva Ecija, Nueva Vizcaya, Pampanga, Pangasinan, Quezon, Sorsogon, Tarlac and Zambales.

Producers Rural Banking Corporation

Prior to the consolidation of Producers Bank and NRBVI into a new bank called Producers Savings Bank Corporation, Producers Bank was formerly known as Producers Rural Bank of San Jose City (NE), Inc. and later as Producers Rural Banking Corporation.

Producers Rural Bank of San Jose City (NE), Inc. was registered with the Securities and Exchange Commission (SEC) on 23 October 1995 to operate as a rural banking corporation.

On 2 August, 1995, the MB in its Resolution No. 856 approved the grant of an authority to Producers Rural Bank of San Jose City (NE), Inc. to operate as a rural bank pursuant to Republic Act 7353.

On 17 November 1995, the BSP granted the Bank its Certificate of Authority to operate as a rural bank and on 27 November 1995 started its operations.

Subsequently, the BSP and the SEC approved the change in the corporate name of the corporation from Producers Rural Bank of San Jose City (NE), Inc. to Producers Rural Banking Corporation and the change in the principal office of the corporation from Cabanatuan City to Pasig City.

As a rural bank, Producers Bank had the largest branch network in Luzon and the second (2nd) largest branch network nationwide among rural banks and ranked third (3rd) largest among rural banks in the Philippines in terms of total assets as of the end of 2009.

Producers Savings Bank Corporation

On 13 August 2009, the MB, in its Resolution No. 1158, approved the application of Producers Rural Banking Corporation to convert/upgrade its license from a rural bank into a thrift bank.

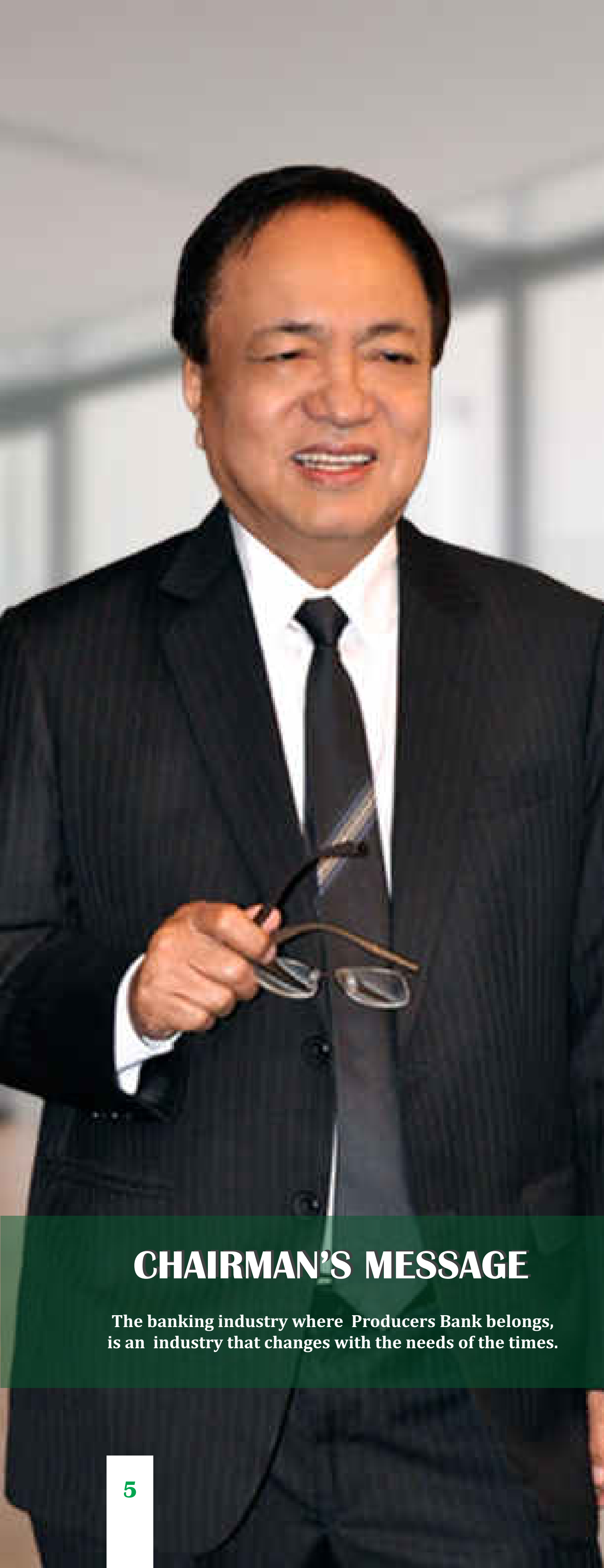
And on 8 July 2010, the SEC approved the Amended Articles of Incorporation and the Amended By Laws of Producers Savings Bank Corporation.

On 24 August 2010, the BSP granted Producers Savings Bank Corporation its Certificate of Authority to Operate as a Thrift Bank.

On 27 September 2010, Producers Savings Bank Corporation started its operations as a thrift bank and thus became the first rural bank to have been upgraded to a thrift bank with head office located in Metro Manila.

FINANCIAL HIGHLIGHTS

	2014	2013
FOR THE YEAR (in Pesos)		
Net Interest Income	594,720,090	406,866,351
Other income	115,424,721	153,677,654
Operating Expenses	530,034,833	382,205,429
Provision for Credit Losses	23,813,281	26,086,277
Net Income for the Period	137,355,561	136,826,217
AT YEAR-END (in Pesos)		
Total Assets	10,518,116,556	8,906,543,011
Loans and Receivables (net)	6,253,223,176	4,940,168,445
Deposit Liabilities	5,350,853,905	4,271,077,609
Capital Funds	1,291,290,177	1,158,382,446
PER COMMON SHARE		
Earnings per Share	Php2.24	Php2.23
Number of Shares Outstanding/Subscribed	61,367,506	61,367,506
FINANCIAL RATIOS (%)		
Return on Average Assets	1.41	1.65
Return on Average Equity	11.21	12.61
Net Interest Margin	7.36	5.99
Non-Performing Loans Ratio	4.50	4.17
Capital Adequacy Ratio	17.17	16.81
BALANCE SHEET KEY RATIOS (%)		
Cash and Due from Banks to Deposits	48.26%	53.93%
Liquid Assets to Deposits	61.01%	70.64%
Loans (gross) to Deposits	112.25%	112.86%
Capital Adequacy Ratio (CAR)	17.17%	18.74%
Total Capital to Total Assets	11.9%	13.27%
INCOME STATEMENT KEY RATIOS (%)		
Earning Asset Yield	10.81%	11.64%
Funding Cost	1.85%	2.39%
Net Interest Margin	7.36%	9.25%
Net Interest Income to Total Operating Income	71.47%	62.04%
Cost to Income Ratio	70.02%	57.65%
Return on Assets	1.41%	2.48%
Return on Equity	11.21%	14.16%
CREDIT QUALITY KEY RATIOS (%)		
NPL Ratio	4.83%	4.17%
NPL Coverage	28.25%	30.65%



CHAIRMAN'S MESSAGE

The banking industry where Producers Bank belongs, is an industry that changes with the needs of the times.

PRODUCERS BANK CONTINUOUSLY SUSTAINING ITS GROWTH

As a businessman, I believe that in order to be successful in any kind of business, you should not stop. You should not stop looking for better ways to improve your operations. You should not stop searching for other markets to tap. You should not stop developing new products or coming out with better services to offer your clients. You should not stop thinking for ways to better handle your people. And the list goes on.

As Chairman and Chief Executive Officer (CEO) of Producers Bank, the same belief guides me on how I lead the Bank in its business operations today and beyond. The banking industry where Producers Bank belongs, is an industry that changes with the needs of the times. It is not stagnant and it is not complacent. With this, Producers Bank must keep up with the latest trends and developments in the banking industry.

In keeping up with the changing banking landscape, Producers Bank already came out with its strategic plan for the next five (5) years. In its almost twenty (20) years of banking operations, Producers Bank now not only aims to be the most progressive, stable and strong private development bank in the countryside but also, to become the Most Relevant Thrift Bank. This feat may sound easy but in reality, this entails hard work and strong commitment.

To be relevant means being able to touch the lives not only of Producers Bank's depositors and borrowers but also its employees, creditors and the entire community, in general.

To be relevant means being able to maintain Producers Bank's sustainability and viability in the years to come.

To be relevant means being responsible enough to ensure that Producers Bank will be here no matter what.

And so, in order to be able to lead the Bank towards the right business direction, the management has come out with the Bank's four (4) pillars for its growth strategy such as: (i) Raise the Funds; (ii) Lend & Invest To Earn, (iii) Work as a Team and (iv) Sustain Growth.

Armed with the above mentioned strategies, Producers Bank bravely faces the reality happening in the banking sector. With big commercial banks acquiring smaller banks and with mergers and consolidations being closed here and there, Producers Bank chose not to be just an audience of what is happening around. While other banks belonging in the same league as Producers Bank, chose to be bought by bigger banks, Producers Bank chose to make itself bigger and stronger.

For 2014, Producers Bank acquired Rural Bank of Cainta, Inc. (RCBI) with six (6) branches for eventual merger with Producers Bank. With several acquisitions and mergers in the past, Producers Bank management is confident to take advantage and leverage at any possible merger and acquisition whenever the right opportunity arises.

In addition, the Bank's management acknowledges that one of the drivers of Producers Bank's growth has been its mergers and consolidations with other banks. With the experience and lessons we learned in merging and acquiring other banks, I am confident that Producers Bank is well positioned to pursue additional opportunities for acquisitive growth in the future.

By the end of the year, Producers Bank has a total of one hundred eighteen (118) branches including its first two (2) branches in Davao City, Mindanao. To date, Producers Bank has continuously opened new branches year after year as the management knows that extensive branch network provides Producers Bank with major competitive advantage.

