PRODUCERS SAVINGS BANK CORPORATION

You're way ahead!

2018 ANNUAL REPORT

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Our cover states our new tagline

"With PRODUCERS BANK
...you're way ahead!"

which is a promise to our Bank's clients. A promise to keep them ahead in any of their business' or life's endeavors --- from increasing their business capital, to owning their own car or building their dream home. Meanwhile, to keep Producers Bank to be ahead, the management remains committed to set its determination to seize opportunities and break new grounds.

CORPORATE LOGO

The Producers Bank logo represents the aspiration of the Bank as expressed by the ideals of its four (4) publics (customers, employees, creditors and shareholders) represented by the four (4) 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 in the Philippine countryside. 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 being the number one (1) partner of entrepreneurs and farmers in producing more wealth for the country.

VISION

To be the number one (1) partner bank of entrepreneurs and farmers in producing more wealth for the country

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

TAGLINE

With **PRODUCERS BANK**...*you're way ahead!*

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.

BUSINESS MODEL

In keeping with its vision and mission, Producers Bank supports the drivers of the local economy for the creation of more wealth and to spur economic growth. Majority of the branches are in the countryside outside the main growth hubs, and where many of the unbanked sectors of the population are located. By reaching to the folks in the countryside, Producers Bank is actively supporting the financial inclusion program of the government.

Producers Bank has been accredited continuously by the Bangko Sentral ng Pilipinas as a Rural Financial Institution for the purpose of implementing the Agri-Agra Reform Credit Act of 2019 (R.A. 10000). Per the latest list of accredited RFIs, Producers Bank is the only thrift bank so accredited. As such, it accepts deposits from other banks for their alterative compliance under the said law.

In further support of its commitment to support the local economy in the countryside, Producers Bank targets a portfolio mix of 40% agricultural loans, 30% consumer loans and 30% commercial loans. To ensure this, lending operations have been rationalized with the Branch Banking Sector taking charge of farmer's loans, consumer loans and SME loans below ₱5 Million. Commercial loans will be the responsibility of two Lending Sectors, one focused on the countryside and the other on the largely urban areas including the National Capital Region and nearby areas.

FINANCIAL HIGHLIGHTS

	Consolidated[1]		Parent Bank (Solo)	
Minimum Required Data	**2018**	**2017**	**2018**	**2017**
Profitability				
Total Net Interest Income	859,302,616	733,115,909	831,224,113	727,722,194
Total Non-Interest Income	493,671,051	575,464,861	477,307,707	565,797,343
Total Non-Interest Expenses	1,027,848,932	1,094,221,119	992,769,343	1,067,263,567
Pre-provision profit	325,124,735	214,359,651	315,762,477	226,255,970
Allowance for credit losses	106,117,271	-	102,294,423	-
Net Income	231,746,629	214,359,651	226,207,219	247,087,404
Selected Balance Sheet Data				
Liquid Assets	3,837,702,353	4,489,199,447	3,637,675,265	4,392,171,291
Gross Loans	12,654,777,209	9,563,640,412	12,406,432,124	9,434,563,738
Total Assets	18,994,590,526	16,570,329,888	18,746,659,818	16,308,925,878
Deposits	11,976,346,859	9,406,778,547	11,736,600,237	9,156,188,466
Total Equity	2,266,956,832	2,073,992,550	2,266,956,832	2,083,544,369
Selected Ratios				
Return on equity	12.80%	12.08%	12.80%	12.08%
Return on assets	1.49%	1.72%	1.49%	1.72%
Capital Adequacy Ratio	12.70%	14.50%	12.70%	14.50%
Per common share data (For UB, Kbs and publicly listed Banks)				
Net Income per share	1.75	2.25	1.70	2.37
Basic	125,471,910	95,451,841	125,471,910	95,451,841
Diluted				
Book Value	18.07	21.73	18.07	21.83

Refer to Annex A for the Audited Financial Statement (AFS).

CHAIRMAN'S MESSAGE

GOING FURTHER, EXCEEDING EXPECTATIONS

When we set our goals in 2018, we also set our determination to seize opportunities and break new grounds. We backed it with hard work, focus and teamwork – and the result exceeded the mark and brought us closer to realizing our vision.

Our performance in major pillars is a solid proof of this notable progress.

In net income, we reached ₱226.2 million, driven by income from loans and investments. We also had a robust growth in resources to ₱18.75 billion, up by 14.95% from the previous year's ₱16.31 billion. Deposit liabilities expanded to ₱11.74 billion, while the loan portfolio grew to ₱12.75 billion.

Our branch network is another pillar which recorded a significant expansion. It is in fact a high point in our achievements not only in 2018, but is unprecedented – brought about by our acquisition of seven (7) banks in a single year. These were the Rural Bank of Pamplona, Inc., Rural Bank of President Quirino,Inc., Bangko Rural ng Magarao (Camarines Sur), Inc.; Bangko Rural ng Pasacao (Cam Sur), Inc.; Rural Bank of San Fernando (Camarines Sur), Inc.; Rural Bank of Barotac Nuevo, Inc.; and Rural Bank of Sibalom (Antique), Inc.

Meanwhile, these additional branches came from the merger with Rural Bank of Sto. Domingo in Nueva Ecija which had six (6) branches, namely Sto. Domingo (Poblacion) and Baloc in Nueva Ecija; Anao and Ramos in Tarlac; and Sta. Maria and San Manuel in Pangasinan. Two (2) more branches were added from the Rural Bank of Bustos in Bulacan – Bonga Menor and Poblacion.

A dozen newly opened branches likewise fortified our presence across the country. We are now in Malita in Davao Occidental, Bulan in Sorsogon, Ragay in Camarines Sur, San Leonardo and San Antonio in Nueva Ecija, Gonzaga in Cagayan, Quezon City in the National Capital Region, Daet in Camarines Norte, Tagudin in Ilocos Sur, Canlaon in Negros Occidental, Caticlan-Malay in Aklan and Angeles in Pampanga.

The continued expansion of our operations and reach translated to a robust financial performance in 2018. This is validated by the good reviews we received from our creditors and regulators. More than the recognition, it is a reflection of good governance and professionalism which we uphold in all areas of our operation. It also speaks of our collective stride to make our service not only expansive but inclusive in scope.

I'd like to thank every member of the Producers Savings Bank for your diligence and dedication which made 2018 a banner year for us.

I hope that these gains will inspire and push us all the more to set our sights higher moving forward.

In the next five years, we will intensify our branch expansion in order to bring our products and services closer to areas with limited access. We will streamline processes, and continue adapting to a changing business landscape. Stepping up also requires us to keep improving our customer service, innovate our products offerings, and most importantly, uphold service excellence and the values which we stand for.

With a resolute determination and inspired spirit, we will do these and more to realize our vision of becoming the number one (1) partner bank of farmers and entrepreneurs and in producing more wealth to grow communities, and the country at large.

Gilda E. Pico

GILDA E. PICO
Chairman

PRESIDENT'S REPORT

I am very proud to report once again that in 2018, Producers Bank continued to sustain its dynamic growth despite the Philippine economy seemingly hitting a snag because of higher-than-expected inflation rate, but nevertheless remaining among the fastest growing economies in Asia. Guided by our five (5) year Business Plan, we continue to devote our efforts and resources to strategic initiatives intended to further enhance the Bank's relevance to its target market, and in the process, help improve their economic and social well-being. Our dedication to our commitment to deliver financial services to the communities that we serve has enabled us to reach new heights. Allow me to highlight the major accomplishments of Producers Bank for the twelve (12) months period ending December 31, 2018.

FINANCIAL PERFORMANCE

Presented below are the highlights of the Bank's operating results for the year ending December 31, 2018, with comparative figures for the last three years (2015-2017):

Table 1 – Financial Highlights (in Thousand Philippine Pesos)

	2018	2017	2016	2015
Net Income	226,207,219	247,087,404	299,455,391	242,087,404
Capital	2,266,956,832	2,083,544,369	1,836,456,965	1,539,420,361
Return on Equity	12.80%	11.54%	17.74%	11.25%
Total Resources	18,746,659,818	16,308,925,878	12,305,093,678	10,694,166,933
Return on Assets	1.49%	1.58%	2.71%	1.77%
Loan Portfolio	12,752,657,372	9,790,885,835	6,685,051,239	6,406,876,542
Deposit Liabilities	11,736,600,237	9,156,188,466	7,780,367,704	6,460,112,000
Past Due	715,050,554	389,408,092	494,118,240	530,897,935
Past Due Ratio	5.49%	3.51%	7.39%	8.29%
NPL	369,105,717	235,827,683	311,505,684	285,328,808
NPL ratio	2.89%	2.41%	4.66%	4.45%

In 2018, Producers Bank generated a Net Income of PhP 226.207 Million, down by 8.45% from the previous year. The decrease is due to the expansion in the branch network, with twelve (12) new branches opened and eight (8) branches added through the merger of acquired banks. This translates to a Return on Equity of 10.40% and a Return on Assets of 1.29%. The Bank's earnings allowed the capital to increase to PhP 2.267 Billion from PhP 2.083 Billion the previous year.

FIGURE A

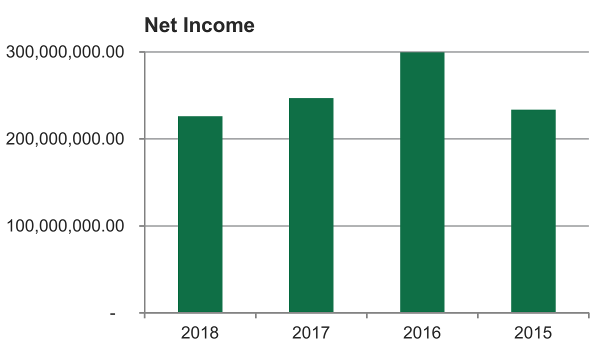
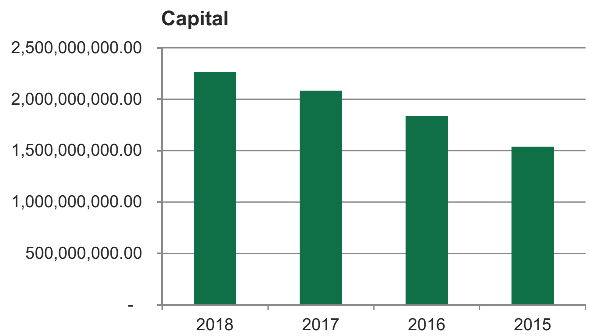
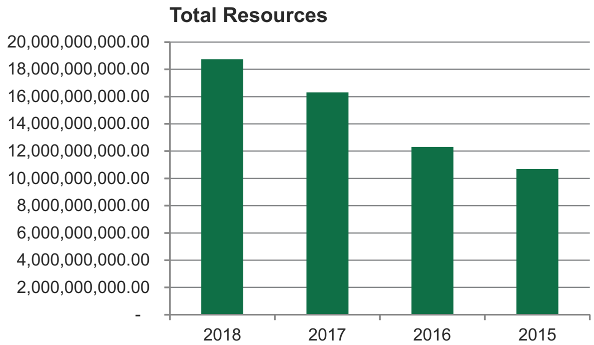


FIGURE B



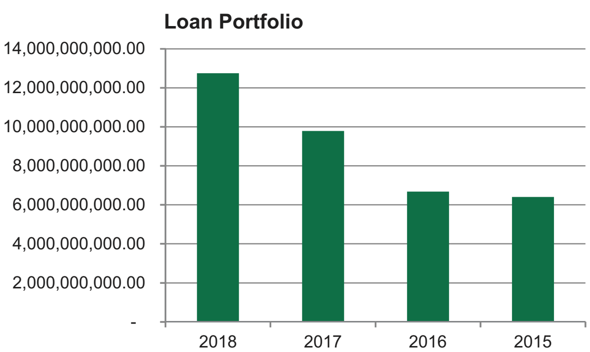
The Bank's total resources amounted to PhP 18.747 Billion as of the end of 2018, a growth of PhP 2.438 Billion or 14.95% from the previous year.

FIGURE C



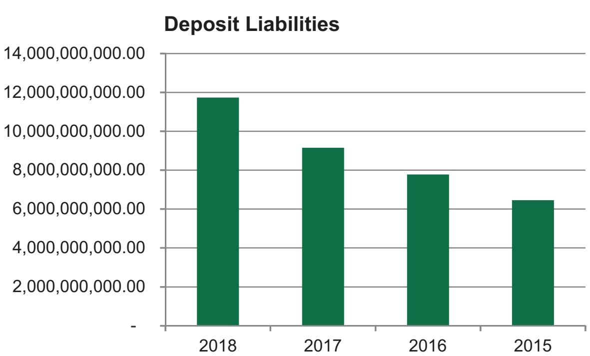
Loans grew by 30.25% to PhP 12.752 Billion from last year's PhP 9.791 Billion.

FIGURE D



Deposits, on the other hand, increased by 28.18% to PhP 11.737 Billion from the previous year's deposits of PhP 9.156 Billion.

FIGURE E



The Bank's revenues were driven by the strong performance of consumer loans which grew by 67.16% from the previous year. The biggest growth was in salary loans, mainly to DepEd teachers, where the portfolio more than doubled to PhP 3.261 Billion from PhP 1.564 Billion. Overall, consumer loans accounted for 37.85% of the loan portfolio, commercial loans comprised 40.79%, and the balance of 21.36% consisted of agricultural loans.

BRANCH NETWORK EXPANSION

The Bank's branch network expanded with twenty (20) branches during the year, twelve (12) of which were newly opened. The balance of eight (8) branches were added upon the merger on June 29, 2018 of two banks acquired earlier, namely, the Rural Bank of Sto. Domingo (Nueva Ecija), Inc. [STONE] and the Rural Bank of Bustos (Bulacan), Inc. [BUSTO]. The year ended with the Bank having one hundred seventy five (175) branches spread over eleven (11) regions and thirty two (32) provinces of the country.

Table 2 – Branch Network Expansion in 2018

Number of Branches as of December 31, 2017			155
Branches Opened in 2018			
1	Malita, Davao Occidental	January 25, 2018	
2	Bulan, Sorsogon	March 23, 2018	
3	Ragay, Camarines Sur	May 8, 2018	
4	San Leonardo, Nueva Ecija	June 21, 2018	
5	Anao, Tarlac (formerly STONE)	June 29, 2018	
6	Ramos, Tarlac (formerly STONE)	June 29, 2018	
7	San Manuel, Pangasinan (formerly STONE)	June 29, 2018	
8	Sto. Domingo-Poblacion, Nueva Ecija (formerly STONE)	June 29, 2018	
9	Sto. Domingo-Baloc, Nueva Ecija (formerly STONE)	June 29, 2018	
10	Sta. Maria, Pangasinan (formerly STONE)	June 29, 2018	
11	Bustos - Poblacion, Bulacan (formerly BUSTO)	June 29, 2018	
12	Bustos - Bonga Menor, Bulacan (formerly BUSTO)	June 29, 2018	
13	Gonzaga, Cagayan	July 26, 2018	
14	Roosevelt, Quezon City	September 27, 2018	
15	Daet, Camarines Norte	October 8, 2018	
16	San Antonio, Nueva Ecija	October 15, 2018	
17	Tagudin, Ilocos Sur	October 15, 2018	
18	Canlaon City, Negros Oriental	November 20, 2018	
19	Caticlan, Aklan	December 4, 2018	
20	Angeles City, Pampanga	December 28, 2018	
Number of Branches as of December 31, 2018			**175**

It is noteworthy that of the above, the branches in Ragay (Camarines Sur), Anao (Tarlac), Ramos (Tarlac), San Manuel (Pangasinan), and Canlaon City (Negros Oriental) are the only financial service access points providing full banking services in their localities. In particular, it was upon the suggestion of the then BSP Deputy Governor Nestor A. Espenilla, Jr. that Producers Bank decided to set up a branch in Canlaon City, Negros Oriental which was previously unbanked.