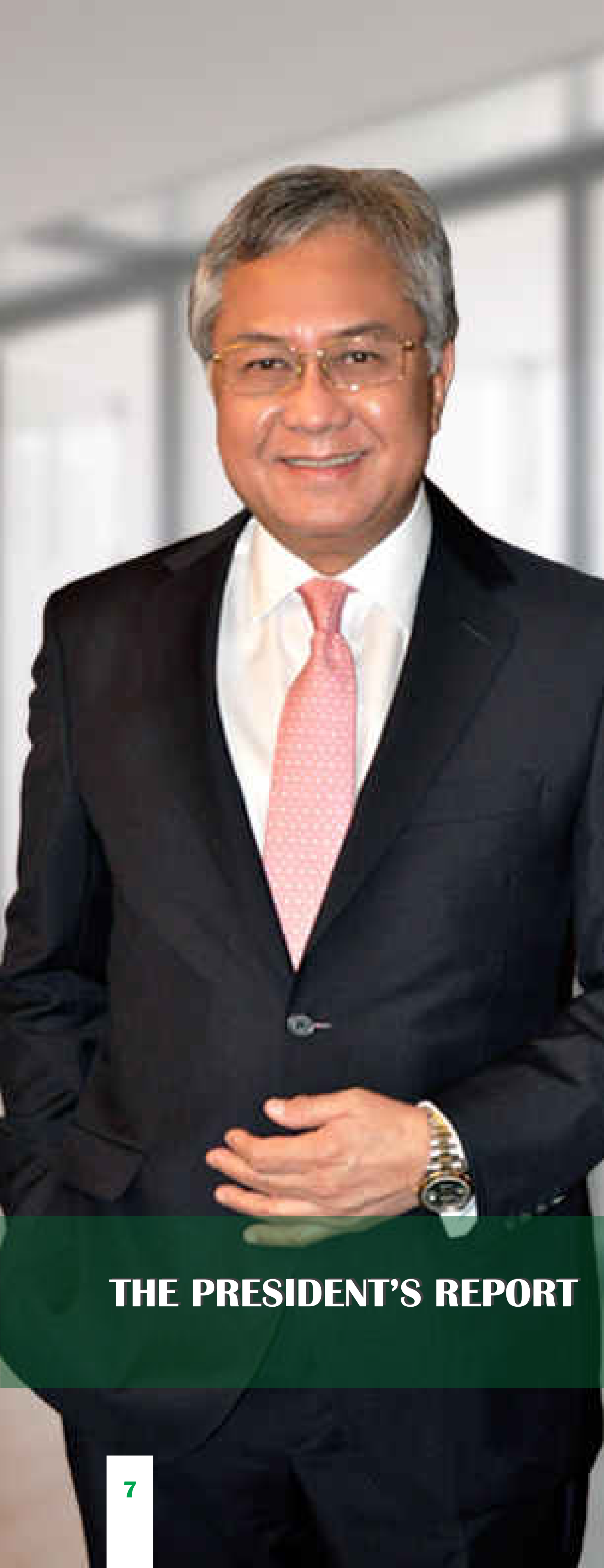
In sustaining its growth, Producers Bank came out with several initiatives in 2014 such as: (i) changes in its organizational structure to improve operational efficiencies; (ii) improvements in the Bank's reporting infrastructures to drive better management decisions and (iii) upgrade the Bank's core banking system from ICBA to Finacle.

With the above initiatives, I am sure, as Chairman & CEO, that Producers Bank is in good shape to be able to meet its growth goals for the next five (5) years and at the same time, strong enough and well prepared to respond to the challenges that might come along the way.

Yet all of these would not have been possible without the contributions of all the Bank's stakeholders and so, I would like to express my gratitude first and foremost to God Almighty and to the following: (i) members of the Board of Directors, for your vision and wisdom, (ii) top management, for your leadership and commitment, (iii) the creditors, for your trust and confidence, (iv) all the officers and staff, for your hard work and support and (v) the Bank's depositors and borrowers (you are the reason for our existence), for your continued patronage and loyalty.

Let me end by saying that, as Producers Bank celebrates its twentieth (20th) anniversary in the banking industry, Producers Bank will remain steadfast and committed in supporting the local economy as it gets closer to its vision of becoming the most progressive, stable and strong private development financial institution in the Philippine countryside.

ANDRES M. CORNEJO
Chairman and Chief Executive Officer



THE PRESIDENT'S REPORT

Listed below are the highlights of the Bank's operating and financial results for the twelve (12) months period ending 31 December 2014.

I. OVERVIEW ON MAJOR DEVELOPMENTS IN THE BANK' S OPERATIONS IN 2 014

A. PRODUCERS BANK ACQUIRES SUPERMAJORITY OWNERSHIP STAKE IN RURAL BANK OF CAINTA, INC.

In 2014, in pursuance of its growth strategy, Producers Bank acquired a supermajority ownership stake in Rural Bank of Cainta, Inc. (hereinafter referred to for brevity as "RBCI").

Starting in July 2014 to November 2014, Producers Bank acquired a total of 318,057 common shares of RBCI representing a 91% ownership based on the number of common shares then outstanding. During the period late November 2014 to December 2014, Producers Bank acquired another 150,141 common shares by way of exercise of pre-emptive rights, bringing up its shareholdings in RBCI to 468,198 common shares or an ownership percentage of 94%.

On 18 December 2014, the Monetary Board, in its Resolution No. 2055, approved the acquisition by Producers Bank of up to 100% of the issued and outstanding common shares of stock of the RBCI and also noted the takeover of RBCI's management by Producers Bank on 24 July 2014.

The Monetary Board also approved, among other requests, the interlocking directorship and/or officership of the following persons in Producers Bank and RBCI:

Name	Position in Producers Bank	Position in RBCI
Mr. Andres M. Cornejo	Chairman and CEO	Chairman
Mr. Edmundo C. Medrano	Vice Chairman, President and COO	Vice Chairman
Ms. Sandra C. Mendoza	Vice Chairman	Director
Mr. Amador N. Llona	Director	Director and Treasurer
Mr. Alejandrino J. Ferreria	Director	Director
Mr. Elrey T. Ramos	Independent Director	Independent Director
Mr. Francisco Ed. Lim	Independent Director	Independent Director
Mr. Jose Vicente L. Camus	EVP and Treasurer and CFO	Director and President
Mr. Andrei D. Cornejo	Senior Vice President	Director
Mr. Arsenio A. Alfiler, Jr.	Corporate Secretary	Corporate Secretary

And in letters dated 6 February 2015, Producers Bank formalized its request to the BSP and to the PDIC for approval on the merger of Producers Bank and RBCI with Producers Bank as the Surviving Bank and RBCI as the Absorbed Bank.

Rationale for the Merger

The merger by and between Producers Bank and RBCI with Producers Bank as the surviving entity is expected to achieve synergies that will benefit the merged/surviving institution immensely as shown below:

1. Not counting the additional branch licenses that may be given by the BSP to the merged bank as merger incentive, the combination will result in the following branches (as of 31 December 2014):

Bank	Number of Branches		
	Operating Branches	Approved but Unopened	To tal
Producers Bank	118	9	127
RBCI	6	0	6
Merged Bank	**124**	**9**	**133**

2. The merged bank will have presence in 31 provinces namely: Aklan, Albay, Antique, Aurora, Bataan, Batangas, Benguet, Bulacan, Cagayan, Camarines Sur, Capiz, Cavite, Davao del Sur, Iloilo, Isabela, Laguna, La Union, Metro Manila, Misamis Oriental, Negros Occidental, Negros Oriental, Nueva Ecija, Nueva Vizcaya, Pampanga, Pangasinan, Quezon, Quirino, Rizal, Sorsogon, Tarlac and Zambales.

3. The merged bank will have presence in 11 regions namely: CAR, Regions I to III, NCR, IV-A (CALABARZON), V, VI, VII, X and XI.

4. The merger will allow the merged bank to have immediate significant presence in the province of Rizal where Producers Bank prior to the merger did not have any presence.

5. The merger will result in RBCI exiting immediately from the Prompt Corrective Action ("PCA") framework.

6. The branches of RBCI that will be converted to branches of Producers Bank (the Surviving Bank) will benefit from all the capabilities and licenses of Producers Bank.

B. PRODUCERS BANK FURTHER INCREASES ITS NUMBER OF BRANCHES AND RETAINS ITS CLAIM OF BEING THE LARGEST STANDALONE THRIFT BANK IN TERMS OF BRANCH NETWORK AS OF THE END OF 2014

In 2014, Producers Bank opened 12 new branches, bringing up the number of its total operating branches to 118 (with 9 approved but unopened branches) as of 31 December 2014 compared to 106 operating branches (and 21 approved but unopened branches) as of 31 December 2013. The details on the 12 new branches opened and the branches that have been relocated are as follows:

1. Producers Bank opened its 107th branch in Bais City, Negros Oriental on 12 March 2014;

2. Producers Bank opened its 108th branch in Pantabangan, Nueva Ecija on 27 March 2014 and became the first bank ever to open a branch in Pantabangan;

3. On 28 March 2014, the Bank's Baler, Aurora Branch was relocated to another site (a bank- owned property) within the same municipality; the board of directors approved the relocation of the branch and the reclassification of a ROPA to bank premises (the site of the relocated Baler Branch) on 19 December 2013;

4. Producers Bank opened its 109th branch in Bayambang, Pangasinan on 28 April 2014;

5. The Bank opened its 110th branch in Tinambac, Camarines Sur on 15 May, 2014 and Producers Bank became the first bank ever to open a branch in Tinambac, Camarines Sur.

   The Monetary Board, in its Resolution No. 1746 dated 30 October 2014, granted Producers Bank the authority for its Tinambac Branch to accept government deposits from the Municipality of Tinambac, Camarines Sur, subject to certain conditions.

   Earlier, the Department of Finance (“DOF”), in a letter dated 18 August 2014 signed by Secretary Cesar V. Purisima, approved the request of the Municipality of Tinambac to maintain deposit accounts at Producers Bank Tinambac, Camarines Sur Branch in view of the security and topographic conditions in Tinambac.

6. Producers Bank opened its 111th branch in Laur, Nueva Ecija on 4 June 2014;

7. The Bank opened its 112th branch in Tarlac City, Tarlac on 30 June 2014;

8. Producers Bank opened its 113th branch in Tumauini, Isabela on 27 July 2014;

9. Producers Bank opened its 114th branch in Bugasong, Antique on 8 August 2014;

10. The Bank opened its 115th branch in Davao City on 12 August 2014, which is also Producers Bank's 1st branch in Mindanao;

11. Producers Bank opened its 116th branch located in Dasmariñas City, Cavite on 8 October 2014;

12. The Bank opened its 117th branch located in Davao City (Ecoland) on 15 October 2014;

13. Producers Bank opened its 118th branch located in Bagabag, Nueva Vizcaya on 8 December 2014.

II. PRODUCERS BANK'S FINANCIAL PERFORMANCE IN 2014

The year 2014 was a difficult year for the banking system in terms of profitability. As the emerging markets reeled from the continuing winding down of the U. S. stimulus package, yields on financial market instruments continued to rise, further dampening prices. Thus, most banks did not have the trading gains they had in 2013, causing full year 2014 incomes to either stay flat, or lower or just slightly higher than 2013.

Parent Company Net Income after Tax of Producers Bank

In the case of Producers Bank, as shown in the Statement of Comprehensive Income of the Bank, the Bank's Parent Company full year 2014 Net Income after Tax of P137.356 Million is slightly higher than the P136.826 Million recorded in 2013 (or higher by 0.4%).

We consider ourselves fortunate as most banks, particularly the large ones, have reported lower incomes in 2014.

Consolidated Net Income after Tax of Producers Bank and Subsidiary

At the end of 2014, Producers Bank has a subsidiary once again in Rural Bank of Cainta, Inc. ("RBCI"). Our stockholders will recall that the old Producers Savings Bank Corporation had two (2) subsidiaries, namely, Iloilo City Development Bank (ICDB) and New Rural Bank of Victorias, Inc. (NRBVI), as we ended the year 2011.

As far as our Consolidated Net Income after Tax is concerned, we reported P139.030 Million.

Parent Company Balance Sheet or Statement of Condition

In terms of Parent Company total resources, the Bank's Total Resources grew by P1.612 Billion (or by 18%) from P8.906 Billion in 2013 to P10.518 Billion in 2014.

The growth came largely from loans that grew by P1.313 Billion (or by 27%) from P4.940 Billion in 2013 to P6.253 Billion in 2014.

The Bank's liquid assets (Due from BSP, Due from Other Banks and Checks and Other Cash Items) also increased by P0.279 Billion or from P2.303 Billion in 2013 to P2.582 Billion in 2014.

On the liabilities side, the increases were in Deposit Liabilities which increased by P1.229 Million from P4.271 Billion to P5.350 Billion, or an increase of 29%.

The Bank's Bills Payable also increased from P3.307 Billion to P3.625 Billion or an increase of P0.318 Billion (10% increase).

Consolidated Balance Sheet or Statement of Condition

For the year ending 2014, Producers Bank and its subsidiary reported a consolidated Total Resources of P10.957 Billion.

Consolidated level of Loans and Receivables was at P6.516 Billion while the level of Deposit Liabilities was at P5.776 Billion at the end of 2014.

III. HOW THE BANK COMPARES WITH THE THRIFT BANKING INDUSTRY

It is very apparent that Producers Bank has superior financial ratios than the industry although it needs to improve on its credit quality ratios.

Key Ratios		TB System December 2014	Producers Bank December 2014
Balance Sheet Key Ratios			
1	Cash and Due from Banks to Deposits	21.84%	48.26%
2	Liquid Assets to Deposits	33.00%	61.01%
3	Loans (gross) to Deposits	87.42%	112.25%
4	Capital Adequacy Ratio (CAR)	16.48%	17.17%
5	Total Capital to Total Assets	12.63%	11.9%
Income Statement Key Ratios			
6	Earning Asset Yield	7.02%	10.81%
7	Funding Cost	1.95%	1.85%
8	Net Interest Margin	5.25%	7.36%
9	Net Interest Income to Total Operating Income	77.93%	71.47%
10	Cost to Income Ratio	69.14%	70.02%
11	Return on Assets	0.97%	1.41%
12	Return on Equity	8.25%	11.21%
Credit Quality Key Ratios			
13	NPL Ratio	4.97%	4.83%
14	NPL Coverage	71.55%	28.25%

VI. PROSPECTS FOR 2015

2015 will be a very, very challenging year for banks due to the implementation of various regulatory rules and regulations that most banks might find difficulty adopting to. Some of these regulations are as follows:

1. BSP Circular 839

BSP Circular 839 sets prudential limits on real estate exposures of banks. The circular requires banks to conduct real estate stress tests ("REST") where banks are made to assume that they will write-off 25% of their real estate loans (as defined) plus ROPAs and the resulting reduced capital must be able to hurdle:

• Tier 1 Capital CAR of 6%; and
• Risk-Based Capital Adequacy Ratio of 10%.

2. BSP Circular 854

Through this circular, the Monetary Board increased the minimum capital requirement for all bank categories: universal, commercial, thrift, rural, and cooperative banks in line with efforts of the BSP to further strengthen the banking system. The upward revision in minimum capital levels is a separate requirement from compliance with risk-based capital adequacy ratios in accordance with Basel 3 requirements (Basel 1.5 in the case of standalone thrift banks such as Producers Bank).

In the case of Producers Bank, the minimum capitalization required is P2.0 Billion which must be complied with by 19 November 2019.

3. BSP Circular 855

This particular circular amended the Credit Risk Management ("CRM") Guidelines that included a revision of Appendix 18 (Guidelines in Identifying and Monitoring Problem Loans and Other Risk Assets and Setting up of Allowance for Probable Losses) that made loan loss provisioning more stringent. The Revised Appendix 18 of the MORB is more stringent –

- Because loan classifications are based on the number of days of missed payments; and
- Required loan loss provisioning escalates based on expected loss of future cash flows even if the loan is fully secured.

4. BSP Circular 857

This circular sets the financial consumer protection framework of the BSP that seeks to protect the interest of financial consumers, institutionalizes the responsibilities of all stakeholders and holding all BSP-Supervised Financial Institutions ("BSFI") against a high standard of accountability.

While most banks view the above impositions as fatal to the continued viability of the banking sector, Producers Bank views them as regulations meant to guide banks to the right path of traversing what Gov. Tetangco calls the "new normal".

The BSP governor contends that the banking landscape is itself under a phase of major remodeling - the "new normal". This new normal, where newer risks are being identified and mitigated while older risks are being approached in a different manner, really calls for a strategic re-thinking of what is possible, what is likely, and how these can be effectively pursued under more stringent norms of risk management, corporate governance, and consumer protection.

Producers Bank is confident that it will not only overcome the temporary hard adjustments that the new regulations will bring about, but we are certain that the institution will come out of this adjustment stronger and more vibrant in spite of concerns about ASEAN integration that seeks to create a single ASEAN market.

Because we are of the view that Producers Bank has chosen a very good and very relevant business model to pursue, we are confident that the Bank's niche strategy in the countryside is expected to keep the institution's growth momentum at a healthy pace.

EDMUNDO C. MEDRANO
Vice Chairman, President and
Chief Operating Officer

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank is exposed to a variety of financial risk arising from its operating, investing and financing activities. The Board of Directors (BOD) has overall responsibility for the Bank's financial risk management, which includes establishment and approval of risk strategies, policies and limits.

The BOD created the Audit, Corporate Governance and Risk Management Committees to closely monitor and evaluate the Bank's financial risk in line with the strategies, policies and limits set by the BOD. The main objective of the financial risk management is to minimize the adverse impact of financial performance and financial position due to the unpredictability of financial markets.

The Bank's financial instruments consist of due from BSP, due from other banks, AFS investments, loans and receivables, HTM investments, sinking fund, deposit liabilities, accrued interests, taxes and other payables, bills payable, redeemable preferred shares and unsecured subordinated debt. The main purpose of these financial instruments is to generate income and raise finances for the Bank's operations.

The main risks arising from the Bank's use of financial instruments are summarized as follows:

(a) Credit risk and concentration limit

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration limits for the Bank are set by types of borrowers and loan classifications. In setting the concentration limits, the Bank considers the BSP regulations.

To avoid significant concentration of credit risk on the Bank's loans and receivables, the Bank spreads out its risk by setting limits on loan amounts that are way, way below the Bank's allowable single borrower's limit and set a limit on industry concentration. The Bank's system of credit approval bodies are required to review and approve the credit proposal.

To mitigate credit risk, the Bank as a matter of policy has set a target of having at least 70% of total loan portfolio secured by tangible collateral, predominantly by way of registered mortgages on real properties.

An independent unit in the Bank validates property appraisal, title verification, credit investigation and credit evaluation done by the loan originating branches. Insurance coverage and assignment of the insurance policies in favor of the Bank are required on these assets (e.g., improvements on real properties, motor vehicles, etc.). Further, the Bank requires that the borrowers themselves be insured (e.g., life insurance, mortgage redemption insurance, etc.) and the insurance policies assigned in favor of the Bank.

The Bank's maximum exposure to credit risk with collateral held or other credit enhancements at December 31, 2014 follows:

	2014	2013
Due from BSP	1,784,256,133	1,293,519,197
Due from other banks	352,870,727	349,611,997
AFS Investments		0
Investments at amortized cost	682,333,439	710,020,641
Held-to-Maturity		0
Loans receivables	6,253,233,176	4,940,168,445
Sinking Fund	44,177,206	43,665,692
Other sources-security deposits	5,846,454	4,131,324
	P9,122,717,135	**P7,341,117,296**

In 2010, the BOD of Producers Bank approved the launching of a loan product to lend to small farmers who may have no access to formal credit institutions because the land they are tiling are small and are not covered by transfer certificate of title. The loan had been proposed to be covered by a guarantee or surety to be executed in favor of the Bank by the Agricultural Guarantee Fund Pool (AGFP).

AGFP was established by virtue of Administrative Order No. 225-A issued by former President Gloria Macapagal-Arroyo on 26 May, 2008 to mitigate the risk involved in agricultural lending thereby facilitating the provision of credit in the agriculture sector. The AGFP shall encourage private financial institutions and other credit conduits to expand their outreach to new small farmer and fisherfolk ("SFF") borrowers; and/or expanded lending to existing SFF borrowers by providing guarantee coverage to unsecured loans extended by the private financial institutions and other credit conduits to SFF borrowers engaged in palay and/or food production projects/activities.