ACQUISITION OF RURAL BANKS

Furthering its acquisition of banks for the purpose of merger as part of its growth strategy, Producers Bank acquired five (5) rural banks in 2018, namely:

Table 3 – Banks Acquired in 2018

	Name of Bank	Closing Date	Branches
1	Bangko Rural ng Pasacao (Camarines Sur), Inc.	February 19, 2018	Pasacao, Camarines Sur
2	Bangko Rural ng Magarao (Camarines Sur), Inc.	February 21, 2018	Magarao, Camarines Sur
3	Rural Bank of San Fernando (Camarines Sur), Inc.	May 10, 2018	San Fernando, Camarines Sur Pasacao, Camarines Sur
4	Rural Bank of Barotac Nuevo, Inc.	August 6, 2018	Barotac Nuevo, Iloilo
5	Rural Bank of Sibalom (Antique), Inc.	August 6, 2018	Sibalom, Antique

Bangko Rural ng Pasacao (Camarines Sur), Inc. – Producers Bank acquired 100% ownership of Bangko Rural ng Pasacao on February 19, 2018, and immediately took over its management on the following day, February 20, 2019. Bangko Rural ng Pasacao is a single-unit bank located at Sta. Rosa Del Sur, Pasacao, Camarines Sur.

Bangko Rural ng Magarao (Camarines Sur), Inc. – Producers Bank acquired 100% ownership of Bangko Rural ng Magarao on February 21, 2018, and immediately took over its management on the following day, February 22, 2019. Bangko Rural ng Magarao is a single-unit bank located at San Pantaleon, Magarao, Camarines Sur.

Rural Bank of San Fernando (Camarines Sur), Inc. – Producers Bank acquired 100% ownership of Rural Bank of San Fernando (Camarines Sur), Inc. on May 10, 2018, and immediately took over its management on the following day, May 11, 2018. Rural Bank of San Fernando has two (2) branches. Its Head Office Branch is located at Bonifacio, San Fernando, Camarines Sur, and a branch is located at San Cirilo, Pasacao, Camarines Sur.

Rural Bank of Barotac Nuevo, Inc. – Producers Bank acquired Rural Bank of Barotac Nuevo and immediately took over its management on August 6, 2018. Rural Bank of Barotac Nuevo is a single-unit bank located at L. Araneta St., Barotac Nuevo, Iloilo.

Rural Bank of Sibalom (Antique), Inc. – Producers Bank acquired Rural Bank of Sibalom and immediately took over its management on August 6, 2018. Rural Bank of Sibalom is a single-unit bank located at Veñegas St., Sibalom, Antique.

Together with two other banks acquired in 2017, namely, Rural Bank of Pamplona (Camarines Sur), Inc. and Rural Bank of President Quirino (Sultan Kudarat), Inc., the Plan of Merger for the above-listed rural banks and Producers Bank, with Producers Bank as the surviving bank and the seven (7) banks as absorbed banks, was submitted to the Bangko Sentral ng Pilipinas (BSP) in the last quarter of 2018. Approval by the Monetary Board (MB) was secured very recently, specifically under MB Resolution No. 746 dated May 16, 2019. Based on the MB approval, BSP will issue a Certificate of Authority for Producers Bank to file the Plan of Merger and the Articles of Merger, along with all supporting documents, with the Securities and Exchange Commission (SEC). The filing with the SEC will complete the merger process and this is targeted to be accomplished on or before May 31, 2019.

Pending the merger, the acquired banks were functionally merged with Producers Bank from the time they were acquired. Effectively, therefore, the Bank had a total of 185 branches as of December 31, 2018 (total of 175 branches as listed in Table 2 above plus 10 branches of the acquired banks).

PROJECTED BRANCH NETWORK

On April 4, 2019, Producers Bank opened its 176th branch in Valladolid, Negros Occidental, another previously unbanked municipality.

Earlier, on February 18, 2019, Producers Bank acquired Rural Bank of San Quintin (Pangasinan), Inc. for the purpose of merger, and immediately took over its management on February 19, 2019. Rural Bank of San Quintin is a single-unit bank located at Figueroa St, Poblacion Zone II, San Quintin, Pangasinan. Approval by BSP of the acquisition is being awaited. Upon securing the said approval, Producers Bank will immediately submit the Plan of Merger to BSP for its approval.

With Rural Bank of San Quintin and the recently-opened branch in Valladolid, Negros Occidental, Producers Bank effectively has a total of 187 branches as of this report.

Under the Bank's Branch Network Expansion Plan, the following branches will be opened as indicated:

Table 4 – Branches to be opened

	Branch Location	Projected Opening Date	Status
1	Bangad, Cabanatuan City, Nueva Ecija	May 2019	Under construction
2	Lagawe, Ifugao	June 2019	Under construction
3	Victoria, Tarlac	July 2019	Under construction
4	Carig, Tuguegarao City, Cagayan	3rd Qtr 2019	With site; for construction
5	Candon, Ilocos Sur	3rd Qtr 2019	With site; for construction
6	San Mateo, Rizal	3rd Qtr 2019	With site; for construction
7	General Santos City	3rd Qtr 2019	With site; for construction
8	El Salvador City, Misamis Oriental	3rd Qtr 2019	With site; for construction
9	Isulan, Sultan Kudarat	3rd Qtr 2019	With site; for construction
10	Bula, Camarines Sur	4th Qtr 2019	Still looking for site
11	Gubat, Sorsogon	4th Qtr 2019	Still looking for site
12	Guinobatan, Albay	4th Qtr 2019	Still looking for site
13	Makati City	4th Qtr 2019	Still looking for site
14	Candelaria, Quezon	4th Qtr 2019	Still looking for site
15	Camalaniugan, Cagayan	4th Qtr 2019	Still looking for site
16	Gattaran, Cagayan	4th Qtr 2019	Still looking for site
17	Digos City, Davao del Sur	4th Qtr 2019	Still looking for site

Except for Victoria, Tarlac and Isulan, Sultan Kudarat, all of the above branches have BSP-approved branch licenses. The licenses for Victoria and Isulan will come from the fourteen (14) branch licenses given by BSP as incentives for the newly-approved merger of the seven (7) banks with Producers Bank as mentioned earlier. The balance of twelve (12) licenses will be used for new branches that will be opened according to the Bank's Branch Network Expansion Plan.

On May 15, 2019, Producers Bank and the selling shareholders of the Peoples Bank of Caraga (A Rural Bank), Inc. [PBCAR] signed a memorandum of Agreement for the acquisition by Producers Bank of 100% ownership in PBCAR. The acquisition will be implemented after its approval by BSP. PBCAR has twelve (12) branches and twenty one (21) branch-lite units, majority of which are in the Caraga Region, designated as Region XIII and located in the northeastern section of Mindanao.

With the acquisition of PBCAR, Producers Bank will have 249 branches within the next twelve (12) months. This makes the bank well on track to meet its branch network target of at least 300 branches by 2022.

INFORMATION TECHNOLOGY

Producers Bank successfully migrated the ATM system to EMV chip technology on June 30, 2018, with all ATM cardholders exchanging their magnetic stripe cards to EMV chip-bearing cards. With the technology, system security was significantly enhanced to prevent the occurrence of ATM fraud.

Following the successful co-location of Producers Bank's data center facilities to PLDT's Vitro Data Center in Makati in 2017, the disaster recovery site was co-located at PLDT's Vitro Data Center in Clark Freeport Zone, Pampanga. This has elevated the Bank to the meet the strictest standards for data centers and business continuity management systems.

Another accomplishment in 2018 was the conduct of Vulnerability Assessment and Penetration Testing by SyCip Gorres Velayo & Co. on Producers Bank's information security systems. The assessment confirmed that the Bank's systems are highly compliant with international standards.

Producers Bank automated its “Know Your Client” process with the acquisition of the Integral 360 AML System which went live on December 8, 2018. The Bank now submits accurate and complete reports to the Anti-Money Laundering Council on covered and suspicious transactions.

ATM INSTALLATIONS

As of the end of 2018, the Bank has deployed 228 ATM units. Of these, 16 were in off-site locations or non-Producers Bank facilities, while the rest were installed in the Bank's branches.

MONEY TRANSFER

Producers Bank is a direct agent of Western Union for money transfer services which are offered in all branches and a network of sub-agents. Total volume of transactions in 2018 amounted to PhP 693 Million, from which the Bank generated PhP 5.1 Million revenue.

In support of the policy of the BSP to establish a safe, efficient and reliable retail payment system in the Philippines, Producers Bank enlisted to participate in the Philippine EFT Systems and Operations Network (PESONet) starting October 2018. PESONet is the first automated clearing house under the National Retail Payment System (NRPS). The NRPS is envisioned to bring about an interoperable ecosystem allowing seamless electronic fund transfers and payments between and among accounts for bank-to-bank fund transfers. With the spread and reach of the branches of Producers Bank, participation in PESONet makes Producers Bank more competitive in terms of funds transfer services.

RURAL FINANCIAL INSTITUTION

Once again, the accreditation of Producers Bank as a Rural Financial Institution has been renewed by BSP until February 7, 2020. Also, again, Producers Bank is the sole thrift bank among ARFIs. The accreditation allows Producers Bank to accept deposits from other banks for their alternative compliance with the Agri-Agra Reform Credit Act of 2009 (R.A. 10000). As of the end of 2018, Producers Bank had 118 depositor banks issued with Agri-Agra alternative compliance certification.

HUMAN RESOURCES

The manpower complement as of the end of 2018 stood at 1,565 employees. There was an increase of 277 employees or 21.5% over the previous year. The increase was primarily due to the growing number of branches of the Bank.

During the year, the personnel welfare and benefits program was made more responsive with the introduction of a Managers Car Plan and the increase in the rice allowance. A standardized performance appraisal system was implemented. The succession plan of the Bank was updated. The organizational structure was rationalized to address the aggressive growth needs as a consequence of the Bank's M&A strategy. To upgrade the skills of the staff, an organizational development program was instituted through relevant and critical training programs, both in-house and outsourced from third-party training offerors. Also, the Bank proactively complied with DOLE-mandated workplace regulations by maintaining health and safety standards.

INDUSTRY RANKING

Producers Bank remains to be an outstanding performing bank in the thrift bank industry. Following is a summary of how the Bank fares vis-à-vis the industry averages as of the end of the year. The Bank is superior in majority of the measures, and in the few where it is deficient, the variances are not significant. Overall, Producers Bank has a very sound financial standing as of the end of 2018.

Table 5 – Comparative Ratios of the Thrift Bank Industry vs. Producers Bank (as of December 2018)

	Ratios	TB System[1]	Producers Bank[2]	Variance
Balance Sheet Key Ratios				Favorable
1	Cash and Due from Banks to Deposits	14.18%	17.07%	2.89%
2	Liquid Assets to Deposits	26.01%	25.48%	-0.53%
3	Loans (gross) to Deposits	93.62%	110.73%	17.11%
4	Capital Adequacy Ratio (as of Sept 2017 for TB system)	16.71%	12.70%	-4.01%
5	Total Capital to Total Assets	13.36%	10.75%	-2.61%
Income Statement Key Ratios				
6	Earning Asset Yield	7.58%	9.51%	1.93%
7	Funding Cost	2.40%	1.91%	-0.49%
8	Interest Spread	5.18%	7.60%	2.42%
9	Net Interest Margin	5.45%	7.55%	2.10%
10	Net Interest Income to Total Operating Income	82.60%	65.99%	-16.61%
11	Cost to Income Ratio	66.92%	63.96%	-2.96%
12	Return on Assets	1.31%	1.49%	0.18%
13	Return on Equity	10.27%	12.80%	2.53%
Credit Quality Key Ratios				
14	Past Due Ratio	8.14%	5.49%	2.65%
15	NPL Ratio (Gross)	5.30%	2.81%	2.49%
16	NPL Ratio (Net NPL)	3.53%	1.50%	2.03%
17	NPL Coverage	55.07%	47.24%	-7.83%

Our assessment is that the Philippine economy will continue to have a strong growth trajectory in the near and medium term. While we anticipate risks brought about by global trade friction and the monetary policies of the leading economies, we believe in the economic soundness of the Philippines because of its sound fundamentals. The country's economy will remain resilient and will be able to weather any global threat. In this light, there should be numerous opportunities for Producers Bank to grow its business further. The future is definitely exciting for us. We will thus "move fast and aggressively build our business in the countryside ahead of our peers."

With the support of our shareholders and the guidance of the Board of Directors, we will endeavor to make our operations as efficient as possible and to implement prudent credit risk management at all times. Our management and staff will work as hard and as diligently as ever to realize our vision to become the Number One partner bank of farmers and entrepreneurs in producing more wealth for the country.

God bless us all in our endeavor.

Thank you.

ANDRES M. CORNEJO
President and Chief Executive Officer

RISK MANAGEMENT SYSTEM AND POLICIES

Amid the challenges faced by the Bank in 2018, great strides were achieved in the area of Operations Risk Management, specifically in Information Technology (IT) and Information Security (Infosec) Risks as well as People Risk.

However, Credit Risk remains the greatest and top priority risk of the Bank as it pursues its vision to be the number one partner bank of Farmers as well as Small and Medium Entrepreneurs (SMEs) in the countryside.

A new Information Security Officer (ISO) was designated and new Credit Risk Officer (CrRO) was hired during the year to beef up the manpower complement of the Risk Management Group (RMG).

RISK MANAGEMENT STRUCTURE

The overall governance of the Bank is exercised by the Board of Directors across the whole enterprise through three Board Committees – the Corporate Governance and Compliance Committee (CGCC), the Risk Oversight Committee (ROC) and the Audit Committee (AC), each of which is guided by its own Charter and chaired by an Independent Director (ID). The Committee charters are amended as needed, the most recent amendments were done to comply with new regulations.

The Committees are supported by the Middle Office Units: the CGCC by the Compliance Office (CO) headed by a Chief Compliance Officer (CCO), the ROC by Risk Management Group (RMG) headed by a Chief Risk Officer (CRO) and the AC by Internal Audit Group (IAG) headed by the IAG Head.

Under direction of the Board Committees, the Middle Office Units craft policies and guidelines in accordance with regulatory requirements, PSBC corporate strategy as well as PSBC risk appetite for the Board approval. Subsequently, the approved policies and guidelines are implemented by the Bank operating units.

In addition, oversight on implementation of policies and guidelines are exercised by CO, RMG and IAG in behalf of the Board Committees. Results of such oversight functions are reported to the Board Committees during regular monthly committee meetings.

RISK APPETITE AND STRATEGY

PSBC can be classified generally as a “moderately risk averse” bank.

Such risk appetite is clearly indicated by the Bank's preference for REM-secured loans. As of 30 Dec 2018, 73.63% of the Gross Loan Portfolio of the Bank is REM-secured. The remaining 26.37%of the loan portfolio is covered either by Chattel mortgage, Agricultural Guaranty Fund Pool (AGFP) surety, proceeds from Automatic Payroll Deduction System (APDS), and/or assignment of receivables. In fact, the truly clean loans are considerably small.

In addition, the institution of a Codified Approving and Signing Authorities (CASA) Manual which specifies the approving and signing authorities for all Bank transactions is one of the best indicators of the Bank's risk appetite.

In the CASA, no loan account is approved by a single signatory, but by a minimum of two signatories. Loans amounting ₱50 Million are approved by the Credit Committee while loans amounting to more than ₱50 Million are approved by the Board.

FINANCIAL RISK

The Bank is exposed to a variety of financial risks arising from its operating, investing and financing activities. The main objective of financial risk management is to minimize the adverse impact of financial risks on the Bank's financial performance and financial position due to the unpredictability of financial markets.

The Bank's principal financial instruments consist of due from BSP, due from other banks, loans and receivables, HTM investments, sinking fund, deposit liabilities, accrued interest, taxes and other payables, bills payable and redeemable preferred shares. The main purpose of these financial instruments is to generate income and raise funds to sustain Bank operations.

Table 1 shows the summary of PSBC's principal financial instruments as of end-year 2018. The largest Credit Risk Exposure of the Bank is “Loans and Receivables” which stood at ₱12.683 Billion by year-end, growing at 29.53% from last year. This is followed by “Due from BSP” at ₱1.503Billion [which decreased by 44%] and “Due from other Banks” at ₱0.671Billion [which increased by 140%].

Loans and receivables are the major sources of income for the Bank and its continuing and sustained growth through the years has enabled the Bank to grow at the strategic pace that it has intended. On the other hand, excess funds are placed in safe (low risk) highly liquid instruments such as Due from BSP and

Other Banks to ensure adequate liquidity and comply with regulatory requirements.