The BOD of Producers Bank also approved an ICRRS, which is a loan review and loan loss provisioning system that clearly sets forth the criteria for uniformly classifying loans. ICRRS has three (3) components, namely:

- the Borrower Risk Rating (BRR) which requires an assessment of the creditworthiness of the borrower, focusing on the outlook for loan repayment without considering the type or amount of the facility, or its security arrangements. The criteria to be assessed here are those which have a direct bearing on the borrower's long-term chances of survival and the factors related directly to these. Although the borrower's financial condition is evaluated on the basis of the past three years' historical financial statements, this is primarily to determine any trend in the entity's financial condition going forward, and how it will impact the borrower's future solvency, or debt-service capabilities. The BRR is determined by focusing on the borrower's credit quality based on factors such as the borrower's: (a) stability, (b) access to financial markets, (c) ability to service debt, (d) financial position strength, and (e) external rating by agencies, where applicable;

- the Facility Risk Factor (FRF) which is determined for each individual facility, taking into account the different security arrangements, or risk influencing factors, to allow a more precise depiction of risk. FRF is determined based on security arrangements supporting the facility. Since the FRF focuses on the quality and quantity of the collateral cover applicable to the underlying facility, independent of borrower quality, the FRF can upgrade the BRR on the basis of the facility's collateral position, or can downgrade it due to risk-enhancing features;

- the Adjusted Borrower Risk Rating (ABRR) which is the result of the combination of the BRR and FRF; and

- the Composite Risk Rating (CRR) which is the result of the weighted average ABRR to be used to determine the CRR of borrowers with multiple facilities.

Excessive risk concentration

Credit risk can arise whenever a significant number of borrowers have similar characteristics and are affected similarly by changes in economic or other conditions. The Bank analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivable, and (2) financial investment securities. To mitigate risk concentration, the Bank constantly checks for breaches in regulatory and internal limits. The Bank manages credit risk through a continuing review of credit policies, system and procedures.

Concentration of risk of financial assets with credit risk exposure

An analysis of concentrations of credit risk by industry at the reporting date based on carrying amount (gross of allowance for probable losses) at 31 December, 2014 is shown below:

2014

Concentration by industry	Loans and receivables	Due from BSP and other banks	Sinking fund	Other resources-security deposits	Investments at amortized cost	Total
Financial intermediaries	P-	P2,137,126,860	P44,177,206	P-	P682,333,439	P2,863,637,505
Agriculture, hunting and forestry	2,039,412,914	-	-	-	-	2,039,412,914
Wholesale and retail trade, repair of motor vehicles, motorcycles, and personal and household goods	1,494,052,335	-	-	-	-	1,494,052,335
Real estate, renting and business activities	504,915,852	-	-	5,846,454	-	510,762,306
Hotel and restaurants	394,907,057	-	-	-	-	394,907,057
Private households with employed persons	59,530,259	-	-	-	-	59,530,259
Construction	285,433,433	-	-	-	-	285,433,433
Education	201,468,510	-	-	-	-	201,468,510
Manufacturing	142,103,967	-	-	-	-	142,103,967
Health and social work	70,941,816	-	-	-	-	70,941,816
Transportation, storage and communication	67,260,758	-	-	-	-	67,260,758
Electricity, gas and water	50,597,632	-	-	-	-	50,597,632
Fishing	29,793,788	-	-	-	-	29,793,788
Financial intermediation	36,643,415	-	-	-	-	36,643,415
Mining and quarrying	3,299,596	-	-	-	-	3,299,596
Other community, social and personal service activities	612,652,043	-	-	-	-	612,652,043
	P5,993,013,375	**P2,137,126,860**	**P44,177,206**	**P5,846,454**	**P682,333,439**	**P8,862,497,334**

2013

Concentration by industry	Loans and receivables	Due from BSP and other banks	Sinking fund	Other resources-security deposits	Investments at amortized cost	Total
Financial intermediaries	P-	P1,643,131,194	P43,665,692	P-	P710,020,641	P2,396,817,527
Agriculture, hunting and forestry	1,748,018,653	-	-	-	-	1,748,018,653
Wholesale and retail trade, repair of motor vehicles, motorcycles, and personal and household goods	1,133,683,753	-	-	-	-	1,133,683,753
Real estate, renting and business activities	371,938,646	-	-	4,131,324	-	376,069,970
Hotel and restaurants	300,865,215	-	-	-	-	300,865,215
Private households with employed persons	267,898,512	-	-	-	-	267,898,512
Construction	217,461,273	-	-	-	-	217,461,273
Education	153,491,475	-	-	-	-	153,491,475
Manufacturing	108,263,805	-	-	-	-	108,263,805
Health and social work	54,047,970	-	-	-	-	54,047,970
Transportation, storage and communication	51,243,506	-	-	-	-	51,243,506
Electricity, gas and water	38,548,482	-	-	-	-	38,548,482
Fishing	29,793,788	-	-	-	-	29,793,788
Financial intermediation	27,917,275	-	-	-	-	27,917,275
Mining and quarrying	2,513,841	-	-	-	-	2,513,841
Other community, social and personal service activities	313,433,674	-	-	-	-	313,433,674
	P4,819,119,868	P1,643,131,194	P43,665,692	P4,131,324	P710,020,641	P7,220,068,719

The aging analyses of financial assets (gross of allowance for probable losses) at 31 December, 2014 follow:

2014

	Total	Neither past due nor impaired	Past due but not impaired				
			30 days	31-90 days	91-180 days	>180 days	Impaired
Financial assets at amortized cost							
Due from BSP	P1,784,256,133	P1,784,256,133	P-	P-	P-	P-	P-
Due from other banks	352,870,727	352,870,727	-	-	-	-	-
Investments at amortized cost	682,333,439	682,333,439	-	-	-	-	-
Loans and receivables	6,327,478,736	5,812,104,172	56,680,210	91,619,282	97,170,757	258,021,321	11,882,994
Sinking fund	44,177,206	44,177,206	-	-	-	-	-
Other resources – security deposits	5,846,454	5,846,454	-	-	-	-	-
	P9,196,962,695	**P8,681,588,131**	**P56,680,210**	**P91,619,282**	**P97,170,757**	**P258,021,321**	**P11,882,994**

2013

	Total	Neither past due nor impaired	Past due but not impaired				
			30 days	31-90 days	91-180 days	>180 days	Impaired
Financial assets at amortized cost							
Due from BSP	P1,293,519,197	P1,293,519,197	P-	P-	P-	P-	P-
Due from other banks	349,611,997	349,611,997	-	-	-	-	-
Investments at amortized cost	710,020,641	710,020,641	-	-	-	-	-
Loans and receivables	5,004,404,734	4,632,650,491	57,476,908	50,374,844	71,479,233	182,204,605	10,218,653
Sinking fund	43,665,692	43,665,692	-	-	-		-
Other resources – security deposits	4,131,324	4,131,324	-	-	-		-
	P7,405,353,585	**P7,033,599,342**	**P57,476,908**	**P50,374,844**	**P71,479,233**	**P182,204,605**	**P10,218,653**

Credit quality per class of financial assets

The credit quality of the Bank's financial assets that are neither past due nor impaired is considered to be good quality and expected to be collectible without incurring any credit losses.

Loans are secured either by real estate, chattel or other assets.

The Bank's bases in grading its financial assets are as follows:

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables is readily enforceable).

Standard grade - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard grade - These are receivables that can be collected provided the Bank makes persistent effort to collect them.

The table below shows the credit quality by class of financial assets of the Bank based on their historical experience with the corresponding parties as at 31 December, 2014 and 2013:

2014

	Neither past due nor impaired			
	High grade	Standard grade	Substandard grade	Total
Financial assets at amortized cost				
Due from BSP	P1,784,256,133	P-	P-	P1,784,256,133
Due from other banks	352,870,727	-	-	352,870,727
Investments at amortized cost	682,333,439	-	-	682,333,439
Loans and receivables	5,812,104,172	-	-	5,812,104,172
Sinking funds	44,177,206	-	-	44,177,206
Other resources – security deposits	5,846,454	-	-	5,846,454
	P8,681,588,131	**P-**	**P-**	**P8,681,588,131**

2013

	Neither past due nor impaired			
	High grade	Standard grade	Substandard grade	Total
Financial assets at amortized cost				
Due from BSP	P1,293,519,197	P-	P-	P1,293,519,197
Due from other banks	349,611,997	-	-	349,611,997
Investments at amortized cost	710,020,641	-	-	710,020,641
Loans and receivables	4,632,650,491	-	-	4,632,650,491
Sinking funds	43,665,692	-	-	43,665,692
Other resources – security deposits	4,131,324	-	-	4,131,324
	P7,033,599,342	**P-**	**P-**	**P7,033,599,342**

(b) Market risk

Market risk is the risk of loss of future earning or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity prices and other market changes. The Bank's market risk is manageable within conservative bounds. As of 31 December, 2014, the Bank has not engaged in trading financial instruments.

However, in the event the Bank starts a securities portfolio, the Bank's Risk Management Manual has already defined limits for the following:
- Specific type and currency of security;
- Years to maturity; and
- Maximum portfolio amount per currency.

(c) Interest rate risk

Interest rate risk is the risk to earning or capital resulting from adverse movements in the interest rates. The economic perspective of interest rate risk focuses on the value of a bank in the current interest rate environment and the sensitivity of that value to changes in interest rates.

The Bank mitigates interest rate risk (risk of loss or the risk of reduction in income due to changes in the interest rate environment) through the Asset and Liability Management Committee (ALCO). The Bank also monitors and measures the interest rate risk using an interest rate gap analysis. The gap analysis measures, for any given period, any mismatch between the amounts of interest-bearing liabilities, which would mature or reprice during the period.

Interest rate risk is also addressed by the Bank by setting prudential limits on short-term loans vis-à-vis medium-term loans (maximum limit of 30% of total outstanding loans receivable). Short-term loans allow the Bank the flexibility to adjust loan pricing quickly should interest rates move up with respect to its sources of funds. Medium-term loans, on the other hand, are generally re-priced periodically. In cases of medium-term loans whose interest rates are fixed, the interest rate generally provides sufficient cushion in terms of spread over sourcing rates.

The Bank also maintains a very large portion of its deposit base in short-term deposits. No interest is paid on demand deposits, and the interest rates on savings and time deposits are set by reference to prevailing market rates being quoted by the commercial banks.

The Bank also makes extensive use of rediscounting funds, the interest rates on which are generally fixed for the entire term, thus assuring that the interest spread of the Bank is maintained at all times.