Table 1. PSBC's Principal Financial Instruments as of end-year 2018

	2018	2017
Due from BSP	1,503,106,577	2,672,191,276
Due from other banks	670,687,275	279,653,597
Investment at amortized cost	649,256,176	635,926,394
Financial assets at FVTOCI	387,260,836	-
AFS Investments	-	401,750,120
Loans and Receivables	12,682,581,181	9,790,885,835
Sinking Fund	46,699,933	45,738,601
Security Deposits	4,659,340	10,421,533
	P 15,944,251,318	**P 13,836,567,356**

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

• **Credit Risk**

Credit Risk is defined as the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

In 2018, a new Revised Credit Manual aligned with new and applicable regulations was crafted and approved by the Board. Throughout the year, in order to quickly come up with guidelines that would comply with regulatory requirements, as well as, reflect changes on actual lending operations, the Bank issued17 Executive Orders (EOs) duly approved by the Board: 10 on Credit Risk Policies and 7 on Procedural Guidelines related to credit.

Among the major Credit Policies issued in 2018 which were integrated in the Revised Credit Manual follow:

1. Independent Credit Review

The Credit Review Process was further strengthened by expanding the scope of independent pre-approval and post-approval review of loans conducted by RMG. In 2018, a total of 951 loan accounts were reviewed prior to loan approval while 21 Regular accounts from 11 Regional Lending Centers underwent post-approval review. No major deviations of Loan Terms and Conditions were observed.

2. Bankwide Stress Testing Framework

An initial stress testing exercise was conducted by RMG, using three standard stress test assumptions. Stress test results showed that prudential limits of 10% CAR will not be breached at the assumed incremental increases (20% &in NPL (based on ₱13.006 Billion Total Loan Portfolio) and b) if operational losses reach 5% and 10% of Total Assets (₱12.015 Billion).

However, PSBC's Liquidity Ratios will significantly drop at assumed 20% and 50% deposit withdrawals. Although these severe scenarios have never happened in the past, the Bank is confident that it can weather massive withdrawals by drawing from its₱6 Billion credit lines with other banks.

3. Credit Risk Management Structure

In 2018, the Bank set down the functional lines covering credit risk management into the front office, the middle office and the back office based on regulations.

a. Front Office – performs credit originating activities, recommends, loan classifications/ allowances for losses, and performs account management/ monitoring/ remedial action; consists of Lending Sectors 1 and 2 (Farmers/SME loans)) and Branch Banking Sector (consumer loans)

b. Middle Office– performs risk management and control functions that are independent from the credit originating and administration functions; consists of RMG. IAG and CO

c. Back Office – provides support in the overall credit administration (credit disbursement and recording of payments received, maintenance of credit/collateral files, management information reports), consists of Controllership Group (CG), Information and Communications Technology Group (ICTG), Administrative Services Department (ASD), Legal Department (LD) and Branches.

4. Conduct of Real Estate Stress Test (REST)

In compliance with BSP No. 839, s. 2014 (Real Estate Stress Test Limits for Real Estate Exposures), PSBC conducted stress test on its aggregate real estate exposures (REEs) as of 31 December 2018.Based on Total REE of ₱1.768Million, the prudential limit for CET1 was not breachedeven after the assumed write-off of 25% REEs. Real Estate loans represent only 6% of the Bank's total loan portfolio.

Despite the stress result showing that the prudential limit for CAR at 10% was slightly breached, the Bank is confident that this scenario is very unlikely to happen. All of the Bank's REEs are fully-secured by REM; the exposure would easily be recovered by foreclosing the collateral and disposing the ROPA.

Moreover, under the Bank's Loan Loss Methodology (LLM), current loans with fully secured collateral have a 1% loss rate.

5. ECL as New Provisioning Methodology Replacing Appendix 18

In accordance with PFRS 9, the Bank adopted a loan loss provisioning methodology based on the Expected Credit Loss (ECL) Model starting the CY 2015 to anticipate possible losses that might materially impact the financial condition of the Bank.

The external auditor (KPMG) for CYs 2015, 2016 and 2017 have validated the Bank's ECL model and found the same compliant with PFRS 9, and thus have issued an unqualified opinion on the Bank's Financial Statements for the cited calendar years.

Since the Bank is using the ECL model for loan loss provisioning as validated by KPMG since 2015, the same was adopted for prudential reporting starting 2018.

• Concentration Risk of Credit Assets

The Bank is exposed to Concentration risk whenever its exposure to a certain industry or a loan type exceeds 50% of its portfolio. Through the robust Finacle system, the Bank is able to monitor the levels and the status of all its credit assets daily. This ensures that concentration risk of the Bank is managed effectively, in accordance with its risk appetite.

As of 31 December 2018, the distribution of loans according to industry is shown
in Table 2.

Table 2. Distribution of Loans and Receivables According To Industry

	Consolidated 31-Dec-2018	%	Consolidated 31-Dec-2017	%
Other community, social and personal service activities				
Salary Loans	3,356,628,424	26%	1,564,494,476	17%
Cash Secured Loan & Other Industries	2,012,555,262	16%	1,198,041,917	13%
Agriculture, Forestry and Fishing	2,461,809,570	19%	2,439,499,799	26%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	2,118,409,425	17%	1,826,095,528	19%
Real Estate Activities	749,866,294	6%	785,855,397	8%
Accommodation and Food Service Activities	559,733,050	4%	484,794,543	5%
Construction	404,567,412	3%	350,402,881	4%
Others*	1,019,011,834	8%	813,663,995	9%
Total	**12,682,581,271**	**100%**	**9,462,848,535**	**100%**

**8 industry classification with less than 2%*

As shown in the Table2, the Bank is not unduly exposed to concentration risks. No industry is more than 50% of the Total Loan Portfolio. In 2018, the two industry segments where the Bank has the largest Credit Risk exposures were Salary Loans [26%] and Agriculture, Forestry and Fishing [19%].

• Credit Quality of Financial Assets

The credit quality of the Bank's financial assets [due from BSP and other banks, investments at amortized cost, financial assets at FVOCI, sinking fund and security deposits] are based on the nature of the counterparty and internal rating system

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

The financial assets are classified as follows:

High Grade - 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 - 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 - receivables that can be collected provided a persistent effort to collect them is made.

Table 3 shows the credit quality of financial assets, net of unearned discount.

Table 3. Credit Quality of Financial Assets.

	December 31, 2018			
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Total**
Neither past due nor impaired	12,353,012,566	2,173,793,852	1,036,517,012	15,563,323,430
Past due but not impaired	376,326,751	-	-	376,326,751
Impaired	435,585,036	-	-	435,585,036
Gross	13,164,924,353	2,173,793,852	1,036,517,012	16,375,235,217
Less allowances for probable losses	265,036,456	-	-	265,036,456
Net	**P12,899,887,897**	**P2,173,793,852**	**P1,036,517,012**	**P16,110,198,761**

**Comprised of Due from BSP and Due from other Banks*
***Comprised of financial assets at FVOCI and investments at amortized cost*

• Liquidity Risk

Liquidity risk is the risk from the inability of the Bank to meet obligations when these become due because of inability to liquidate assets or obtain adequate funding.

As of 31 December 2018, the Bank's Minimum

Liquidity Ratio is 27.708% which is way above the regulatory requirement of 20%.

Item	Nature of Item	Reference	December 31, 2018
PART I. MINIMUM LIQUIDITY RATIO (MLR)			
A.	Stock of Liquid Assests	Part II, Item B	2,855,637,728.98
B	Qualifying Liabilities	Part III, Item B	10,306,334,012.42
C.	MLR (A divided by B)	-	27.708%

The liquidity, cash and reserves positions are monitored daily. The Treasury Management Group ensures that sufficient liquid assets are available to meet short-term funding and regulatory requirements.

Available lines as of 31 December 2018 are as follows:

Bills Payable (in Million Pesos) As of 31 December 2018		
Creditor	**Amount**	**O/S**
BSP	203.93	
LBP	6,000.00	4,350.00
DBP	1,500.00	
RCBC	600.00	
BPI	300.00	
Total	8,603.93	4,350.00

• Market Risk

Market Risk is the risk of loss of future earnings 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.

As of 31 December 2018, the Bank has not engaged in trading financial instruments and does not have market risk-weighted assets reported to the BSP.

• 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.

	31-Dec 2018	31-Dec 2017
	USD	USD
Assets		
Due from other banks	$217,618	$145,719
Due from HO/branches/agencies	2,403	40,850
Investments at amortized cost	535,792	540,742
	$765,008	**$777,139**
Liabilities		
Deposit liabilites	$747,700	698,109
Other liabilities	1,292.80	61,763
	$748,993	**$759,872**
Net Exposure	**$16,015**	**$17,267**

OPERATIONS RISK

Operations Risk is defined as probability of loss arising from inadequate or failed internal processes, people, systems or from external events.

• Systems Risk

The bank has fully migrated to EMV chip technology for all ATM debit cards on 30 June 2018 to avert ATM fraudulent transactions. In terms of ATM security, EMV is significantly more secure than mag-stripe cards because of advanced encryption, embedded card risk analysis capabilities and advanced authentication.

With the acquisition of Integral 360 AMLsystem, the Bank successfully automated its "Know Your Client" process with proper classification of transactions as "covered" or "suspicious," implemented straight through submission of daily reports to AMLC, as well as,achieved efficient monitoring of such transactions.

The Bank achieved another feat in IT operations when it decided to co-locate the Disaster Recovery site (alternative site for production systems) at the PLDT Data Center Vitro Clark in Pampanga, following the successful co-location of production systems at PLDT Data Center Vitro Makati the year before. The PLDT Vitro sites have state of the art data center facilities with the best-of-breed architecture and design exceeding internationally set tier 3 data center design standard.

In 2018, AVP Pab Ronald Calanoc was designated as the Information Security Officer (ISO). As ISO, Mr. Calanoc exercised independent oversight function on operations of ICTG and he crafted policies and guidelines on Infosec and IT (in cooperation with ICTG) for BOD approval. Among the important manuals approved by the BOD during the year include:1) Information Security Program2) Amended Guidelines on Classification and Handling of

Information, 3) Revised Email Guidelines, 3) PESONet Policies and Procedures, among others

To substantiate the internal oversight function of the ISO, the Bank commissioned an independent conduct of Vulnerability Assessment and Penetration Testing (VA/PT) by SGV which assessed the IT vulnerabilities of the Bank both from external and internal attacks. The VA/PT results showed that the Bank is NOT exposed to High Risk vulnerabilities. The medium and low risk exposures as revealed in the VA/PT exercise are now being resolved by ICTG and RMG.

Risk assessment of acquisition of software and outsourcing of IT services was formalized thru the documentation of the implementation of System Development Life Cycle (SDLC). The SDLC process combined with the strict implementation of policy guidelines on procurement/outsourcing assisted the Bank not only in the cost-benefit analysis but also in pre-empting risks concomitant with the acquisition/ outsourcing, thereby maximizing the benefits of the acquisition/ outsourcing process.

- **Process Risk**

The Bank continues to implement process improvement not only to improve control and reduce the process risks but also to improve efficiency which ultimately leads to increased income and reduce financial risks.

One of the most important achievement of the Bank in 2018 in terms of process improvement is the centralization of the loan disbursement process, initially for salary loans and ultimately to all types of loans. This resulted in elimination of errors in the use of the Finacle credit application and in loan data capture and pre-empted possible fraudulent activities of bank staff.

- **Events Risk**

Physical security to pre-empt external fraudulent activities was further strengthened with the completion of installation of Security systems (centralized CCTV, alarm systems, among others) at all Bank premises. The ISO crafted CCTV guidelines compliant with the Data Privacy Act which was approved by the BOD.

In view of the locations of a large number of branches in remote and unbanked areas [this is in support of the BSP's initiatives on financial inclusion], connectivity has been a major challenge to such branches.To ensure continued services in these locations, ICTG implemented IPSEC VPNvia internet for core – bankingand wireless VPN for ATM connection to improve connectivity. The execution of the alternative connections was done in accordance to service level agreement (SLA) and turn-around-time (TAT) for these services of ICTG to branches.

During times of outages (VPN and wireless connections are not available), the “Adopt–a-branch” methodology was observed. This strategy for Business Continuity Management was further strengthened in 2018 by updating the list of “adopted” branches and streamlining the process.

- **People Risk**

At the center of PSBC's continued success and growth are its employees who make up the Bank's human capital. This talent pool works passionately to deliver the Bank's vision/mission and to create value for its stakeholders. To maintain its industry position, the Bank's human capital is supported with appropriate leadership and skills improvement programmes needed to enable the talent pool to stay relevant and to perform effectively.

Among the important training programs conducted include Company Orientation, Grassroots Marketing Seminar, Agri-Lending Seminar on Credit Process, Branch Banking Seminars (Cashier's Training for ATM operation and PESONet, Information Security and Business Continuity Awareness Training andAnti-Money Laundering (AML) Related Trainings, among others.

In 2018, PSBC developed Performance Management tools such as 1) Monitoring of Employment Status, 2) Performance Appraisals Report (PAR) and 3) Succession Planning.

- **Legal Risk**

Legal risk exposures arise mainly from foreclosure of properties and loan collection cases. There are no other legal cases which negatively affect the Bank. The Legal Department oversees the legal risk management and handles legal cases. Services of external counsels are engaged for cases filed in provinces. Updates on the legal exposures are regularly reported to the Board and monitored accordingly. Management is well guided by legal risk management policies and procedures while potential losses arising from legal cases are being assessed on a timely manner.

STRATEGIC RISK

The Bank has achieved sustained and unprecedented growth mainly through mergers and acquisition, supplemented by establishment of organic branches. Its business model consists of extending loans to its niche markets (farmers and SMEs) complemented by consumer loans to salaried people. It has chosen to locate its bank units in unbanked communities where its services are vastly needed.

Although PSBC's aggressive expansion may have includedacquisition of some financially challenged banks, the Bank has adequately utilized lessons learned in turning around such challenges, leveraging the incentives for mergers to its advantage.

The expansive strategy has been supported merely by internally generated capital and adoption of agile technology in delivering products and services, supported by a committed human resource.

REPUTATIONAL RISK

PSBC has been operating for 23 years. It enjoys the trust and confidence of its clients, funders and the banking industry as manifested by the steady growth in deposits, increasing credit lines with its funders/creditors, as well as recognitions from the industry. The Board and Management constantly strive to increase customer satisfaction by offering innovatives and customer-focused banking services. Furthermore, PSBC continuously supports Financial Inclusion Program of the BSP by opening new branches in unbanked municipalities in the Philippines. In fact, PSBC was a pioneer for 11 unbanked towns.

ANTI-MONEY LAUNDERING RISK

Producers Bank is committed to protect the integrity and confidentiality of bank accounts and to assure the BSP and the Anit-Money Laundering Council (”AMLC”) that its branches and units shall not be used as a money laundering site and conduit for the proceeds of an unlawful activity as defined under the Anti-Money Laundering Act (”AMLA”).

1. Conduct business in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the institution;

2. Know sufficiently our customers at all times and ensure that the financially or socially disadvantaged are not denied access to bank services while at the same time prevent suspicious individuals or entities from opening or maintaining an account or transacting with the Bank by himself or otherwise;

3. Adopt and effectively implement a sound anti-money laundering and terrorist financing risk management system that identifies, assesses, monitors and controls risks associated with money laundering and terrorist financing;

4. Comply fully with AMLA rules and existing laws aimed at combating money laundering and terrorist financing by making sure that officers and employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance; and

5. Fully cooperate with the AMLC for the effective implementation and enforcement of the AMLA, as amended, and its Revised Implementing Rules and Regulations, by disclosing all covered and suspicious transactions to them.

RISK BASED CAPITAL ADEQUACY RATIO COVERING COMBINED CREDIT, MARKET AND OPERATION RISK

Tier 1 (Core plus Hybrid) Capital		
Paid up common stock	1,254,719,110.00	
Additional paid-in capital	419,111,470.55	
Retained earnings	113,729,441.88	
Undivided profits	233,904,346.04	2,021,464,368.47
Less:		
Deferred tax asset, net of deferred tax liability 2/	58,434,726.49	
Goodwill, net of allowance for losses 3/	69,197,562.71	-127,632,288.98
Total Core Tier 1 Capital		**1,893,832,079.49**

Tier 2 (Supplementary) Capital		
Paid-up limited redeemable preferred stock with the replacement requirement upon redemption	40,000,000.00	
General loan loss provision	75,227,640.71	115,227,640.71
Less:		
Sinking fund for redemption of limited life redeemable preferred stock with the replacement required upon redemption	45,746,796.38	-45,746,796.38
Total Tier 2 Capital		**69,480,844.33**
Total Qualifying Capital		**1,963,312,923.82**

Total Credit Risk Weighted Assets	14,098,436,305.13
Total Market Risk-Weighted Assets	0
Total Operational Risk-Weighted Assets	1,395,655,283.58
	15,494,091,588.71

Capital Adequacy Ratio		
Solo		
	Total CAR	12.67%
	Tier 1	12.22%
Consolidated		
	Total CAR	12.11%
	Tier 1	11.91%

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.

CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE

Pursuant to Monetary Board Resolution No. 1326 dated 3 August 2017, the Bangko Sentral ng Pilipinas (BSP) issued on 22 August 2017 Circular No. 969, series of 2017, approving the revisions to guidelines for BSP-Supervised Financial Institutions in strengthening corporate governance in BSP Supervised Financial Institutions amending relevant provisions of the Manual of Regulations for Banks (MORB), the Bank has amended its Corporate Governance & Compliance Committee Charter as follows:

The committee shall be composed of at least three (3) members of the board of directors who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson.

Preferably, the members of the corporate governance and compliance committee shall have the management expertise or business experience to be able to develop appropriate strategies in governing the Bank.

The Board shall appoint the members of the CGCC and one of them as the Chairperson from the independent directors.

More than 50% of the members shall be present to form a quorum.

The CGCC shall have the following duties and responsibilities:

1. The Committee shall report to the board of directors.

2. The Committee shall assist the board of directors in fulfilling its corporate governance responsibilities. It shall review and evaluate the qualifications of all persons nominated to the board as well as those nominated/promoted to senior management positions, particularly those with the rank of Vice President and up requiring appointment by the board of directors.

3. The Committee shall be responsible for ensuring the board's effectiveness and due observance of corporate governance principles and guidelines. It shall oversee the periodic performance evaluation of the board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance.

4. The Committee shall also decide whether or not director is liable to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance and preparedness and participation). Internal guidelines shall be adopted that address the competing time and commitments that are faced when directors serve on multiple boards.

5. The Committee shall make the recommendations to the board regarding the continuing education of directors, assignment to board committees, succession plan for the board member and senior officers, and their remuneration commensurate with corporate and individual performance.

6. The Committee shall decide the manner by which the board's performance may be evaluated and propose and objective performance criteria approved by the board. Such performance indicators shall address how the board has enhanced long-term shareholders' value.

7. The Committee shall assist the Board of Directors in fulfilling its oversight responsibilities on the following:

Compliance Function

a. Ensure compliance of the Bank with the rules and regulations issued by the regulatory bodies, such as but not limited to BSP, PDIC, SEC, BIR, etc., to prevent the Bank from incurring monetary and non-monetary penalties and sanctions;

b. Ensure the independence of the compliance office from the business activities of the Bank;

c. Review and approve the appointment and/or replacement of the Chief Compliance Officer;

d. Review and approve the compliance program of the Chief Compliance Officer and its consequent implementations;

e. Ensure the Chief Compliance Officer's right to obtain access to information necessary to carry out his responsibilities;

f. Review the effectiveness of the system for monitoring compliance with laws and procedures and the results of Management's investigation and follow-up, including disciplinary action on any fraudulent acts or non-compliance;

g. Obtain regular updates from the Chief Compliance Officer regarding compliance matters;

h. Review the reports of the Compliance Officer on the results of the compliance testing performed; and

I. Ensure that the Management is taking corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by the Chief Compliance Officer.

Anti-Money Laundering

a. Ensure compliance of the Bank with AML rules and regulations;

b. Approve Bank's AML Manual for any updates or amendments;

c. Ensure that AML reports (CTRs and STRs) to AMLC are submitted on time;

d. Review reports of the Compliance Office on the results of compliance testing or monitoring of AML transactions; and

e. Check if AML education and training (basic and refresher courses) are performed regularly; and

f. Obtain regular updates on AML regulations and policies.

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 three (3) 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 Bank'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.

Meanwhile, as embodied in the Bank's Financial Consumer Manual, the Legal Department shall be concurrently designated as the Consumer Assistance Group of Producers Bank, with the Branch Managers as the concurrent Consumer Assistance Officers at the branch level to handle consumer concerns.

The Consumer Assistance Group shall, as a minimum, perform the following: (a) monitor consumer assistance process; (b) keep track, identify, and analyze the nature of complaints and recommend solutions to avoid recurrence; (c) report to senior management, i.e the President, Branch Banking Group Head and/or Chief Compliance Officer the complaints received on a monthly basis including reasons to avoid recurrence, and the suggestions for process or personnel competency needing improvement; and (d) ensure escalation of any significant complaint to the concerned unit of the Bank (Credit, Branch Banking, Treasury Management, etc.).

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, who must have accounting, auditing, or related financial management expertise or experience.

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. It shall monitor and evaluate the adequacy and effectiveness of the internal control system. It is responsible 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 members of the Audit Committee.

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 meetings, 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.

CHAIRMAN OF THE BOARD

The Chairman leads the Board of Directors as an effective working group at the head of the Bank. It promotes a culture of openness and debate and is responsible for effective communication within the Board and with shareholders. It ensures that there is a good working relationship between the Board committees and executive management and that there is sufficient time to discuss and effectively address strategic issues during Board and committee meetings.

The Chairman of the Board has a collaborative working relationship with the President and Chief Executive Officer of the Bank, but very clearly, it is not involved in the running of the Bank's day-to-day operations. They share a common understanding of the Bank's goals and strategies and work together to achieve such goals. Invaluable views, inputs and directions are sought on emerging issues such as new projects and initiatives of the Bank. It is kept abreast with the Bank's operations by being available at least three days a week and by attending the Management Committee meetings.

The Chairman of the Board keeps the integrity and goals of the Bank at the forefront of every decision that it makes.

Director's Attendance

NAME OF DIRECTOR	NUMBER OF BOARD MEETINGS ATTENDED	%
Gilda E. Pico	12	100%
Sandra C. Mendoza	9	75%
Andres M. Cornejo	12	100%
Andrei D. Cornejo, Jr.	12	100%
Alejandrino J. Ferreria	11	92%
Adrian Jean Claude D. Cornejo	12	100%
Francisco Ed. Lim	10	83%
Edwin V. Fernandez	12	100%
Cecilio B. Lorenzo	11	92%
Total Number of Meetings Held During the Year	12	

Board and Committee Meetings

AUDIT COMMITTEE		
Attendance: 92% for 12 meetings in 2018		
Chairman:	Cecilio B. Lorenzo	11
Members:	Francisco Ed. Lim	11
	Alejandrino J. Ferreria	11

RISK OVERSIGHT COMMITTEE		
Attendance: 92% for 12 meetings in 2018		
Chairman:	Edwin V. Fernandez	12
Members:	Alejandrino J. Ferreria	10
	Cecilio B. Lorenzo	11

CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE

Attendance: 97.22% for 12 meetings in 2018

Chairman:	Francisco Ed. Lim	11
Members:	Edwin V. Fernandez	12
	Gilda E. Pico	12

SELF-ASSESSMENT PROGRAM

The Bank has created the Internal Audit Group (IAG) Charter in order to set the direction of the IAG, serve as guidelines in the efficient discharge of the internal audit function consistent with BSP Regulations and international standards; as well as improving its relations with other control functions of the Bank; set the guidelines in outsourcing internal audit activities, in providing consulting or advisory services, and in coordinating with external auditors and supervisory authority.

The IAG shall be composed of Two (2) departments, namely: Head Office Operations and IT Systems Audit Department (HSAD) anf Field Operations Audit Department (FOAD), which shall both functionally and administratively under the IAG Head.

1. HSAD is divided into Two (2) Audit Area Units - the HO Operations Audit Unit responsible in examining and evaluating operations of Head Office units (except IT Departments) and the IT System Audit Unit responsible in examining and evaluating IT Risk exposures throughout the Bank, including the areas of IT management and strategic planning, IT operations, client/server architecure, local and wide area networks, telecommunications, physical and information security, electronic products & services, systems development and acquisition, and business continuity planning.

2. The FOAD, on the other hand, shall be responsible in conducting internal audit of provincial branches/lending centers. FOAD is divided into six (6) Audit Area Units to delineate audit coverage based on geographic locations and proximity to the Audit Area office location. Under each Audit Area Unit are the Financial Audit Team and Credit Review Team which will handle operations review/examination of Branches/Accounting Units and the Regional Lending Centers respectively.

The IAG, in the exigency of service, may reassign change audit coverage of HSAD and FOAD.

Scope

All processes, systems, unit and activities including outsourced activities shall fall within the scope of the IAG. The Scope of internal audit shall cover, among others, the following:

1. Evaluation of the adequacy, efficiency and effectiveness of internal control risk management and governance systems;

2. Review of reliability, effectiveness and integrity of management and financial information systems, including electronic information system and electronic banking services;

3. Review of systems and procedures to safeguard the Bank's physical and information assets;

4. Review of compliance system and implementation of established policies and procedures;

5. Review of regulators area of interest and the monitoring of compliance with relevant rules/laws such as assessment of adequacy of capital and provisions; liquidity level; regulatory and internal reporting.

PERFORMANCE ASSESSMENT PROGRAM

Performance Assessment shall be regularly administered to perpetuate improvement of individual employee performance to attain excellence and to prepare for the next higher position that offers bigger challenges and opportunities by providing effective supervision, counseling, direction, planning, rebuking and motivation through the identification of the employee's weak and strong points; to develop standards of acceptable levels of performances and to strengthen superior-subordinate relationship. This shall apply to all officers and employees of Producers Bank.

ORIENTATION AND EDUCATION PROGRAM

Orientation and Education Program for the Bank's directors and senior management includes Corporate Governance Certifications for all Directors, in-house mandated trainings as required by BSP which exemplifies their excellence as the pillars of the Bank, Basic Branch Operations Training and Advanced Branch Operations Training (both are compilations of module-based topics and seminars – including, but not limited to, classroom-method and workshop method). For topics which are offered to the public, the Bank has affiliations and membership with Training Providers, for example, but not limited to, BSP, BAIPHIL, Chamber of Thrift Banks, DB Quest Inc. (to name a few).

The Bank, through the Human Resources and Management Department (HRMD), provides employee development programs in answer to their training needs.

The HRMG is permanently responsible in seeing to it that BSP Training requirements are complied with. They are to schedule employees who may attend BSP training programs and shall for the purpose of determining training needs, consult other departments of branch offices from time to time.

HRMD is responsible in arranging/advertising group trainings or seminars that may be conducted by Producers Bank regardless of the subject matter. If the training is highly specialized, the same will be conducted with necessary assistance and consultative services from specialized staff, resource persons or training institutes.

Other areas in personnel training outside the field of money and banking shall likewise be the responsibility of HRMD including but not limited to the selection of speaker/trainer/preparation of course study, selection of trainees (in coordination with the branches and departments), conduct of examination related to such training/seminar and evaluation of the said trainings/seminar programs.

RETIREMENT AND SUCCESSION POLICY

Retirement

Republic Act No. 7641 requires the entitlement by employees to receive retirement benefits at the time of his/her retirement.

Republic Act no. 4917 on the other hand, provides for tax exemptions (subject to certain guidelines) on retirement benefits received by officials and employees of private firms in accordance to a reasonable private benefit plan maintained by the employer.

The aim of Producers Bank Retirement Plan is to assure employees of retirement, death, disability and separation benefits, in the light of management's continuing effort to uphold the well-being of its employees.

- **Features of the Producers Bank Retirement Plan**

Effectivity Date	27 November 2005
Coverage	Regular Full-Time Employees
Covered Service	Measured from Hiring Date
Retirement Benefit	Based on vesting schedule, but the maximum is 1.25 month's Final Salary for every year of continuous service
Normal Retirement	Age 65
Early Retirement	Age 55 with 15 years of continuous service
Late Retirement	Beyond age 65 upon mutual agreement between Company and the Employee
Death or Disability Benefit	One (1) month's final salary for every year of continuous service
Vesting	Minimum of 50% of Retirement Benefit for those with five (5) years of continuous service; thereafter, an increment of 25% for every 5 years of continuous service until 125% of final salary is reached

Succession Policy

The Bank's succession plan aims to identify officers and employees who could potentially fill and perform effectively and efficiently in each position. Hiring and training programs of the Bank ensure that potential successors are readily available.

REMUNERATION POLICY

i. Remuneration Policy and Structure for executive and non-executive directors (disclose the Bank's remuneration policy and the structure of its remuneration package for the Board).

ii. Remuneration Policy for senior management (disclose the process used for determining the remuneration of the president/CEO or officer of equivalent rank, and the four (4) most highly compensated management officers of the Bank).

    In its remuneration policy, Producers Bank fully adheres to what Philippine laws and regulations require.

    In particular, please refer to the Labor Code of the Philippines (Presidential Decree No. 442), the Wage Rationalization Act (Republic Act No. 6727), the Implementing Rules and Regulations (IRR) to the Wage Rationalization Act, and pertinent Executive Orders and Wage Orders.

MAJOR STOCKHOLDER

As of December 31, 2018, Mr. Andres M. Cornejo owns ninety point eighty four percent (94.06%) of the total stockholdings of Producers Bank.

SECURITY OWNERSHIP OF DIRECTORS

As of December 31, 2018, the following are known to Producers Savings Bank Corporation to be directly the record and/or beneficial owners of Producers Savings Bank Corporation voting securities:

Name of Director	Type of Directorship	No. of Years as Director	Total No. of Direct (D) and Indirect (I) Shares as of December 31, 2018	Percent to Total Outstanding Shares
Gilda E. Pico	Chairman - Director	2	118(D)	0.0009%
Sandra C. Mendoza	Vice Chairman-Director	16	4,315,782(D)	3.43964%
Andres M. Cornejo	President and Chief Executive Office-Director	23	118,026,071(D)	94.06573%
Andrei D. Cornejo, Jr.	Director	3	956(D)	0.00076%
Adrian Jean Claude D. Cornejo	Director	1	122,499(D)	0.09763%
Alejandrino J. Ferreria	Director	3	30(D)	0.00002%
Francisco Ed. Lim	Independent Director	6	11(D)	0.00001%
Edwin V. Fernandez	Independent Director	1	2(D)	0.00000%
Cecilio B. Lorenzo	Independent Director	1	30(D)	0.00002%

BOARD OF DIRECTORS

GILDA E. PICO, 72
Chairman (since September 2016)

Mrs. Pico was the Chief Executive Officer and President of Land Bank of the Philippines from November 2006 to July 2016. She served Land Bank for 35 years and was the Bank President for 10 years. She was the first woman President and Chief Executive Officer of Land Bank and the first Landbanker in career position to be appointed as head of the institution. Mrs. Gilda E. Pico is a Certified Public Accountant. She earned her degree, Bachelor of Commerce major in Accounting at the College of the Holy Spirit, Manila (Magna Cum Laude). She earned her MBA at the University of the East.

SANDRA C. MENDOZA, 44
Vice Chairman (Director, since October 2002)

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. Prior to her current position, she was the Head of Human Resources and Administration Group. She and her husband are also entrepreneur-restaurateurs operating several very successful restaurants.

ANDRES M. CORNEJO, 70
President and Chief Executive Officer
(Director, since November 1995)

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 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. He has a Masters in Entrepreneurship degree from the Asian Institute of Management. Mr. Cornejo is a Certified Public Accountant. He is the Chairman and President of Cabiao General Hospital, Inc., Chairman of C & D Properties, Inc., and General Manager of C & D Pawnshop.

ANDREI D. CORNEJO, 42
Director (since May 2015)

Mr. Cornejo is a graduate of Bachelor of Science in Business Administration from the Philippine School of Business Administration. He was President and General Manager of Iloilo City Development Bank prior to its merger with Producers Bank. He is now the Senior Executive Vice President and Chief Operating Officer for Producers Bank.

ADRIAN JEAN CLAUDE D. CORNEJO, 27
Director (since June 2017)

Mr. Cornejo is a Bachelor of Science in Management graduate of the Ateneo de Manila University in 2012. Mr. Cornejo joined the Bank on 2 May 2012 as Assistant Manager and Management Trainee under the Bank's Management Training Program. He was assigned to different areas of bank operations, to allow him to learn basic skills and principles involved in the management of the Bank. In July 2013, Mr. Cornejo was promoted to Manager and Branch Head of the Bank's Main Branch. Two (2) years after, in July 2015, he was promoted to Senior Manager rank and as Assistant to the Chairman and Chief Executive Officer, and Branch Head of the Main Branch on concurrent capacity. He was appointed Cluster Head for branches in the National Capital Region in November 2015, and eventually as Assistant Vice President and Area Head in January 2017.

ALEJANDRINO J. FERRERIA, Ed. D., 68
Director (since May 2015)

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 at the Asian Institute of Management where he was a Guru. He earned his degree of 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 from the National University. Dr. Ferreria currently sits on several boards: Goodyear Philippines, Pascual Laboratories, Construction Management and Development Foundation, Filipino Car Foundation and Channel Technologies. He is a Partner/ Director at ACE Management Education, Inc., and Chief Executive Officer of Lakpue Drug, Inc.

ATTY. FRANCISCO ED. LIM, 64
Independent Director (since October 2012)

Atty. Lim was formerly the President and Chief Executive Officer of the Philippine Stock Exchange. He was 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 University of Sto. Tomas (UST); his Bachelor of Arts (Cum Laude) also at 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, he is a co-managing partner at ACCRALAW.

EDWIN V. FERNANDEZ, 69

Independent Director (since November 2017)

Mr. Fernandez finished his Bachelor of Arts in Economics at the University of the Philippines Diliman, Quezon City. He also took his Masters of Business Administration in the same institution. Mr. Fernandez was connected with various industries as advisor for both private and government owned organizations as well as in the academe. He was an Advisor and Management Strategist of Perpetual Succor Hospital and Maternity, Inc. (2002-present); Advisor, Renal Systems, Inc. (2014); Advisor, Land Transportation and Communication (2009); Advisor, Nichols Airport Hotel and Protacio General Hospital (2008-2009); Advisor and Management Strategist, ELRO Commercial and Industrial Corporation (2009); Advisor, National Transmission Corporation (2003-2007); Advisor, E-Myth, Inc (2008); Advisor, St. Jude College (2004).

CECILIO B. LORENZO, 69

Independent Director (since January 2018)

Mr. Lorenzo finished his Bachelor of Science in Management Engineering at the Ateneo de Manila University. He also took Masters of Business Management at the Asian Institute of Management. Mr. Lorenzo was connected with various private and government owned industries. He was a Consultant and General Manager of Guevent Industrial Development Corporation (2010-2015); President of Fisher Comprehensive Security Services (2009-2010). Mr. Lorenzo held various positions for government entities. He was a Director of Development Bank of the Philippines (2010-2016); Director of DBP Center Corporation (2011-2016); Director and DBP Representative of National Resources Development Corporation (2014-2016); Director and DBP Representative of Philippine Mining Development Corporation; Director and DBP Representative of Metro Rail Transit Corporation (2014-2016) Further, he also served actively as Chairman of DBP IT Governance Board Committee; Vice Chairman of DBP Audit & Compliance Board Committee; Vice Chairman of DBP Risk Oversight Board Committee and Chairman of the Board of DBP Data Center, Inc. At present, he is the Chief Operations Officer and Board Member of Cogitat Technologies, Incorporated.

ATTY. ARSENIO A. ALFILER, JR.,

Corporate Secretary

Atty. Alfiler is presently at Corporate Counsels, Philippines. His previous work experience includes being a Director of Asiatrust Bank, First Vice President of AB Capital and Investment Corporation, First Vice President of AsianBank Corporation. He also had 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.

EXECUTIVE AND SENIOR MANAGEMENT

GILDA E. PICO
Chairman

- 72 years old, Filipino
- Director of the Rural Bank of San Fernando, Inc., Rural Bank of President Quirino, Inc., Bangko Rural ng Magarao, Bangko Rural ng Pasacao and Chairman of the Board of the Rural Bank of Barotac Nuevo, Inc., Rural Bank of Sibalom, Inc. and Rural Bank of Pamplona, Inc.
- Former Chief Executive Officer and President of the Land Bank of the Philippines, Independent Director of the Philippine Bank of Communications
- Graduate of BS Commerce Major in Accounting, Magna Cum Laude

SANDRA C. MENDOZA
Vice Chairman

- 44 years old, Filipino
- Head of Human Resource and Administrative Group and Director of the Rural Bank of Pamplona, Inc.
- Former Director of the Rural Bank of Lupao, Inc., New Rural Bank of Victorias, Inc. and Rural Bank of Cainta, Inc.
- Graduate of BS Information Technology

ANDRES M. CORNEJO
President and Chief Executive Officer

- 70 years old, Filipino
- Chairman of the Board of the Rural Bank of San Fernando, Inc., Rural Bank of President Quirino, Inc., Bangko Rural ng Magarao and Bangko Rural ng Pasacao, Vice Chairman of the Rural Bank of Barotac Nuevo, Inc., and Rural Bank of Sibalom, Inc. and Director of the Rural Bank of Pamplona, Inc.
- Former Chairman of the Rural Bank of San Fabian, Inc., Rural Bank of Tayabas, Inc., and Tower Development Bank, Inc., Chief Financial Officer of the First Philippines Holdings Corp. and Manager of Carlos J. Valdez & Co.
- Graduate of BS Accountancy
- Masters in Entrepreneurship
- Certified Public Accountant

ANDREI D. CORNEJO, JR.
Senior Executive Vice President and Chief Operating Officer

- 42 years old, Filipino
- Vice Chairman of the Bangko Rural ng Magarao and Bangko Rural ng Pasacao, Director of the ProFarmers Rural Banking Corporation, Rural Bank of Pamplona, Inc., and Rural Bank of San Fernando, Inc., Director, President and CEO of the Rural Bank of Sibalom, Inc. and Rural Bank of Barotac Nuevo, Inc., and Director and Vice Chairman of the Rural Bank of President Quirino, Inc.
- Former Director of the Rural Bank of Bustos, Inc.
- Graduate of BS Banking and Finance

FILIPINAS M. FERNANDEZ
EVP and Head, Branch Banking Sector
- 55 years old, Filipino
- Former Senior Vice President and Head of Branch Banking Group of the Producers Savings Bank Corporation and Chief Accountant of Nueva Ecija Electric Cooperative, Inc.
- Graduate of BS Commerce Major in Accounting

TERESITA E. CHENG
SVP and Head, Risk Management Group (RMG)
Chief Risk Officer (CRO)
- 68 years old, Filipino
- Former Board Member of LBP Insurance Brokerage, Inc, First Vice President/RMG Head and CRO of LandBank of the Philippines
- Graduate of BS Agricultural Chemistry
- Licensed Chemist
- Masters in Business Management and Masters of Science in Chemistry

NOMER A. CRISOSTOMO
SVP and Head, Controllership Group
- 43 years old, Filipino
- Director of the Rural Bank of Pamplona, Inc., and Director and Treasurer of the Rural Bank of Barotac Nuevo, Inc. and Rural Bank of Sibalom, Inc.,
- Former Vice President and Chief Compliance Officer of the Producers Savings Bank Corporation
- Graduate of BS Accountancy
- Certified Public Accountant

CENON M. LADRINGAN
SVP and Head, Agri Lending Sector
- 48 years old, Filipino
- Former Vice President and Head of Account Management Group and Head of CMG 1 of the Producers Savings Bank Corporation
- Graduate of BS Agricultural Engineering

ROLAN D. CAMPOS, II
VP and Head, Treasury Managament Group
- 46 years old, Filipino
- Former Vice President of the Overseas Filipino Bank, Senior Assistant Vice President of Malayan Savings Bank and Senior Manager and Head Foreign Currency Unit of Asiatrust Development Bank
- Graduate of BS Accountancy
- Masters in Business Administration

ELMER C. CAYOG
VP and Regional Area Head, Region 5
- 47 years old, Filipino
- Director and President of the Bangko Rural ng Magarao, Bangko Rural ng Pasacao, Rural Bank of Pamplona, Inc. and Rural Bank of San Fernando, Inc.
- Former Senior Assistant Vice President and Region 5 Area Head of Producers Savings Bank Corporation
- Graduate of BS Accountancy

IRENEO U. GACAD, JR.
VP and Assistant Corporate Secretary
- 74 years old, Filipino
- Corporate Secretary of Bangko Rural ng Magarao, Bangko Rural ng Pasacao, Rural Bank of Pamplona, Inc., Rural Bank of San Fernando, Inc., Rural Bank of Barotac Nuevo, Inc., Rural Bank of Sibalom, Inc. and Rural Bank of President Quirino, Inc.
- Former Director and Corporate Secretary of the Rural Bank of Bustos, Inc., Senior Vice President of Dharmalaca Investment Trust & Co,Inc. and Associate Attorney of B.A. Tan Jr. Law Offices.
- Graduate of Bachelors of Laws

DONALD REY V. SOTELO
VP and Head, Human Resource Management Department
- 56 years old, Filipino
- Former Vice President of Luzon Development Bank and Director of Blessed Margaret Foundation
- Graduate of BS Business Management
- Masters in Business Administration

SENIOR ASSISTANT VICE PRESIDENTS

LOUREANNE A. BAUTISTA
SAVP and Head, Administrative Services Department
- 41 years old, Filipino
- Former Assistant Vice President and Head of Treasury Support Department, Head of Rediscounting & Payroll Department of Producers Savings Bank Corporation and Accountant of Merchants Rural Bank
- Graduate of BS Accountancy

AMY A. FERNANDEZ
SAVP and Area Head
- 56 years old, Filipino
- Former Assistant Vice President and Area Marketing Head of Producers Savings Bank Corporation and Head Treasury of Rosbank, Inc.
- Graduate of BS Commerce Major in Accounting

MARICEL C. LADIGNON
SAVP and Head, Supervision & Admin Support Group
- 42 years old, Filipino
- Former Assistant Vice President and Head Branch Operations Support Department and Senior Manager and Area Marketing Head of Producers Savings Bank Corporation
- Graduate of BS Accountancy

FIDEL M. REYES
SAVP and Area Head
- 64 years old, Filipino
- Former Assistant Vice President and Area Head of Producers Savings Bank Corporation and Branch Manager of Bank of the Philippine Islands
- Graduate of BS Commerce Major in Accounting

GINA T. RIVERA
SAVP and Head, Information and Communications Technology Group
- 50 years old, Filipino
- Former Senior Manager and Head of Application Management Department, Head of ATM Center and Bank Information Security Officer of Producers Savings Bank Corporation and Regional Coordinator of MB Philippines
- Graduate of BS Business Administration Major in Accounting and Masters in Business Administration

WILLIAM O. ROBERTS
SAVP and Area Head
- 63 years old, Filipino
- Former Senior Manager and Assistant Area Head and Branch Marketing Head of Producers Savings Bank Corporation and Branch Head of Metropolitan Bank and Trust Company
- Graduate of BS Business Administration Major in Accounting

JEEL S. VANA
SAVP and Head, Internal Audit group
- 38 years old, Filipino
- Former Assistant Vice President and Deputy Compliance Officer and Manager and Internal Audit Officer of Producers Savings Bank Corporation
- Graduate of BS Accountancy

ASSISTANT VICE PRESIDENTS

REVIER R. AVESTRUZ
AVP and Area Head
- 39 years old, Filipino
- Former Assistant Area Head/Cluster Head and Branch Marketing Head of Producers Savings Bank Corporation
- Graduate of BS Accountancy

PAB RONALD H. CALANOC
AVP and Head, Information Security and Technology risk Management
- 38 years old, Filipino
- Former Senior Manager, DBA Manager and ICT Support Officer of Producers Savings Bank Corporation
- Graduate of BS Accountancy

EMILY C. CAPILI
AVP and Credit Risk Officer
- 56 years old, Filipino
- Former Senior Risk Management Officer of Land Bank of the Philippines, Project Administrator of the Kalinga Youth Foundation Inc. and OIC-General Accounting of Norkis International Co. Inc.
- Graduate of BS Accountancy

ADRIAN JEAN CLAUDE D. CORNEJO
AVP and Area Head
- 27 years old, Filipino
- Former Manager and Acting Branch Head of Producers Savings Bank Corporation
- Graduate of BS Management

PATRICIO M. CORNEJO
AVP and Head, Special Project Department
- 58 years old, Filipino
- Former Senior Manager and Head of SPD of Producers Savings Bank Corporation
- Graduate of BS Commerce

PETER JOEL S. CORNEJO
AVP and Head, FSME Support Group
- 40 years old, Filipino
- Former AVP and Head of Account Management Department and SME Business Development Officer of Producers Savings Bank Corporation
- Graduate of BS Commerce Major in Banking and Finance

RODOLFO E. ESTIOKO
AVP and Head, Strategic Planning
- 63 years old, Filipino
- Former Corporate Planning Officer of Producers Savings Bank Corporation, Provincial Coordinator of Economic Development Foundation and Model Courts Manager of Philippine Mediation Center
- Graduate of BS Management Engineering

TEODORA C. GARCIA
AVP and Area Head
- 45 years old, Filipino
- Former Senior Manager, Assistant Area Head of Producers Savings Bank Corporation, Branch Head of the RosBank, Inc.
- Graduate of BS Accountancy

ARLYN D. LABASAN
AVP and Area Head
- 49 years old, Filipino
- Former Senior Manager, Assistant Area Marketing Group Head of Producers Savings Bank Corporation, Senior Personal Banker of Rizal Commercial Banking Corporation (RCBC)
- Graduate of BS Mathematics

MARIA CRISTINA YASMIN S. MARIÑAS
AVP and Area Head
- 41 years old, Filipino
- Former Vice President of the Rural Bank of Cainta, Inc. and Network Engineer of the We Solv Computing, Inc.
- Graduate of BS Electronics and Communications Engineering

LAMBERTO C. MARTIN
AVP and Head, Lending Sector 2
- 58 years old, Filipino
- Former Senior Manager and Head of CMD, CMG 1 of Producers Savings Bank Corporation and Branch Manager of New Rural Bank of San Leonardo
- Graduate of BS Business Administration Major in Economic
- Graduate of Bachelor of Laws

MA. VICTORIA M. MISTICA
AVP and Chief Compliance Officer
- 63 years old, Filipino
- Former Manager and Deputy Compliance Officer of Tower Development Bank, Compliance Officer and Internal Auditor of New Rural Bank of San Leonardo and Branch Manager of Central Bank of the Philippines
- Graduate of BS Commerce Major in Accounting
- Certified Public Accountant
- Masters in Business Administration

MARIGOLD C. RIVERA
AVP and Corporate Communications Officer
- 40 years old, Filipino
- Corporate Secretary of ProFarmers Rural Banking Corporation
- Former Head of Branch Management Support Department and Manager, Training and Development Unit of Producers Savings Bank Corporation
- Graduate of AB Philosophy, Cum Laude
- Graduate of Bachelor of Laws

ARIEL M. TATLONGHARI
AVP and Branch Head
- 52 years old, Filipino
- Former Area Head of CALABARZON and Head of Product Development Support Department of Producers Savings Bank Corporation, AVP of People's Credit and Finance Corporation and VP and General Manager of Rural Bank of Lupao, Inc.
- Graduate of BS Agriculture

EDUARDO A. TRINIDAD
AVP and Branch Head
- 36 years old, Filipino
- Former Agency Head of Universal Storefront Services Corporation (USSC) and Digitizer of Pasco Certeza Mapping Corporation
- Graduate of BS Computer Science

OPERATING MANAGEMENT

The Board of Directors delegates to the President and Chief Executive Officer (CEO) the responsibility of managing the Bank's business operations. Closely supporting and working with the President and CEO at the higher level is the Chairman who directs the overall execution of the strategic plans and policies as established by the Board of Directors. Reporting directly to the President and CEO are as follows:

- Credit Committee
- Management Committee
- Technical Support Unit
- Acquired-Assets Management Group
- Corporate Communications Unit
- Strategic Planning
- Controllership Group
- Treasury Management Group
- Information and Communications Technology Group
- Human Resource and Administrative Group
  - › Human Resource Management Department
  - › Administrative Service Department
- Legal Department
- Bank Security Department

Meanwhile, supporting the President and Chief Executive Officer is the Senior Executive Vice President and Chief Operating Officer who is in charge of the day-to-day operations of the operating sectors as follows:

- Branch Banking Sector
  - › Supervision and Admin Support Group
  - › Consumer Loans Support Group
  - › Farmers/SME Loans Support Group
  - › Clearing Operations
  - › Remittance Group
  - › ATM Operation and Reconciliation Group
- Lending Sector
  - › Lending Sector 1
  - › Lending Sector 2

MONEY TRANSFER

In 2018, Producers Bank remittance business thru Western Union generated over P5.1 Million in revenues with growth of nine percent (9%) compared to 2017.

The Remittance Operations Group delivered another year of solid and consistent business performance with over P693 Million of principal amount money moved.