The Bank closely monitors the movements of interest rates in the market and reviews its assets and liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits. The following table demonstrates the sensitivity of income before income tax and equity for the years ended 31 December, 2014 and 2013 to a reasonably possible change in interest rates, with all other variables held constant:

	2014		2013	
Increase (Decrease) in rate	1%	(1%)	1%	(1%)
Effect on income before tax	P5,070,981	(P5,070,981)	P1,251,916	(P1,251,916)
Effect on capital funds	P3,549,687	(P3,549,687)	P876,341	(P876,341)

The interest rates for the interest-bearing financial instruments are as follows:

	December 31, 2014		
	Within 1 year	1-5 years	>5 years
Due from BSP	0% to 2.5%	-	-
Due from other banks	0.25% to 2.5%	-	-
Investments at amortized cost	-	2.53%	3.6325% to 8%
Loans and receivables	5.75% to 16%	12% - 18%	12% to 16%
Sinking fund	-	1.45% to 5.85%	-
Deposit liabilities	0% to 4%	4%	-
Bills payable	3.5% to 4%	3.5% to 4%	-
Redeemable preferred shares	-	T-bill rate plus 1 to 2%	-

	December 31, 2013		
	Within 1 year	1-5 years	>5 years
Due from BSP	2%	-	-
Due from other banks	0.25% to 2.635%	-	-
Investments at amortized cost	-	2.53%	6.125% to 8%
Loans and receivables	5.75% to 18%	12% to 18%	14% to 18%
Sinking fund	-	3.5% to 6%	-
Deposit liabilities	0% to 4.5%	5%	-
Bills payable	3.5% to 6.3%	3.5% to 6.3%	-
Redeemable preferred shares	-	T-bill rate plus 1%	-

(d) Foreign exchange risk

The Bank manages its exposure to the effects of fluctuations in the foreign currency exchanges by complying with existing regulatory guidelines on the Foreign Currency Denominated Unit (FCDU) and by limiting such exposure within the limits that management believes to be relatively conservative for the size of the Bank.

	2014		2013	
	US Dollar	Philippine Peso	US Dollar	Philippine Peso
Financial assets				
Due from other banks	316,613	14,158,982	354,820	15,752,247
AFS investments	-	-	-	-
Investments at amortized cost	417,235	18,658,768	417,235	18,523,166
	733,848	32,817,692	772,055	34,275,413
Financial liabilities				
Deposit liabilities	750,465	33,560,783	770,481	34,205,488
Other liabilities	-	-	233	10,344
	750,465	33,560,783	770,714	34,215,832
Net currency risk exposure	(16,617)	(743,091)	1,341	59,581

The net currency risk is the difference between foreign currency assets and foreign currency liabilities.

Interest earned from FCDU amounted to P1,927,735 and P351,142 for the years ended 31 December, 2014 and 2013, respectively.

(e) Liquidity risk

Liquidity risk is the risk from inability to meet obligations when they become due because of inability to liquidate assets or obtain adequate funding. The Bank ensures that sufficient liquid assets are available to meet short-term funding and regulatory requirements. The Bank mitigates liquidity risk through the ALCO and Treasury Management Department, who ensure that sufficient liquid assets are available to meet short-term funding and regulatory requirements. The amount and the sources of funds (such as secondary liquidity reserves, unused credit lines and rediscounting lines) that are available to the Bank and the circumstances under which the Bank may use those funds are determined on a weekly basis. The Bank requires all branches to maintain liquid assets to total deposits/other liabilities ratio of at least 20%, or 15% liquidity reserves, net of legal reserves.

The Bank's liquidity, cash and reserves position are monitored on a daily basis. The Bank maintains sufficient liquidity reserves in the form of high-yielding placements with BSP, deposits with other banks and investments in government securities. The Bank has also obtained sufficient liquidity lines from other banks and non-banking lending institutions that can relieve financial pressures in the event of an extraordinary demand for liquidity. Further, the Bank actively rediscounts loans with the many entities that have given the Bank more than sufficient rediscounting lines.

The maturity grouping of financial instruments is based on the remaining period from the end of the reporting period to the contractual maturity date. For financial liabilities, when counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Bank can be required to pay.

The tables below summarize the maturity profile of financial instrument of the Group and the Parent Company based on contractual undiscounted cash flows as at December 31:

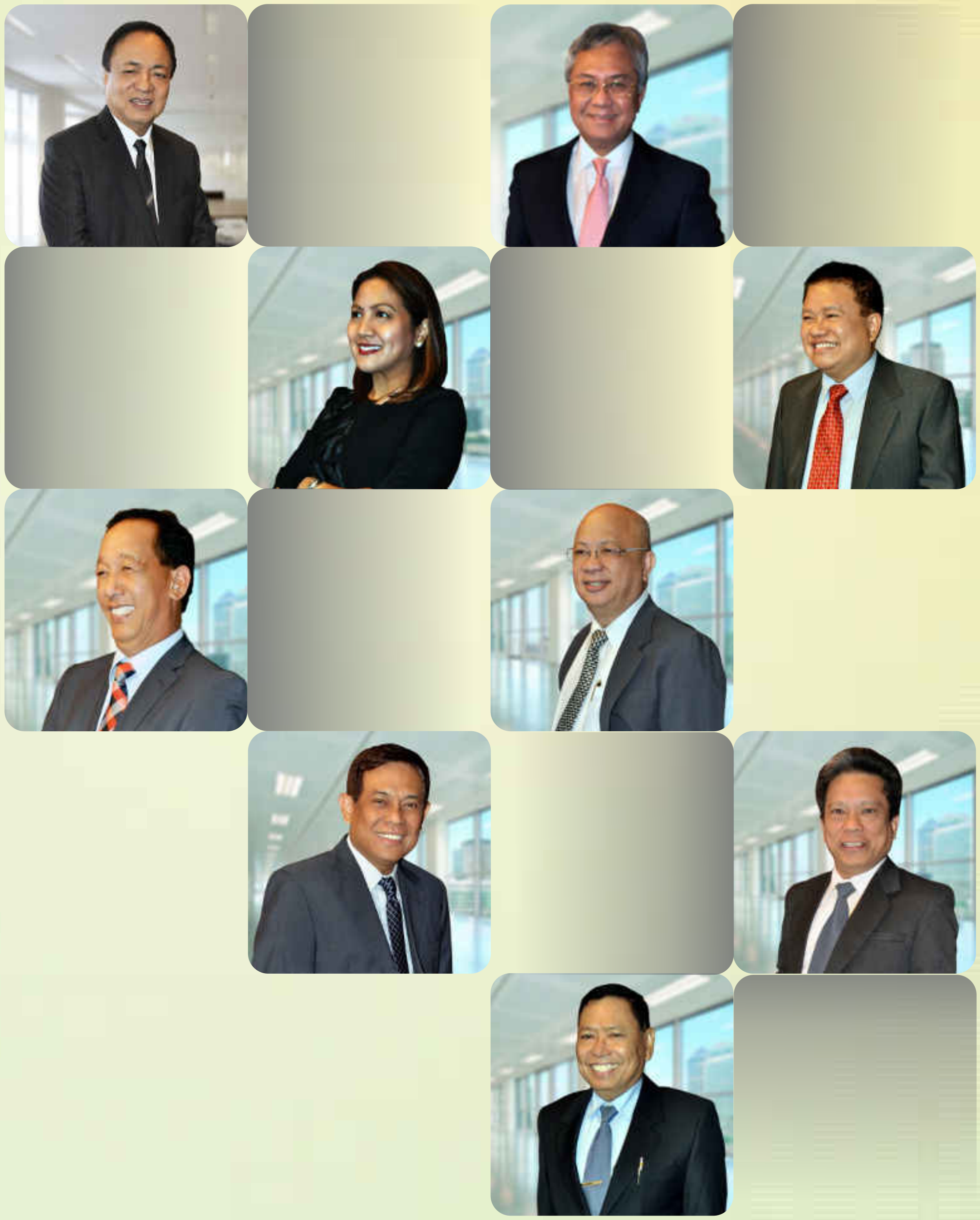
	Consolidated					
	2014					
	Total	On demand	< 3 Months	3-12 months	1-5 years	>5 Years
Financial assets						
Cash and other cash items	P 464,335,771	P 464,335,771	P-	P-	P-	P-
Due from BSP	1,798,515,457	1,798,515,457	-	-	-	-
Due from other banks	416,711,327	416,711,327	-	-	-	-
Investment at amortized cost	732,997,465	-	245,919,243	6,381,273	19,439,768	461,257,181
Loans and receivables	6,611,666,001	771,075,449	2,177,482,020	2,057,169,264	1,316,205,311	289,733,957
Sinking fund	44,177,206	-	-	-	44,177,206	-
Other resources*	7,107,667	7,107,667	-	-	-	-
	10,075,510,894	**3,457,745,671**	**2,423,401,263**	**2,063,550,537**	**1,379,822,285**	**750,991,138**
Financial liabilities						
Deposit liabilities	5,776,662,801	3,423,721,829	1,499,495,455	505,765,770	347,679,747	-
Accrued interest and other payables	101,974,878	-	101,974,878	-	-	-
Bills payable	3,625,638,746	-	97,429,800	2,587,559,303	940,649,643	-
Redeemable preferred shares	40,000,000	-	-	-	40,000,000	-
Other liabilities	44,093,021	44,093,021	-	-	-	-
	9,588,369,446	**3,467,814,850**	**1,698,900,133**	**3,093,325,073**	**1,328,329,390**	**-**
Net assets (liabilities)	**P487,141,448**	**(P10,069,179)**	**(P724,501,130)**	**(P1,029,774,536)**	**P51,492,895**	**P750,991,138**

	Parent Company 2014					
	Total	On demand	< 3 Months	3-12 months	1-5 years	>5 Years
Financial assets						
Cash and other cash items	P 445,284,306	P 445,284,306	P-	P-	P-	P-
Due from BSP	1,784,256,133	1,784,256,133	-	-	-	-
Due from other banks	352,870,727	352,870,727	-	-	-	-
Investment at amortized cost	682,333,439	-	243,901,143	-	-	438,432,296
Loans and receivables	6,327,478,736	517,374,514	2,173,746,763	2,031,792,287	1,316,205,311	288,359,861
Sinking fund	44,177,206	-	-	-	44,177,206	-
Other resources*	6,457,174	6,457,174	-	-	-	-
	9,642,857,721	**3,106,242,854**	**2,417,647,906**	**2,031,792,287**	**1,360,382,517**	**726,792,157**
Financial liabilities						
Deposit liabilities	5,350,853,905	3,101,280,648	1,401,855,619	500,037,891	347,679,747	-
Accrued interest and other payables	101,025,896	-	101,025,896	-	-	-
Bills payable	3,625,638,746	-	97,429,800	2,587,559,303	940,649,643	-
Redeemable preferred shares	40,000,000	-	-	-	40,000,000	-
Other liabilities	36,770,655	36,770,655	-	-	-	-
	9,154,289,202	**3,138,051,303**	**1,600,311,315**	**3,087,597,194**	**1,328,329,390**	**-**
Net assets (liabilities)	**P488,568,519**	**(P31,808,449)**	**(P817,336,591)**	**(P1,055,804,907)**	**P32,053,127**	**P726,792,157**

**Includes security deposits and petty cash fund*

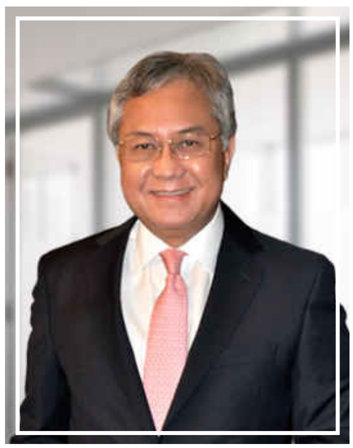
	Parent Company 2013					
	Total	On demand	< 3 Months	3-12 months	1-5 years	>5 Years
Financial assets						
Cash and other cash items	P 660,218,900	P 660,218,900	P-	P-	P-	P-
Due from BSP	1,293,519,197	1,293,519,197	-	-	-	-
Due from other banks	349,611,997	349,611,997	-	-	-	-
Investment at amortized cost	710,020,641	-	-	20,000,000	5,584,257	984,436,384
Loans and receivables	5,004,404,734	373,998,630	1,759,144,221	1,781,792,287	866,205,311	223,264,285
Sinking fund	43,665,692	-	-	-	43,665,692	-
Other resources*	4,637,224	4,637,224	-	-	-	-
	8,066,078,385	**2,681,985,948**	**1,759,144,221**	**1,801,792,287**	**915,455,260**	**907,700,669**
Financial liabilities						
Deposit liabilities	4,271,077,609	2,693,583,632	1,069,669,475	277,030,886	230,793,616	-
Accrued interest and other payables	32,430,749	-	32,430,749	-	-	-
Bills payable	3,307,351,276	-	410,082,834	2,734,159,049	163,109,393	-
Redeemable preferred shares	40,000,000	-	-	-	40,000,000	-
Other liabilities	21,759,956	21,759,956	-	-	-	-
	7,672,619,590	**2,715,343,588**	**1,512,183,058**	**3,011,189,935**	**433,903,009**	**-**
Net assets (liabilities)	**P393,458,795**	**(P33,357,640)**	**(P246,961,163)**	**(P1,209,397,648)**	**P481,552,251**	**P907,700,669**

**Includes security deposits and petty cash fund*



BOARD OF DIRECTORS

ANDRES M. CORNEJO, *Chairman and Chief Executive Officer.* Mr. Cornejo is a highly successful, self-made businessman and entrepreneur from Nueva Ecija. Prior to becoming a full-time entrepreneur and banker, he worked for 16 years with the First Philippine Holdings Corporation ("First Holdings") holding the positions of Comptroller, Treasurer and finally as Chief Financial Officer. Prior to joining First Holdings, he worked for 9 years with the local accounting firm, Carlos J. Valdez & Company CPAs. He is a graduate of the Philippine School of Business Administration with a Bachelor of Science degree in Accountancy and has a Masters in Entrepreneurship at the Asian Institute of Management. Mr. Cornejo is a Certified Public Accountant. Mr. Cornejo is at present the Chairman of Rural Bank of Cainta, Inc. He is a Member of the Board of Trustees of Village Enterprise Development Foundation, Inc., a non-stock, non-profit microfinance institution; Chairman and President of Cabiao General Hospital, Inc.; Chairman of C & D Properties, Inc.; and General Manager of C & D Pawnshop. He was formerly the Chairman of New Rural Bank of Victorias, Inc. and formerly the Vice Chairman of Iloilo City Development Bank. Mr. Cornejo is the official representative of the Bank in the Chamber of Thrift Banks ("CTB").



EDMUNDO C. MEDRANO, *Vice Chairman, President and Chief Operating Officer.* Mr. Medrano has extensive experience in banking. Prior to joining Producers Bank in September 2005, he was Senior Vice President and Sector Head of the Account Management Sector at Asiatrust Development Bank Inc. He spent 16 years with the AsianBank/AB Capital Group and held the positions of General Manager of AB Leasing and Finance Corporation, Senior Vice President for Investment Banking at AB Capital and Investment Corporation and First Vice President and Deputy Head of Account Management Division and concurrently Corporate Banking Group Head and Financial Institutions Group Head at AsianBank Corporation. He earned his degree in Bachelor of Arts major in Economics (Cum Laude) and his degree in Bachelor of Science in Commerce major in Accounting (Cum Laude) from the De La Salle College (now De La Salle University). Mr. Medrano is a candidate for a Masters in Business Management degree at the Asian Institute of Management. Mr. Medrano was a recipient of the Top 100 Lasallians in Banking and Finance Award. Mr. Medrano is at present a member of the Board of Trustees of the Chamber of Thrift Banks ("CTB"). He is Vice Chairman of Rural Bank of Cainta, Inc. He is a member of the Board of Trustees of Village Enterprise Development Foundation, Inc. Mr. Medrano is the official alternate representative of the Bank in the CTB, the representative in the Money Market Association of the Philippines ("MART") and in the Bankers Institute of the Philippines Inc. ("BAIPHIL"). He was formerly the President and Director of the New Rural Bank of Victorias, Inc. and formerly a Director in Iloilo City Development Bank.

SANDRA C. MENDOZA, *Vice Chairman.* Ms. Mendoza is a graduate of the University of Asia and the Pacific where she earned her degree in Bachelor of Science in Information Technology. She currently holds the position of Vice Chairman at Producers Bank. She is also a director in Rural Bank of Cainta, Inc. Ms. Mendoza was formerly a Director of the New Rural Bank of Victorias, Inc. She had a brief stint with Producers Rural Banking Corporation in the past as Head of Information Technology. She and her husband are also entrepreneur-restaurateurs operating several very successful restaurants.

ELREY T. RAMOS, *Independent Director.* Mr. Ramos was formerly the President and Chief Executive Officer of East West Banking Corporation, a mid-sized commercial bank. He was formerly an Independent Director of the New Rural Bank of Victorias, Inc. He earned his degree of Bachelor of Business Administration (Magna Cum Laude) from the University of the East. Mr. Ramos is a Certified Public Accountant. He was the Topnotcher in the 1971 CPA examinations with an average grade of 89.7% and Mr. Ramos was Second Placer in the 1986 Uniform United States CPA examination with an average grade of 94.5%. Currently, Mr. Ramos is a director in Rural Bank of Cainta, Inc. He is a Partner in Mateo Ramos Celestino Llona and Co., CPAs.

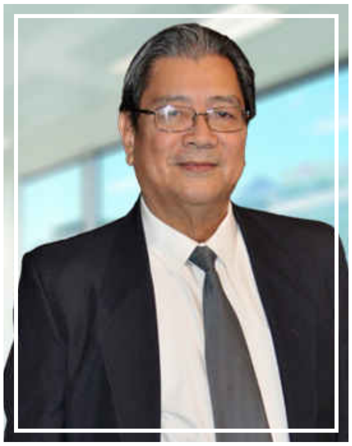
AMADOR N. LLONA, *Director.* Mr. Llona is currently a partner in Mateo Ramos Celestino Llona and Company, CPAs. He held various medium to high level positions in different types of businesses - from investments and financial consulting to academic institutions. He obtained his Bachelor of Science degree in Accountancy at the University of the East (Cum Laude) and his Masters in Business Administration at the Ateneo de Manila University. He is a Certified Public Accountant. He is a director in Rural Bank of Cainta, Inc. He was formerly a Director in the New Rural Bank of Victorias, Inc. and a Director in Iloilo City Development Bank. Mr. Llona is at present a Member of the Board of Trustees of Village Enterprise Development Foundation, Inc.

JULIO D. CLIMACO, JR., ***Director (Creditor Representative).*** Mr. Climaco currently holds the position of Executive Vice President, Corporate Services Sector at the Land Bank of the Philippines ("LBP") and he has been connected with LBP since 1993. He spent close to 4 years at Hongkong Bank and reached the position of Staff Officer and later worked for nearly 4 years at Joaquin Cunanan & Co. / Price Waterhouse and attained the position of Managing Consultant. Mr. Climaco completed his BSC Management of Financial Institutions degree from De La Salle University in 1985 and has earned MA units in Applied Business Economics at the University of Asia and the Pacific.

Miguel A. Martinez, Jr., ***Director***, Mr. Martinez is a highly successful entrepreneur based in Talavera, Nueva Ecija.

ATTY. FRANCISCO ED. LIM, ***Independent Director.*** Atty. Lim was formerly the President and Chief Executive Officer of the Philippine Stock Exchange ("PSE"), the longest serving President of the exchange. He was also formerly President and Chief Executive Officer, Securities Clearing Corporation of the Philippines; former Chairman, Philippine Stock Exchange Foundation, Inc.; and former Chairman, Capital Market Development Center, Inc. He finished his Bachelor of Philosophy (Magna Cum Laude) at the UST; his Bachelor of Arts (Cum Laude) also at the UST; his Bachelor of Laws (Second Honors) at the Ateneo de Manila University; and his Master of Laws at the University of Pennsylvania, USA. Atty. Lim is a member of the Philippine bar and New York State bar. Currently, Mr. Lim is a director in Rural Bank of Cainta, Inc. He is also co-managing partner at ACCRALAW.