Meanwhile, in October 2018, to support the policy of the Bangko Sentral ng Pilipinas (BSP) to establish a safe, efficient and reliable retail payment system in the Philippines thru the Philippine EFT Systems and Operations Network (PESONet), Producers Bank participated as one of the financial institutions that offers PESONet service to its clients.

The PESONet, which is a batch electronic fund transfer credit (EFT) payment stream, is the first automated clearing house (ACH) under the National Retail Payment System (NRPS). The NRPS is envisioned to bring about an interoperable ecosystem allowing seamless electronic fund transfers and payments between and among accounts or bank to bank fund transfer.

For 2018, Producers Bank transferred P43.6 Million worth of PESONet transactions.

PesoNet training and seminar in Head Office Burgundy and Rosales, Pangasinan

PesoNet training and seminar in Head Office Burgundy and Rosales, Pangasinan

Producers Bank supports Brigada Eskwela

PRODUCERS BANK SUPPORTS BSP FINANCIAL INCLUSION PROGRAM

For 2018, Producers Bank continues to support the Bangko Sentral ng Pilipinas' (BSP) Financial Inclusion Program as it continues to expand its branch network nationwide including in some unbanked localities like Ragay in Camarines Sur, Anao in Tarlac, Ramos in Tarlac, San Manuel in Pangasinan and Canlaon City in Negros Oriental.

The successful expansion and operations of Producers Bank in all areas where it opened branches only proves that given access to financial services, banking especially in unbanked localities is good business.

On the other hand, Producers Bank believes that it has a responsibility to make its financial services accessible most especially to the farmers and entrepreneurs if it wants to achieve its vision of becoming the number one (1) partner bank of farmers and entrepreneurs in producing more wealth for the country.

Producers Bank Branch Openings

World Teacher's Day in Tabaco City, Albay

Teacher's and Personal Loan Product Presentation

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

Board of Directors Meeting

Loan Promo Caravan

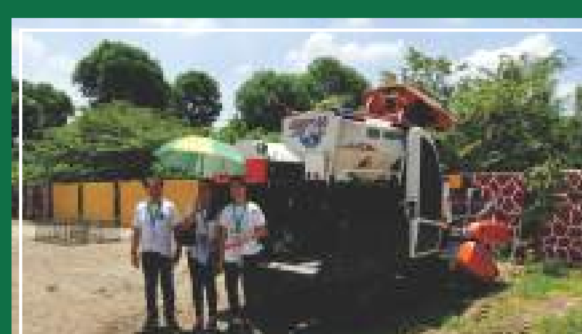
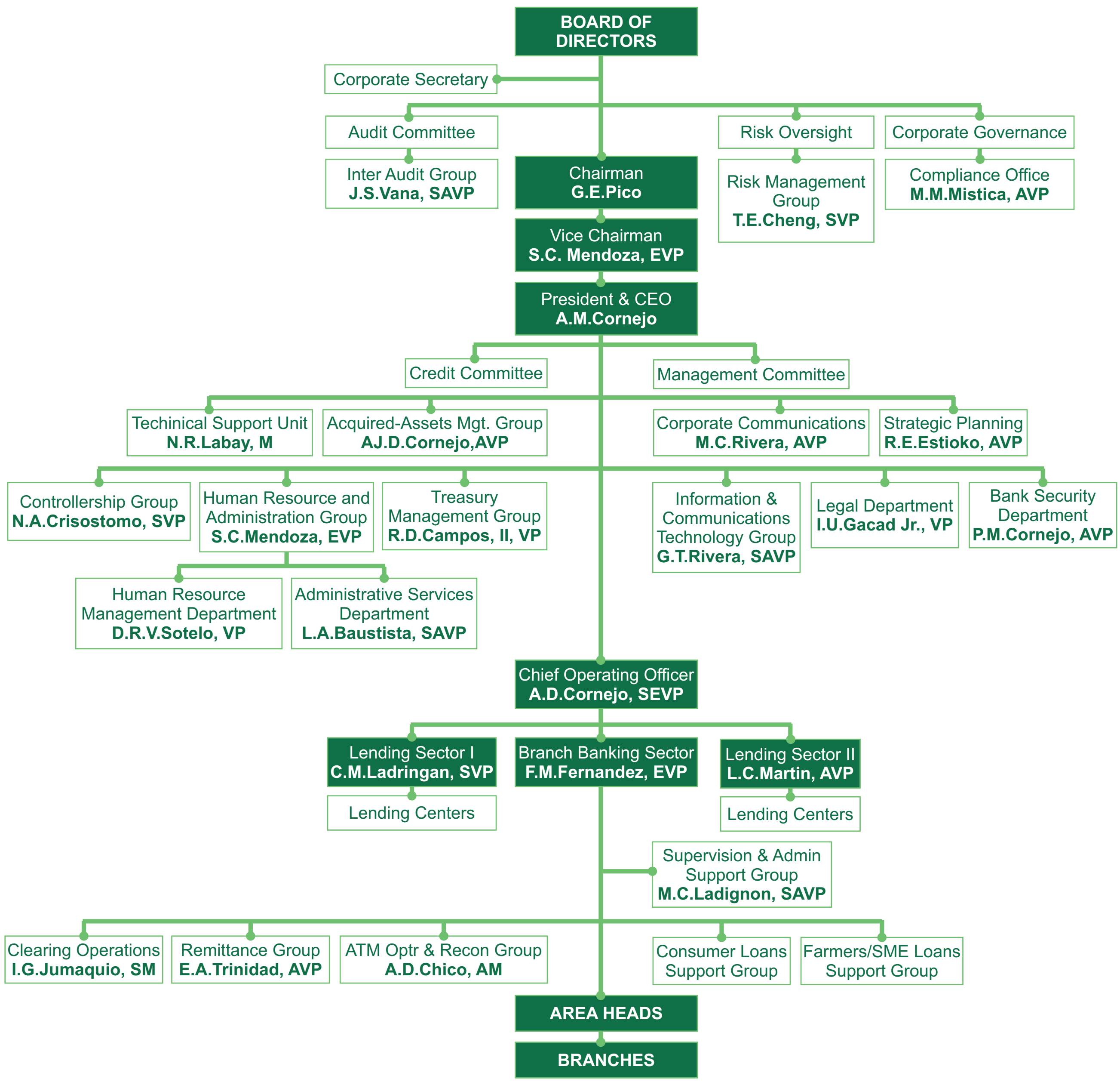


TABLE OF ORGANIZATION



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 investments 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 as of 31 December 2018 and 2017 is as follows:

	2018	2017
Total outstanding DOSRI loans	P84,524,065.00	P85,290,022.24
Percent of DOSRI loans to total loans	0.65%	0.77%
Percent of unsecured DOSRI loans to total DOSRI loans	0%	0%
Percent of past due DOSRI loans to total DOSRI loans	0%	0%
Percent of non-performing DOSRI loans to total DOSRI loans	0%	0%

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.

	2018	2017
Key Management Compensation	P38,256,784	P35,674,149.00
Directors’ Remuneration	3,654,999	1,733,333.00

DIVIDEND POLICY

Under Philippine Law, dividends may be declared out of a corporation’s unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the board of directors is generally sufficient to approve the distribution of dividends. As provided for in Section 5 of the By-Laws of Producers Bank, declaration of dividends shall be subject to existing laws and Bangko Sentral ng Pilipinas (BSP) rules and regulations.

For 2018, Producers Bank declared a total of 30 Million stock dividends at P10 par value out of the retained earnings of the Bank as of December 31, 2017 and distributed to all stockholders of the Bank last July 31, 2018.

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 below are the Bank's Corporate Social Responsibility Programs:

MEDICAL MISSION

an activity where free medical consultations and medicines are given.

TAKE CARE OF YOUR HEART & BLOOD LETTING PROGRAM

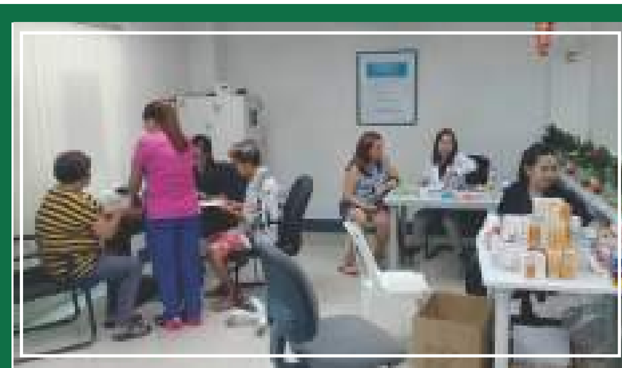
an annual free blood pressure check up for employees and customers of the Bank.

TREE PLANTING ACTIVITY

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

HELP BUILD THE CHURCH PROGRAM

the Bank donates cash to help build the St. Nicholas of Tolentine Basilica Crypt.



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

CONSUMER PROTECTION OVERSIGHT FUNCTION

The Board of Directors (BOD) of Producers Bank is ultimately responsible for ensuring that consumer protection practices are embedded in the Bank's business operations and that the Bank is adhering to the highest service standards and is embracing a culture of fair and responsible dealings in the conduct of business that will be appropriate to the Bank's corporate structure, operations and risk profile.

(a) Role and Responsibility of the Board of Directors and Senior Management

The Board of Directors and Senior Management are responsible for developing the Bank's consumer protection strategy and establishing an effective oversight over the programs it will develop as well as overseeing their effective implementation. The Senior Management team and Management Committee of the Bank shall be responsible in managing the day-to-day consumer protection activities of the Bank.

(b) Consumer Protection Risk Management System (CPRMS)

The CPRMS is part of the corporate-wide Risk Management System of the Bank. It is a means by which Producers Bank identifies, measures, monitors, and controls consumer protection risks inherent in its operations. These include both risks to the financial consumers and the Bank. The products and services of the Bank remain to be traditional and non-complex and as such, the required Consumer Protection policies can be incorporated in the various product manuals of the Bank to address and prevent the various financial risks that will cause harm or loss to consumers.

1. Board and Senior Management Oversight

   The Board and Senior Management shall annually review the effectiveness of the existing policies on Consumer Protection to evaluate their effectiveness and whether the audit mechanisms are in place to enable adequate oversight. In case any weaknesses in the CPRMS are noted, these should be addressed immediately and corrective actions should be taken in a timely manner.

2. Compliance Program

   The required Consumer Protection Program shall be incorporated in the over-all Compliance System and Program of the Bank to prevent and reduce regulatory violations and protect consumers from financial and associated harm or loss. The Chief Compliance Officer (CCO) shall be responsible in incorporating in the Compliance System and Program for financial consumer protection.

3. Policies and Procedures

   The Bank's policies and procedures governing consumer protection policies and procedures shall be approved by the Audit Committee and the Bank's Board. The policies and procedures shall:

   a. Be consistent with Consumer Protection policies as approved by the Board;
   b. Ensure that consumer protection practices are embedded in the Bank's business operations;
   c. Address compliance with consumer protection laws, rules, and regulations; and
   d. Be reviewed periodically and kept up-to-date to serve as reference for employees in their day-to-day activities

4. Internal Audit Function

   The Internal Audit Group of the Bank shall develop and include the Consumer Protection Audit Program in its audit function/program. It shall conduct the annual review of the Bank's consumer protection practices, ensure adherence to internal policies and procedures and compliance with existing laws, rules and regulations. The results of the audit findings and exceptions that will be noted by the Internal Audit Group will enable the Audit Committee to assess the effectiveness of the implementation and adequacy of the approved policies and standards in meeting the established consumer protection objectives.

5. Training

   All Bank personnel that have customer interface should be given specific and comprehensive training that reinforces and helps in the implementation of written policies and procedures on consumer protection as well as continuing education about Consumer Protection laws, rules and regulations.

CONSUMER ASSISTANCE MANAGEMENT SYSTEM (CAMS)

The Financial Consumer Protection Manual (the "Policy") of the Bank applies to all officers and employees, including non-permanent employees (those under training and probationary status, and those employees under fixed tenure contracts) that have direct interface with the Bank clients, and clients/consumers of the Bank. The scope of this policy includes the requirements and minimum guidelines on receiving, recording, evaluating, resolving, monitoring, reporting, and giving feedback to all complaints filed by the clients/consumers of Producers Bank. Customer complaints and/or disclosures shall include, but not limited to the following:

1. Dissatisfaction with the products or services availed from the Bank;

2. Non-compliance of the Bank, its officers and employees with the terms and conditions provided to the client;

3. Unlawful acts or orders requiring violation of law, bank policies and procedures, abuse of authority, serious breach of disclosure of information of employees about the clients, questionable relationship with the Bank clients, and specific threats to the Bank clients;

4. Fraudulent activities of employees such as but not limited to:

   a. Any act or omission, including misrepresentation, that knowingly and recklessly misleads, or attempts to mislead the client/s of the Bank to obtain financial or other benefit or to avoid an obligation;
   b. Stealing or attempting to steal from the Bank clients;
   c. Falsification of bank and client records for purposes of defrauding Bank clients;
   d. Conflicts of interest or any intentional, unauthorized disclosure of confidential and proprietary information of Bank clients to outside parties;
   e. Soliciting money, gifts, shares, benefits, or favors from the existing clients and potential clients of the Bank; and
   f. Concealment of defective work by employees which directly results in loss or prejudice to the client/s.

5. Giving false testimonies or promises to the clients;

6. Misconduct or failure by the employees to observe the Bank's rules of conduct or standards of behavior when dealing with clients;

7. Coercive practices, which mean impairing or harming, or threatening to impair or harm, directly or indirectly, the client, including retaliation; and

8. Any other activity which undermines the protection of consumers of the Bank.

PRODUCTS AND SERVICES

DEPOSIT SERVICES

SAVINGS ACCOUNT
- Regular Savings
- Regular ATM Savings

TIME DEPOSIT
- Premium Time Deposit
- Special Deposit Account (SDA)
- Long Term Certificate of Time Deposit (LTCTD)

CHECKING ACCOUNT

US DOLLAR SAVINGS & TIME DEPOSITS

LOAN SERVICES

BUSINESS LOAN

CROP PRODUCTION LOAN

LIVESTOCK LOAN

CONSUMER LOAN
- Car/Truck Loan
- Housing Loan
- Teacher's Loan

CORPORATE LOAN

FINANCIAL INCLUSION LOAN

OTHER SERVICES

MONEY TRANSFER
- Western Union
- PesoNet

ATM SERVICES

BANCASSURANCE

BRANCH DIRECTORY

HEAD OFFICE
1706 AIC Burgundy Empire Tower, ADB Avenue corner Sapphire Street, Ortigas Center, Pasig City
(02) 667-3811 / (02) 667-3812 / (02) 570-4137

HEAD OFFICE EXTENSION
17th Floor, One San Miguel Avenue, San Miguel Avenue corner Shaw Boulevard,
Ortigas Center, Pasig City
(02) 667- 3022 / (02) 687-6287

DATA CENTER
Unit 205 Pacific Place Condominium, Pearl Drive corner Amethyst Street, Ortigas Center, Pasig City
(02) 638-0599 / (02) 637-6495

BRANCHES

ALAMINOS
Marcos Avenue, Palamis, Alaminos City, Pangasinan
(075) 540-5502

ALIAGA
Gen. Luna St., Poblacion West 3, Aliaga, Nueva Ecija
(044) 950-5199

ALICIA
G/F Danison Commercial Building, Magsaysay Street, Alicia Public Market, Alicia, Isabela
(078) 323-2173

ALTAVAS
National Highway, Bonifacio St., Poblacion, Altavas, Aklan
(036) 269-1418

AMADEO
A. Mabini Street, Poblacion 1, Amadeo, Cavite
(+63) 917-109-5051

ANAO
Poblacion, Anao, Tarlac
(+63) 917-557-2175

ANGELES
Producers Bank Building,
Sto. Rosario Street, San Jose, Angeles City, Pampanga
(045) 409-0840

ANGONO
69 M.L. Quezon Avenue,
Brgy. San Isidro, Angono, Rizal
(02) 522-0799

ANTIPOLO
145 M.L. Quezon Street, Brgy. San Roque, Antipolo City, Rizal
(02) 697-0605 / (02) 697-1917

APARRI
G/F 5-Storey Commercial Building, J.P. Rizal corner Alvarado Streets, Brgy. Maura, Aparri, Cagayan
(078) 888-0152