DR. ALEJANDRINO J. FERRERIA, *Ed.D. Director.* Dr. Ferreria was the Bank of America Foundation Professor of Business Management at the Asian Institute of Management. From 2002 to 2004, he was the Dean of the Asian Center for Entrepreneurship ("ACE") at the Asian Institute of Management where he was a Guru. He earned his degree in Bachelor of Science in Management from the Ateneo de Manila University, his Masters in Business Administration from the University of the Philippines and his Doctorate in Education Management ("Ed.D") from the National University. He is currently a director in Rural Bank of Cainta, Inc. He was formerly the Chairman of Iloilo City Development Bank and formerly a Director of the New Rural Bank of Victorias, Inc. Dr. Ferreria currently sits on several boards: Goodyear Philippines, Pascual Laboratories, Construction Management and Development Foundation, Filipino Car Foundation and Channel Technologies. Currently, he is a Partner/Director at ACE



ATTY. ARSENIO A. ALFILER, JR., *Corporate Secretary.* Atty. Alfiler is presently a partner at Corporate Counsels, Philippines. His previous work experience include as director of Asiatrust Bank, as First Vice President of AB Capital and Investment Corporation, as First Vice President of AsianBank Corporation and stints with Union Bank of the Philippines and Bancom Development Corporation. Atty. Alfiler obtained his Bachelor of Arts in Public Administration and his Bachelor of Laws from the University of the Philippines. Atty. Alfiler is at present Corporate Secretary of Rural Bank of Cainta, Inc., Village Enterprise Development Foundation, Inc. and Sun Savings Bank. He was formerly the Assistant Corporate Secretary of Iloilo City Development Bank.

CORPORATE GOVERNANCE

The Board of Directors ensures that the necessary corporate policies and organizational structures are put in place to foster the long-term success of the Bank and secure its sustained competitiveness. It regularly reviews existing policies and structures to ensure compliance with pertinent laws and regulations, and that they are aligned with best practices and good governance principles.

The Board accomplishes its mandate through the different committees that address specific areas of focus.

BOARD COMMITTEES

Audit Committee	
Elrey T. Ramos	Chairman (*Independent Director*)
Francisco Ed. Lim	Member (*Independent Director*)
Alejandrino J. Ferreria	Member

Risk Management / Risk Oversight Committee	
Elrey T. Ramos	Chairman (*Independent Director*)
Francisco Ed. Lim	Member (*Independent Director*)
Edmundo C. Medrano	Member
Amador N. Llona	Member
Alejandrino J. Ferreria	Member

Corporate Governance Committee	
Francisco Ed. Lim	Chairman (*Independent Director*)
Elrey T. Ramos	Member (*Independent Director*)
Edmundo C. Medrano	Member
Amador N. Llona	Member
Alejandrino J. Ferreria	Member

Nomination and Compensation Committee	
Francisco Ed. Lim	Chairman (*Independent Director*)
Elrey T. Ramos	Member (*Independent Director*)
Edmundo C. Medrano	Member
Amador N. Llona	Member
Alejandrino J. Ferreria	Member

Executive Committee	
Andres M. Cornejo	Chairman
Edmundo C. Medrano	Member
Sandra C. Mendoza	Member

Credit Committee	
Andres M. Cornejo	Chairman
Edmundo C. Medrano	Member
Filipinas M. Fernandez	Member
Jose L. Camus	Member
Andrei D. Cornejo	Member
Cenon M. Ladringan	Member

Audit Committee. The Audit Committee is composed of at least three (3) members of the Board of Directors, two (2) of whom are independent Directors, including the chairperson, with accounting auditing, or related financial management expertise or experience.

Further, the Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions, are not to be appointed as members of the Audit Committee.

The Audit Committee provides oversight over the Bank's financial reporting policies, practices and control and for the appointment of the Internal Auditor as well as the independent External Auditor who shall both report directly to the Audit Committee. In cases of appointment or dismissal of external auditors, it is encouraged that the decision be made only by the independent and non-executive Audit committee members. The Audit Committee shall monitor and evaluate the adequacy and effectiveness of the internal control system.

The Audit Committee reviews and approves the audit scope and frequency. It receives key audit reports, and ensures that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by the Auditors.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meeting, and adequate resources to enable it to effectively discharge its functions. The Audit Committee ensures that a review of the effectiveness of the Bank's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.

The Audit Committee establishes and maintains mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It ensures that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

Risk Management Committee (or Risk Oversight Committee). The Risk Oversight Committee is responsible for the development and oversight of the risk management program for the Bank. The committee is composed of five (5) members of the Board of Directors including two (2) Independent Directors, and a Chairperson who is a non-executive member of the Board. The members of the Risk Oversight Committee possess a range of expertise as well as adequate knowledge of the institution's risk exposure to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It oversees the system of limits to discretionary authority that the Board delegates to management, ensures that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached. The Bank's Chief Compliance Officer communicates formally and informally to the Risk Oversight Committee any material information relative to the discharge of its function.

The Risk Oversight Committee has access to external expert advice, particularly in relation to proposed strategic transactions, such as mergers and acquisitions.

Corporate Governance Committee. The Corporate Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities. It reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. The committee is composed of five (5) members of the Board of Directors, two (2) of whom are independent Directors, including the Chairperson.

The committee is responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines. It oversees the periodic performance evaluation of the Board and its committees and executive management; and also conducts an annual self-evaluation of its performance. The Corporate Governance Committee may coordinate with external facilitators in carrying out Board assessment within the frequency approved by the entire Board. The Corporate Governance Committee also decides whether or not a Director is able to and has been adequately carrying out his/her duties as Director based on its own assessment or the assessment of external facilitators, bearing in mind the Director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation). The Committee is tasked with developing internal guidelines to be adopted that address the competing time commitments that are faced when Directors serve on multiple boards.

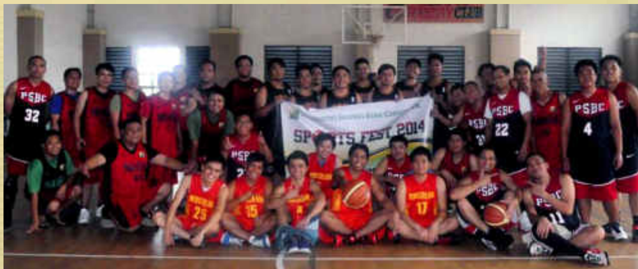
The Committee makes recommendations to the Board regarding the continuing education of Directors, assignment to Board committees, succession plan for the Board members and senior officers, and their remuneration commensurate with corporate and individual performance.

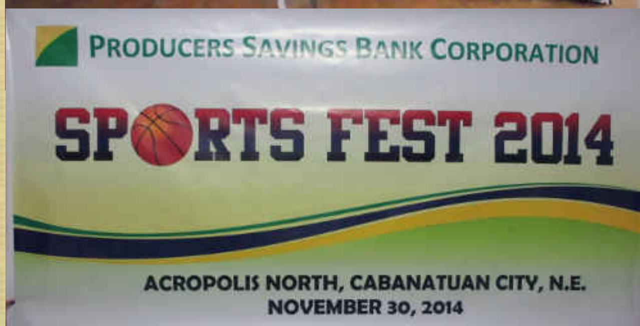
The Corporate Governance Committee decides the manner by which the Board's performance shall be evaluated and may propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholders' value.

The Board of Directors delegates to the President and Chief Operating Officer (COO) the responsibility of managing the Bank's business operations. Closely supporting and working with the President and COO at the higher level is the Chairman and Chief Executive Officer (CEO) who directs the overall execution of the strategic plans and policies as established by the Board of Directors. Reporting directly to the President and COO is the Bank Security Officer and the Corporate Planning Department. At the lower level, the President and COO is supported in his day to day management by the heads of the following sectors or groups.

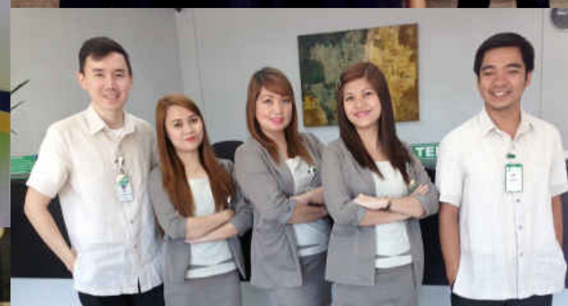
- Branch Management Sector (BMS)
- Treasury Management Sector (TMS)
- Credit Management Sector (CMS)
- Internal Audit Group (IAG)
- Information and Communications Technology Group (ICTG)
- Human Resource and Administration Department (HRAD)
- Controllership Group (CG)
- Compliance Office

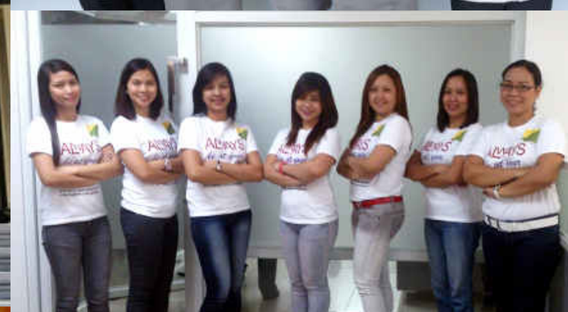
"Producers Bank aims to create a culture of excellence in all aspects of its business operations."