ARITAO
National Highway, Poblacion, Aritao, Nueva Vizcaya
(+63) 997-532-9900

AURORA
MM Pua Building, San Pedro, San Pablo, Aurora, Isabela
(078) 652-1578

BAAO
National Highway, Producers Bank Building Del Rosario, Baao, Camarines Sur
(054) 455-7049 / (054) 266-3087

BACOLOD
VCY Center, Hilado Ext., Capitol Shopping Center, Bacolod City, Negros Occidental
(034) 433-7518 / (034) 433-4708

BAGABAG
Zapata Bldg., Provincial Road, Brgy. San Geronimo, Bagabag, Nueva Vizcaya
(078) 392-0669

BAGO
G/F Ramon Gonzaga Arcade, Brgy. Poblacion, Bago City, Negros Occidental
(034) 461-1526

BAGUIO
G/F Mount Crest Hotel, Legarda Road corner Urbano Street, Baguio City
(074) 442-5007

BAIS
National Highway corner Aguinaldo Street, Mercado de Bais, Bais City, Negros Oriental
(035) 402-3162

BALANGA
G/F EGS Building Don Manuel Banzon Avenue, Balanga City, Bataan
(047) 633-3329

BALER
Quezon Street, Brgy. Suklayin, Baler, Aurora
(+63) 922-833-0126

BAMBANG
ERJ Building Maharlika Highway,
Bambang, Nueva Vizcaya
(078) 392-9735

BALOC
Maharlika Highway, Baloc,
Sto. Domingo, Nueva Ecija
(+63) 917-566-1324

BANI
Quezon Avenue, Poblacion,
Bani, Pangasinan
(075) 523-0235

BAROTAC NUEVO
Hortillosa Building, Zamora Street, Barotac Nuevo, Iloilo
(033) 361-2395

BAYAMBANG
NIF Building Rizal Avenue, Poblacion Sur, Bayambang, Pangasinan
(075) 632-3681

BAYOMBONG
Ongtao Bldg., Provincial Highway, Brgy. Don Mariano Perez, Bayombong, Nueva Vizcaya
(078) 321-2690

BINALBAGAN
Poblacion, Binalbagan, Negros Occidental
(034) 742-8609

BINALONAN
Bayanmoto Gas Building, McKinley Street, Binalonan, Pangasinan
(075) 633-4889

BINANGONAN
Baltazar Street corner RizalAvenue, Brgy. Layunan, Binangonan, Rizal
(02) 368-3164 / (02) 289-4050

BOCAUE
McArthur Highway, R.M. Mariz Building, Wakas, Bocaue, Bulacan
(044) 762-5588

BOLINAO
Don Prudencio Street, Bolinao, Pangasinan
(075) 523-1091

BONGABON
National Road, Brgy. Commercial, Bongabon, Nueva Ecija
(044) 958-1243

BUGASONG
Ilauod, Bugasong, Antique
(+63) 916-949-4143

BULAN
C. Gotladera Street, Zone 4, Bulan, Sorsogon
(+63) 908-885-4237

BUSTOS-BONGA MENOR
Gen. Alejo Santos Highway, Bonga Menor, Bustos, Bulacan
(044) 761-8040

BUSTOS-POBLACION
Poblacion, Bustos, Bulacan
(044) 309-2319

CABANATUAN NORTH
G/F Producers Bank Building, Maharlika Highway, Sangitan East corner Gen. Tinio, Cabanatuan City, Nueva Ecija
(044) 464-1768 / (044) 600-0359

CABANATUAN SOUTH
G/F Producers Bank Center II, Maharlika Highway, Brgy. H. Concepcion, Cabanatuan City, Nueva Ecija
(044) 940-8979

CABATUAN
Unit 5, Los Angeles Arcade, Centro, Cabatuan, Isabela
(078) 652-2724

CABARROGUIS
G/F Uy Building, Provincial Road, Cabarroguis, Quirino
(+63) 943-063-1294

CABATUAN
Unit 5, Los Angeles Arcade, Centro, Cabatuan, Isabela
(078) 652-2724

CABIAO
San Juan North, Poblacion, Cabiao, Nueva Ecija
(044) 958-1845

CADIZ
Cabahug Street, Brgy. Zone 4, Cadiz City, Negros Occidental
(034) 466-0076

CAGAYAN DE ORO
281 Recto Avenue, Lapasan Highway, Cagayan De Oro City, Misamis Oriental
(088) 885-0182

CAINTA
A. Bonifacio Avenue corner Marick Drive, Brgy Sto. Domingo, Cainta, Rizal
(02) 655-0776 / (02) 656-3876

CALABANGA
Old Market Site, San Antonio, Calabanga, Camarines Sur
(054) 470-1079 / (054) 881-2622

CALAMBA
National Highway corner Sta. Cecilia Village, Brgy. Parian, Calamba City, Laguna
(049) 834-3770

CALOOCAN
G/F Steve Ko Tang Building, C3 Road corner J. Teodoro Street, 5th Avenue, Brgy. 55, District 2, Caloocan City
(02) 287-0825

CALUMPIT
McArthur Highway, Brgy. Corazon, Calumpit, Bulacan
(044) 815-5173

CAMILING
G/F M and E Building, Quezon Avenue, Camiling, Tarlac
(045) 934-1880

CANLA-ON
Andres Bonifacio Street, Midtown, Brgy. Mabigo, Canla-on City, Negros Oriental
(035) 404-1565

CARMEN
McArthur Highway, Brgy. Carmen West, Rosales, Pangasinan
(075) 564-4326

CAPAS
Provincial Road, Sto. Domingo, Capas, Tarlac
(045) 491-6203

BRANCH DIRECTORY

CARRANGLAN
Brgy. F.C. Otic, Carranglan,
Nueva Ecija
(+63) 925-501-3282

CASTILLEJOS
National Highway, San Juan,
Poblacion, Castillejos, Zambales
(047) 602-0151

CATICLAN
PRCG Building, Caticlan, Malay,
Aklan
(036) 268-7827

CAUAYAN
G/F Prince Christopher
Commercial Complex Building,
Maharlika Highway corner Cortez
Street, Cauayan City, Isabela
(078) 652-1833

COGEO
LG/F City Mall of Antipolo,
Olalia Road, Brgy. Dela Paz,
Antipolo City, Rizal
(02) 682-0646

CORDON
Rosete Building, Magsaysay,
Cordon, Isabela
(078) 682-0596

CULASI
Jesus of Nazareth Building,
Cadiao Street, Centro Poblacion,
Culasi, Antique
(+63) 917-551-3899 /
(+63) 932-315-7247

CUYAPO
D.M. Jose Street, District 7,
Cuyapo, Nueva Ecija
(044) 456-0776

DAET
Governor Panotes Avenue, Brgy. 8,
Daet, Camarines Norte
(+63) 915-398-9788

DAGUPAN
Rizal Street, Dagupan City,
Pangasinan
(075) 522-8180 / (075) 515-7031

DAU
Aguarin Bldg., McArthur Highway,
Dau, Mabalacat, Pampanga
(045) 892-4730

DASMARIÑAS
Annie's Plaza, Emilio Aguinaldo
Highway, San Agustin 1,
Dasmariñas, Cavite
(046) 416-6322

DAVAO-BAJADA
Candelaria Building, 547 J.P.
Laurel Avenue, Bajada, Davao City
(082) 295-0599

DAVAO-ECOLAND
Door 101-103 Ground Floor Pink
Walters Bldg., Quimpo Boulevard,
Ecoland, Davao City
(082) 295-7784

DINALUPIHAN
San Juan St., Mabini Extension,
Poblacion, Dinalupihan, Bataan
(047) 237-1452

DINGALAN
Baler Street, Brgy. Poblacion
Dingalan, Aurora
(+63) 922-981-7275

DUMAGUETE
Plaza Doña Milagros Bldg., Perdices,
corner Sta. Rosa & Pinili Streets,
Dumaguete City, Negros Oriental
(035) 420-9233

ESCALANTE
Rotonda, Brgy. Balintawak,
Escalante City, Negros Occidental
(034) 435-0093

GAPAN
E. Jacinto Street, San Vicente,
Gapan City, Nueva Ecija
(044) 486-2282

GOA
G/F Multi-Storey Commercial
Building, J.P. Rizal National Road
corner Panday Street, Poblacion,
Goa, Camarines Sur
(054) 881-9458

GONZAGA
G/F Cortes Building, National
Highway, Brgy. Paradise,
Gonzaga, Cagayan
(+63) 905-443-9195

GUIGUINTO
G/F Rockavilla Building,
Poblacion, Guiguinto, Bulacan
(044) 794-1148

GUIMBA
M.C. Leonardo Building, Afan
Salvador corner Sarmiento
Streets, Guimba, Nueva Ecija
(044) 611-1299

HAGONOY
MH Del Pilar Street, San
Sebastian, Hagonoy, Bulacan
(044) 794-3763

HINIGARAN
Tupas Building, Rizal St., Brgy. III,
Hinigaran, Negros Occidental
(034) 740-7375

IBA
Bugallon Street corner Taveria,
Zone V, Iba, Zambales
(047) 602-2139

ILAGAN
G/F LSP Building, Osmeña,
Ilagan, Isabela
(078) 624-1161

IMUS
Costa Grand-Our Lady of
Remedies Building, 496 Emilio
Aguinaldo Highway, Palico I,
Imus, Cavite
(046) 450-9710

IRIGA
Lemar's Building, San Roque,
Iriga City, Camarines Sur
(054) 299-7113

JAEN
Parumog Bldg., Brgy. G.E. Antonino, Poblacion Jaen, Nueva Ecija
(044) 958-2792

JARO
Lilia Wong Building, Castilla Street, Jaro, Iloilo City
(033) 333-2682

KABANKALAN
G/F HLJ Building Tan Lorenzo St., Kabankalan City, Negros Occidental
(034) 471-3032 / (034) 471-3457

KALIBO
The Waldolf-Garcia Building, Osmeña Avenue, Kalibo, Aklan
(036) 500-7835 / (036) 268-1298

LA TRINIDAD
Lubos Building, Km 5, Pico, La Trinidad, Benguet
(074) 422-2779 / (074) 309-1516

LAUR
Gen. Tinio corner Gen. Natividad Streets, Brgy. II, Laur, Nueva Ecija
(+63) 917-847-4650
(+63) 933-589-8818

LEGAZPI
G/F 2-Storey Commercial Building, Peñaranda St., Legazpi City, Albay
(052) 480-3886 / (052) 742-2247

LINGAYEN
Avenida Rizal, East Road, Lingayen, Pangasinan
(075) 632-5380

LIPA
General Luna Street, Sabang, Lipa City, Batangas
(043) 702-6673

LLANERA
Municipal Compound, Victoria, Llanera, Nueva Ecija
(044) 958-1917

LUCENA
ADAD Building, M.L. Tagarao corner Allarey Streets, Lucena City, Quezon
(042) 660-1911

LUPAO
Producers Bank Building, National Highway, Brgy. Flores, Lupao, Nueva Ecija
(044) 958-3922

MADDELA
Maddela's Point Building, Poblacion Norte, Maddela, Quirino
(+63) 917-775-6407

MALASIQUI
Ramon Magsaysay Street, Brgy. Poblacion, Malasiqui, Pangasinan
(075) 536-5796

MALITA
Doña Pilar Building, Poblacion Highway, Malita, Davao Occidental
(075) 536-5796
(+63) 965-225-9935

MALLIG
Centro 2, Mallig, Isabela
(+63) 917-624-4383

MALOLOS
M. Crisostomo St., San Vicente, Malolos City, Bulacan
(044) 795-0042

MANAOAG
G/F Veloria-Samera Building, Rizal Street, Poblacion, Manaoag, Pangasinan
(075) 529-1088 / (075) 519-3487

MANGALDAN
G/F Berex Enterprises Building, Mangaldan Commercial Center, Bari, Mangaldan, Pangasinan
(075) 529-3337

MANGATAREM
G/F C&D Building, Burgos Street, Mangatarem, Pangasinan
(075) 632-3405

MARIA AURORA
ML Quezon Street, Brgy. 4, Maria Aurora, Aurora
(+63) 933-952-6418

MARIKINA CITY
90 J. P. Rizal Street, Calumpang, Marikina City
(02) 239-2062

MARILAO
McArthur Highway, Abangan Sur, Marilao, Bulacan
(044) 815-4218 / (044) 711-2667

MOLO
KBEN Building, MH Del Pilar Street, Molo, Iloilo City, Iloilo
(033) 336-3855

MUÑOZ
T. Delos Santos Street, Science City of Muñoz, Nueva Ecija
(044) 456-0523 / (044) 456-0544

NABUA
Nabua Municipal Library Building, National Road, Poblacion, Nabua, Camarines Sur
(054) 881-7079 / (054) 228-0690

NAGA-MAGSAYSAY
G/F ADC Building corner Catmon II, Magsaysay Avenue, Naga City, Camarines Sur
(054) 871-5844

NAGA-PANGANIBAN
G/F Producers Bank Building, Panganiban Drive, Brgy. Concepcion Pequeña, Naga City, Camarines Sur
(054) 472-0160

BRANCH DIRECTORY

OLONGAPO
G/F Agabao Building, 1070 Rizal Avenue, East Tapinac,
Olongapo City, Zambales
(047) 611-0358 / (047) 611-0145

ORTIGAS (OSMA)
LG/F One San Miguel Avenue,
San Miguel Avenue corner Shaw Boulevard, Ortigas Center,
Pasig City
(02) 910-0029 / (02) 687-1386

OTON
J.C. Zulueta St., Poblacion South, Oton, Iloilo
(033) 510-8876

PALAYAN
Brgy. Caimito, Palayan City, Nueva Ecija
(044) 940-9798

PANDI
G/F Megamart Mall, Bunsuran 1st, Pandi, Bulacan
(044) 309-5627

PANTABANGAN
East Poblacion, Pantabangan, Nueva Ecija
(+63) 917-146-3885

PASIG (ADB Ave.)
Unit 109, G/F AIC Burgundy Empire Tower, ADB Avenue corner Sapphire Street, Ortigas Center, Pasig City
(02) 661-8008

PASSI
F. Palmares Sr. Street, Poblacion Ilaya, Passi City, Iloilo
(033) 536-9723

PLARIDEL
Sayo Building, Cagayan Valley Road, Banga 1st, Plaridel, Bulacan
(044) 795-1138

POLANGUI
KRDC Building, National Road, Ubaliw, Polangui, Albay
(052) 431-2006
(+63) 977-802-9857
(+63) 942-099-9489

POZORRUBIO
Quezon Building, Caballero Street, Cablong, Pozorrubio, Pangasinan
(075) 636-2967

RAGAY
Poblacion Ilaod, Ragay, Camarines Sur
(+63) 950-827-4262

RIZAL
Aglipay Street, Poblacion Sur, Rizal, Nueva Ecija
(044) 958-6500

RAMOS
Poblacion Center, Ramos, Tarlac
(045) 491-1265

ROOSEVELT
235 Roosevelt Avenue, K-square Building, San Francisco Del Monte, Quezon City
(02) 570-8430

ROSALES
Rizal Street, Zone II, Rosales, Pangasinan
(075) 582-7196 / (075) 582-2832

ROSARIO
Carillo Building, Brgy. Subusub, Rosario, La Union
(072) 687-0446

ROXAS, CAPIZ
Arturo Building, Burgos-Ilaya Street, Roxas City, Capiz
(033) 621-7305

ROXAS, ISABELA
Espejo Building, Osmeña Street, Bantug, Roxas, Isabela
(078) 642-0371

SAN ANTONIO
Brgy. Tikiw, San Antonio,
Nueva Ecija
(044) 456-7337

SAN CARLOS, PANGASINAN
Palaris Street, San Carlos City, Pangasinan
(075) 531-3757

SAN CARLOS, NEGROS OCCIDENTAL
Gaisano Mall, FC Ledesma Avenue corner Ledesma Street, San Carlos City, Negros Occidental
(034) 312-5882 / (034) 729-9328

SAN FABIAN
31 Rizal Street, Poblacion,
San Fabian, Pangasinan
(075) 653-0853 / (075) 511-2158

SAN FERNANDO, LA UNION
Quezon Avenue, Brgy. 1,
San Fernando City, La Union
(072) 700-2887 / (072) 888-6860

SAN FERNANDO, PAMPANGA
McArthur Highway, Dolores,
City of San Fernando, Pampanga
(045) 963-0709

SAN ILDEFONSO
Cagayan Valley Road, Poblacion, San Ildefonso, Bulacan
(044) 762-0625