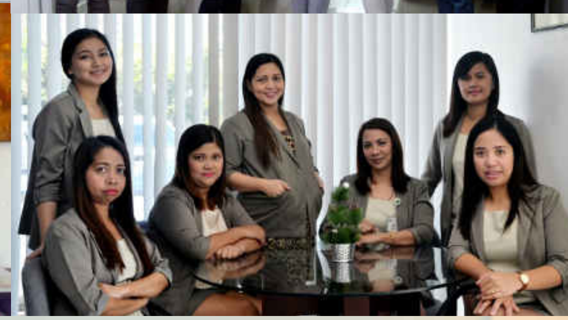


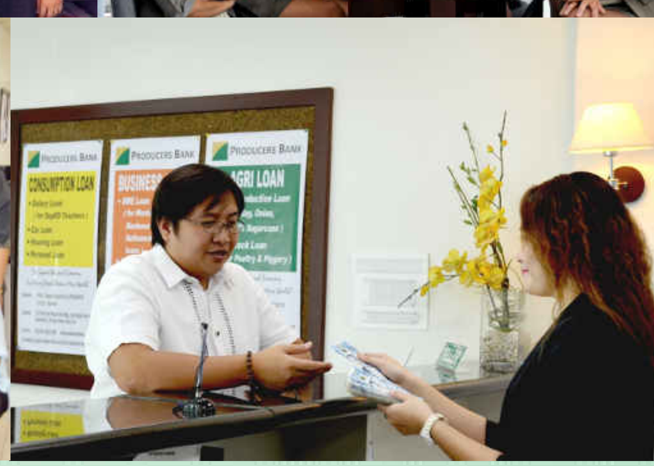


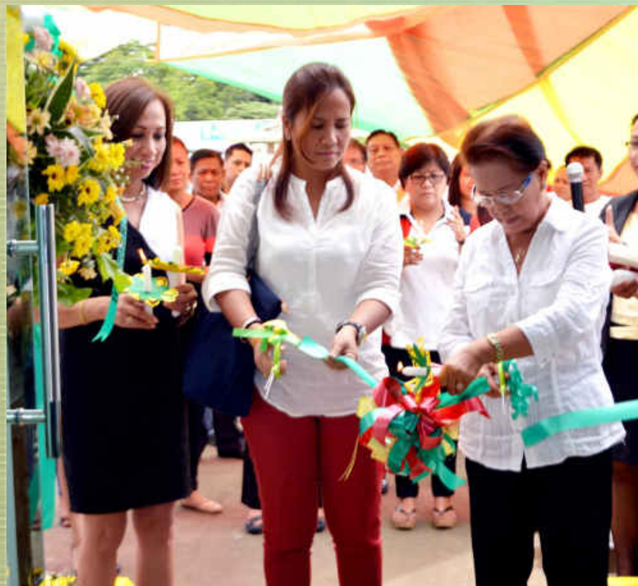
PRODUCERS SAVINGS BANK CORPORATION
SPORTS FEST 2014
ACROPOLIS NORTH, CABANATUAN CITY, N.E.
NOVEMBER 30, 2014

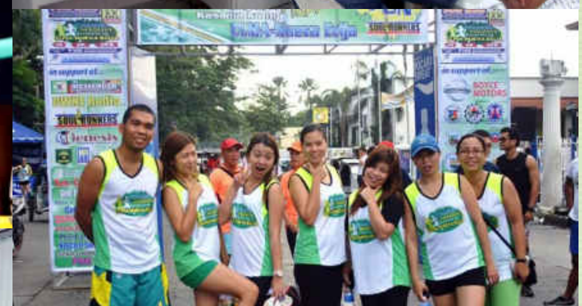




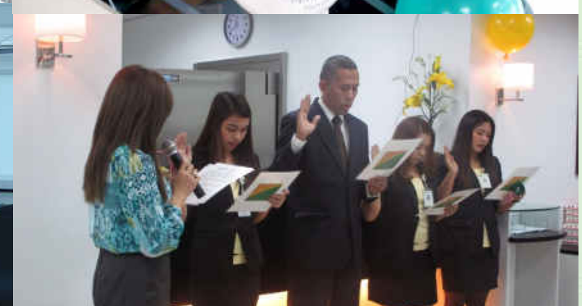












RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank grants loans and has other transactions with certain directors, officers, shareholders and related interests (”DOSRI”).

DOSRI LOANS

Under the Bank’s Policies and Procedures Manual, the transactions of the Bank with its DOSRI, which are comprised of loans and other transactions, are made substantially on the same terms as with other individuals and businesses of comparable risks. Under the Bank’s DOSRI policy manual and current BSP regulations, the amount of individual accommodations to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book values of their respective investment in the Bank. Such limit does not apply to loans secured by assets considered as non-risk as defined in the regulations and loans granted to officers under the Bank’s Employee Fringe Benefit Programs approved by the BSP. In the aggregate, loans to DOSRI should not exceed the Bank’s total regulatory capital or 15% of its total loan portfolio, whichever is lower.

Information on loans to DOSRI at December 31, 2014 and 2013.

	2014	2013
Total outstanding DOSRI loans	P186,254,408	P108,679,018
Percent of DOSRI loans to total loans	1%	2%
Percent of unsecured DOSRI loans to total DOSRI loans	0%	15%
Percent of past due DOSRI loans to total DOSRI loans	-	-
Percent of non-performing DOSRI loans to total DOSRI loans	-	-

KEY MANAGEMENT COMPENSATION AND DIRECTOR’S REMUNERATION

Key management personnel are the persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any of its Directors.

Short-term employee benefits pertain to the compensation received by key management personnel. Compensation includes all benefits constituting all forms of consideration paid, payable or provided by the Bank, or on its behalf, in exchange for services rendered to the Bank.

	2014	2013
Key Management Compensation	P29,950,420	29,380,791
Director’s Remuneration	1,698,582	1,291,667

CORPORATE SOCIAL RESPONSIBILITY

Producers Bank's CSR Program:
More Than Just Profits

The Bank's implementation of its Corporate Social Responsibility (CSR) program goes beyond compliance and engages in activities that further some social good --- beyond the interest of the Bank and that which is required by law.

More than just the profits or increasing the Bank's bottom line, Producers Bank takes time and effort to create and develop a positive impact through its activities for the environment, its consumers, its employees and the communities where it operates.

Listed are the Bank's Corporate Social Responsibility Programs:

Caring for the Aged and the Sick Program

a gift giving activity for sick children and the elderly members of the community

Take Care of Your Heart Program

an annual free blood pressure check up for employees and customers of the Bank.

Save a Life Campaign

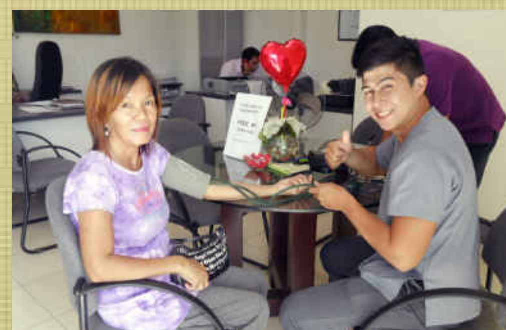
an annual bloodletting activity in partnership with the Red Cross of the Philippines - Nueva Ecija Chapter.

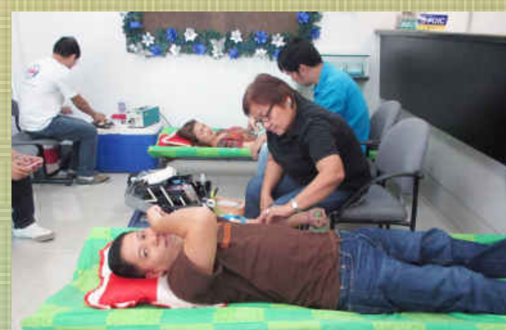
Help Build the Church Program

the Bank donates cash to help build the St. Nicolas de Tolentine Basilica Crypt.

Tree Planting Activity

the Bank makes sure that it does its share in helping take care of Mother Nature.





Producers Bank commits to improve the quality of life of our employees, and its communities that we serve particularly in areas that are not served by the large financial institutions.

DEPOSIT SERVICES

Savings Accounts
- Regular Savings with Passbook
- Regular Savings with ATM Card
- I'm A Hero Savings
- Better Than Alkansya (BTA) Savings

Time Deposits
- Premium Savings
- Short Term Time Deposit
- Special Deposit Account (SDA)
- 5-Year Fixed Income Plan
- 5-Year TD Tied to I'm a Hero Savings
- 5-Year TD Tied to BTA Savings

Checking Account

US Dollar Savings & Time Deposits

LOAN SERVICES

- Crop Production Loan
- SME/Go Negosyo Loan
- Large Enterprise Loan
- Financial Inclusion Loan
- Car Loan
- Housing Loan
- Salary Loan to DepED Teachers under the APDS

OTHER SERVICES

- Remittance Services
  - > UniTeller
  - > BDO
  - > Western Union

EXECUTIVE AND SENIOR OFFICERS

ANDRES M. CORNEJO	Chairman and Chief Executive Officer
EDMUNDO C. MEDRANO	Vice Chairman, President and Chief Operating Officer
SANDRA C. MENDOZA	Vice Chairman
FILIPINAS M. FERNANDEZ	Executive Vice President
JOSE VICENTE L. CAMUS	Executive Vice President and Chief Finance Officer and Treasurer
JOSEFINA S. MONEGAS	Senior Vice President
ANDREI D. CORNEJO	Senior Vice President
RIZALINO D. BASUBAS	First Vice President
CENON M. LADRINGAN	First Vice President
NOMER A. CRISOSTOMO	Vice President and Chief Corporate Governance and Compliance Officer
JOSE MICHAEL A. CAMELLO	Vice President
ELMER G. CAYOG	Vice President
ALFREDO G. CRISTOBAL, JR.	Senior Assistant Vice President and Controller
AMY A. FERNANDEZ	Senior Assistant Vice President
FIDEL M. REYES	Senior Assistant Vice President
JACQUELINE R. VILLAROMAN	Assistant Vice President
MARICEL C. LADIGNON	Assistant Vice President
LOUREANNE A. BAUTISTA	Assistant Vice President
ARLYN D. LABASAN	Assistant Vice President
PETER JOEL S. CORNEJO	Assistant Vice President
CLARLITA E. AGUSTIN	Assistant Vice President
WILLIAM O. ROBERTS	Assistant Vice President
GINA T. RIVERA	Assistant Vice President and Chief ICT Officer
JEEL S. VANA	Assistant Vice President and Deputy Corporate Governance and Compliance Officer
MARIGOLD C. RIVERA	Assistant Vice President
PETRONILO M. CORNEJO	Senior Manager and Bank Security Officer
ALEXANDER G. PEREZ	Senior Manager and Information Security Officer
PATRICIO M. CORNEJO	Senior Manager
ALFREDO S. ANSELMO	Senior Manager
MA. LUISA V. TY	Senior Manager
PAB RONALD H. CALANOC	Senior Manager
JUMAR S. PEÑAFLOR	Senior Manager
ANTONIO B. BANASTAS, JR.	Senior Manager
CELSO R. DASIG	Senior Manager
ROSITA M. REYES	Senior Manager
ALLAN RAY M. TOLENTINO	Senior Manager
TEODORA C. GARCIA	Senior Manager
JESSIE P. LACAR	Senior Manager
MARIETTA G. REYES	Senior Manager
MELANY L. BELTRAN	Senior Manager
MARVIN G. MADRIGAL	Senior Manager
LIRIO G. JUMAQUIO	Senior Manager

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Sapphire St., Ortigas Center, Pasig City
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Data Center
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