SAN JOSE, ANTIQUE
Susana 6 Building, E. Nietes Street, Funda Dalipe, San Jose, Antique
(036) 540-8172

SAN JOSE CITY, NUEVA ECIJA
G. Salvador Building, Maharlika Road, San Jose City, Nueva Ecija
(044) 940-1035

SAN LEONARDO
Poblacion, San Leonardo,
Nueva Ecija
(044) 958-5925

SAN MANUEL
Guiset Sur, San Manuel, Pangasinan
(075) 565-2549

SAN MATEO
G/F EVC Building, Magsaysay Avenue corner Bonifacio Street, Public Market, San Mateo, Isabela
(078) 323-0884

SAN MIGUEL
Tecson Street, Poblacion, San Miguel, Bulacan
(044) 762-0500

SANTIAGO
Maharlika Highway corner Lino Barrera Street, Santiago City, Isabela
(078) 305-0522

SIBALOM
Gonzales Building, Gonzales Street, District III, Sibalom, Antique
(036) 543-7062

SILAY
Door 2, APSSI Building, Rizal Street, Brgy. Mambulac, Silay City, Negros Occidental
(034) 495-0362

SOLANO
G/F Tam-An Building, J.P. Rizal Street, Old Solano Commercial Complex/District, National Highway, Solano, Nueva Vizcaya
(078) 329-2089

STA. BARBARA, ILOILO
Teresita Building, Magalona Street, Sta. Barbara, Iloilo
(033) 333-1273

STA. BARBARA, PANGASINAN
Poblacion Sur, Sta. Barbara, Pangasinan
(075) 518-4180

STA. ROSA
Producers Bank Building, Poblacion, Sta. Rosa, Nueva Ecija
(044) 940-0170

STA. MARIA
Palaruan Street, Poblacion East, Sta. Maria, Pangasinan
(075) 633-0424

STO. DOMINGO
Provincial Road, Brgy. Pulong Buli, Sto. Domingo, Nueva Ecija
(+63) 943-383-6816

STO. DOMINGO-POBLACION
D. Noriel Street, Hulo, Sto. Domingo, Nueva Ecija
(+63) 917-566-1323

SORSOGON
G/F 3-Storey Commercial Building, Rizal Street, Piot, Sorsogon City, Sorsogon
(056) 421-5253 / (056) 311-8678

TABACO
G/F De Ramas Building, A. A. Berces Street, Basud, Tabaco City, Albay
(052) 487-5336

TAGUDIN
Brgy. Del Pilar, Tagudin, Ilocos Sur
(077) 632-0027

TAGUM
Sobrecary Street, Magugpo South, Tagum City, Davao
(084) 216-8271

TALAVERA
Maharlika Highway, Talavera, Nueva Ecija
(044) 940-5975

TALUGTUG
Provincial Road, Brgy.Magsaysay, Talugtug, Nueva Ecija
(+63) 933-603-5101

TANAY
Unit 2 & 3, RK Building, New Market Road, Brgy. Plaza Aldea, Tanay, Rizal
(02) 534-8591

TARLAC
AL's Building, MacArthur Highway, San Nicolas, Tarlac City, Tarlac
(045) 491-7094

TAYABAS
62 Gen. Luna Street, Angeles Z-2, Tayabas City, Quezon
(042) 793-2324

TAYTAY
Unit 114 Manila East Arcade, Rizal Avenue, Taytay, Rizal
(02) 658-5903

TAYUG
Quezon Boulevard corner Bonifacio St., Tayug, Pangasinan
(075) 572-2821

TERESA
Magsaysay Avenue, Brgy. San Gabriel, Teresa, Rizal
(02) 470-3599

TINAMBAC
G/F Tinambac Commercial Complex, Tinambac, Camarines Sur
(+63) 917-713-8207

TORIL
Grandma Building, National Highway, Toril, Davao City, Davao
(082) 225-5683 / (082) 295-7784

TUGUEGARAO
G/F Twin Luck Building, No. 36 Luna Street, Tuguegarao City, Cagayan
(078) 844-9676

BRANCH DIRECTORY

TUMAUINI
Padron Bluilding, Brgy. San Pedro, National Highway, Tumauini, Isabela
(078) 323-0809

UMINGAN
G/F Sibayan E-Square, National Highway corner Zamora Street, Poblacion West, Umingan, Pangasinan
(075) 576-2678 / (075) 576-2679

URBIZTONDO
Rizal St., Urbiztondo, Pangasinan
(075) 636-1507

URDANETA
Alexander Street, Urdaneta City, Pangasinan
(075) 568-7207

VALENZUELA CITY
38 M.H. Del Pilar Street, Brgy. Palasan, Valenzuela City
(02) 282-5094

VALERIA
Dolores O. Tan Building, Valeria Street, Iloilo City, Iloilo
(033) 337-2145

VALLADOLID
Brgy. Poblacion, Valladolid,
Negros Occidental
(034) 431-3789

VICTORIAS
Osmeña Avenue, Victorias City, Negros Occidental
(034) 399-2778

VILLASIS
McArthur Highway, Poblacion Zone II, Villasis, Pangasinan
(075) 564-2077

ZARAGOZA
San Isidro, Zaragoza, Nueva Ecija
(+63) 933-863-4090

ACQUIRED BANKS

RURAL BANK OF PAMPLONA INC.
Pamplona
Maharlika Highway, Tambo, Pamplona, Camarines Sur
(+63) 956-806-9603

Sipocot
San Juan Avenue, South Centro, Sipocot, Camarines Sur
(+63) 927-584-0255

RURAL BANK OF PRESIDENT QUIRINO, INC.
President Quirino
Ramos Bldg., National Highway, Poblacion, President Quirino, Sultan Kudarat
(064) 543-9049

Tacurong
G/F SMIT Building, National Highway, Barangay Buenaflor, Tacurong City, Sultan Kudarat
(064) 477-0148

BANGKO RURAL NG MAGARAO, INC.
San Pantaleon, Magarao, Camarines Sur
(054) 881-0973

BANGKO RURAL NG PASACAO, INC.
Sta. Rosa Del Sur, Pasacao, Camarines Sur
(054) 513-9378 / (054) 513-9113

RURAL BANK OF SAN FERNANDO, INC.
Pasacao
San Cirilo, Pasacao, Camarines Sur
(054) 513-9253

San Fernando
Bonifacio, San Fernando, Camarines Sur
(054) 471-4012

RURAL BANK OF BAROTAC NUEVO, INC.
L. Araneta Street, Barotac Nuevo, Iloilo
(033) 361-2455

RURAL BANK OF SIBALOM, INC.
Veñegas Street, Sibalom, Antique
(036) 543-7986

RURAL BANK OF SAN QUINTIN, INC.
Figueroa Street, Poblacion Zone II, San Quintin, Pangasinan
(075) 575-7718

Official website
www.producersbank.com.ph

PRODUCERS SAVINGS BANK CORPORATION

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With comparative figures as at and for the year ended December 31, 2017)

PRODUCERS SAVINGS BANK CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

(With Comparative Figures as at December 31, 2017)

				December 31
	Notes	**Consolidated 2018**	**Separate 2018**	Individual 2017
ASSETS				
Cash and other cash items		**₱627,391,489**	**₱610,557,594**	₱402,649,904
Due from Bangko Sentral ng Pilipinas	*7*	**1,503,106,577**	**1,488,665,071**	2,672,191,276
Due from other banks		**670,687,275**	**507,710,235**	279,653,597
Investments at amortized cost	*8*	**649,256,176**	**643,481,529**	635,926,394
Financial assets at fair value through other comprehensive income	*9*	**387,260,836**	**387,260,836**	401,750,120
Loans and receivables - net	*10*	**12,899,887,897**	**12,752,657,372**	9,790,885,835
Noncurrent assets held for sale	*11*	**9,304,303**	**9,304,303**	22,533,085
Property and equipment – net	*12*	**588,672,147**	**554,186,512**	485,449,245
Investment properties – net	*13*	**1,351,040,987**	**1,340,216,271**	1,269,710,671
Investment in subsidiaries		**-**	**99,858,881**	12,055,500
Sinking fund	*14*	**46,699,933**	**45,738,644**	45,738,601
Intangible assets – net	*15*	**156,543,688**	**143,948,129**	156,311,595
Other assets - net	*16*	**104,739,218**	**92,768,525**	134,070,055
		₱18,994,590,526	**₱18,746,659,818**	₱16,308,925,878
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities	*18*			
Demand		**₱1,689,433,782**	**₱1,812,083,789**	₱1,158,022,849
Savings		**5,947,061,372**	**5,655,320,235**	4,613,055,431
Time		**4,339,851,705**	**4,269,196,213**	3,385,110,186
		11,976,346,859	**11,736,600,237**	9,156,188,466
Bills Payable	*19*	**4,350,000,000**	**4,350,000,000**	4,685,714,286
Accrued Interest, Taxes and Other Payable	*20*	**169,428,751**	**166,925,403**	121,179,245
Redeemable Preference Shares	*22*	**40,180,400**	**40,000,000**	40,100,800
Deferred Tax Liabilities	*30*	**87,257,871**	**93,408,818**	118,889,829
Other Liabilities	*21*	**104,419,813**	**92,768,528**	103,308,883
Total Liabilities		**16,727,633,694**	**16,479,702,986**	14,225,381,509
Equity				
Capital stock	*24*	**1,254,719,110**	**1,254,719,110**	954,518,410
Paid-in surplus		**419,111,340**	**419,111,340**	418,870,939
Surplus free		**584,522,062**	**584,522,062**	685,468,469
Surplus reserves	*25*	**40,000,000**	**40,000,000**	40,000,000
Unrealized gains on financial assets at fair value through other comprehensive income	*9*	**(12,739,165)**	**(12,739,165)**	1,750,120
Remeasurement losses on retirement plan	*27*	**(18,656,515)**	**(18,656,515)**	(17,063,569)
Total Equity		**2,266,956,832**	**2,266,956,832**	2,083,544,369
		₱18,994,590,526	**₱18,746,659,818**	₱16,308,925,878

See Notes to the Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Figures for the Year Ended December 31, 2017)

				December 31
	Notes	**Consolidated 2018**	**Separate 2018**	Individual 2017
INTEREST INCOME				
Loans and receivables	*10*	**₱1,047,387,721**	**₱1,012,619,639**	₱836,354,819
Investment securities	*8*	**37,465,838**	**37,225,234**	27,064,571
Due from Bangko Sentral ng Pilipinas and other banks		**43,222,196**	**42,086,943**	25,085,309
		1,128,075,755	**1,091,931,816**	888,504,699
INTEREST EXPENSE				
Deposit liabilities	*18*	**127,465,408**	**119,425,849**	92,532,909
Bills payable	*19*	**141,307,731**	**141,281,854**	68,222,596
		268,773,139	**260,707,703**	160,755,505
NET INTEREST INCOME		**859,302,616**	**831,224,113**	727,749,194
OTHER INCOME				
Service charges, fees and commissions	*26*	**303,135,892**	**296,352,462**	246,163,823
Gains on foreclosure and sale of property and equipment and foreclosed assets - net	*13*	**91,411,752**	**89,612,176**	105,665,663
Reversal of losses	*17*	**-**	**-**	127,884,331
Gains on sale of nonfinancial assets - net	*11, 13*	**-**	**-**	10,114,118
Gain on sale of investments		**-**	**-**	6,219,800
Penalties		**-**	**-**	28,794,780
Reversal on impairment of investment properties	*17*	**-**	**-**	3,220,724
Dividend income	*9*	**-**	**-**	2,924,850
Miscellaneous		**99,123,407**	**91,343,069**	34,809,254
		₱493,671,051	**₱477,307,707**	₱565,797,343

(forward)

				December 31
	Note	Consolidated 2018	Separate 2018	Individual 2017
OTHER EXPENSES				
Salaries and other employee benefits	*27*	**₱466,245,463**	**₱447,625,592**	₱389,853,240
Depreciation and amortization		**102,202,483**	**99,867,263**	117,759,972
Rent	*28*	**71,148,163**	**70,944,953**	64,205,219
Communication, light and water		**52,900,105**	**51,263,306**	44,446,549
Provision for probable losses	*17*	**106,117,271**	**102,294,423**	-
Transportation and travel		**41,353,402**	**40,205,011**	31,683,729
Security, janitorial and other services		**35,718,355**	**34,171,115**	26,837,122
Insurance		**33,658,326**	**32,470,293**	26,245,267
Stationery and supplies		**16,098,188**	**15,619,687**	14,271,782
Documentary stamp taxes		**44,305,986**	**44,175,312**	26,768,363
Litigation and asset acquired expenses		**9,925,398**	**9,335,888**	14,460,885
Representation and entertainment		**14,290,924**	**13,936,622**	11,782,916
Repairs and maintenance		**12,785,445**	**12,327,485**	11,610,976
Taxes and licenses		**37,044,036**	**34,873,414**	31,539,291
Information technology		**11,181,783**	**10,996,711**	15,421,382
Foreign exchange losses (gains) - net		**1,762,915**	**1,762,915**	207,697
Miscellaneous	*29*	**52,087,725**	**49,916,036**	33,599,311
		1,108,825,968	**1,071,786,026**	860,693,701
INCOME BEFORE INCOME TAX		**244,147,699**	**236,745,794**	432,825,836
INCOME TAX EXPENSE	*30*	**25,140,235**	**23,277,740**	206,569,866
NET INCOME		**₱219,007,464**	**₱213,468,054**	₱226,255,970
Attributable to:				
Equity holders of the Parent		**₱219,007,464**	**₱213,468,054**	226,255,970
Non-controlling interest	2	**-**	**-**	-
		₱219,007,464	**₱213,468,054**	₱226,255,970

See Notes to the Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Figures for the Year Ended December 31, 2017)

		December 31		
	Notes	**Consolidated 2018**	**Separate 2018**	Individual 2017
NET INCOME		**₱219,007,464**	**₱213,468,054**	₱226,255,970
OTHER COMPREHENSIVE INCOME				
Items that may not be reclassified to profit or loss				
Net change in remeasurement gains (losses) on retirement plan	*27, 30*	**-**	**-**	22,798,188
Items that may be reclassified to profit or loss				
Net change in unrealized gains of financial assets at fair value through other comprehensive income	*30*	**12,739,165**	**12,739,165**	(1,966,754)
TOTAL COMPREHENSIVE INCOME		**₱231,746,629**	**₱226,207,219**	₱247,087,404
Attributable to:				
Equity holders of the Parent		**₱231,746,629**		

See Notes to the Consolidated and Separate Financial Statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Figures for the Year Ended December 31, 2017)

	Years Ended December 31								
Consolidated	Capital Stock (Note 24)	Paid-in Surplus	Surplus Free	Surplus Reserves (Note 25)	Unrealized Gains on Financial Assets at Fair Value through other comprehensive income	Remeasurement (Note 27)	Total	Non- controlling interest	Total Equity
Balance as at January 1, 2018	₱954,518,410	₱418,870,939	₱685,468,469	₱40,000,000	₱1,750,120	(₱17,063,569)	(₱2,083,544,369)	(₱1,056,627)	₱2,082,487,742
Net income for the year	-	-	219,007,466	-	-	-	219,007,466	-	219,007,466
Other comprehensive income:									
Net change in remeasurement gains (losses) on retirement plan	-	-	-	-	-	(1,592,946)	(1,592,946)	-	(1,592,946)
Net change in unrealized gain on financial assets at fair value through other comprehensive income	-	-	-	-	(14,489,284)	-	(14,489,284)	-	(14,489,284)
Total comprehensive income for the year	954,518,410	418,870,939	904,475,935	40,000,000	(12,739,164)	(18,656,515)	2,286,469,605	(1,056,627)	2,285,412,978
Declaration of stock dividends	300,000,000	-	(300,000,000)	-	-	-	-	-	-
Adjustment from merger	200,700	240,401	(19,953,873)	-	-	-	(19,953,873)	(1,056,627)	(18,456,145)
Balance as at December 31, 2018	₱1,254,719,110	₱419,111,340	₱584,522,062	₱40,000,000	(₱12,739,164)	(₱18,656,515)	₱2,266,956,833	₱-	₱2,266,956,833

(forward)

Separate	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Free	Surplus Reserves (Note 25)	Unrealized Gains on Financial Assets at Fair Value through other comprehensive income	Remeasurement (Note 27)	Total Equity
Balance as at January 1, 2018	₱954,518,410	₱418,870,939	₱685,468,469	₱40,000,000	₱1,750,120	(₱17,063,569)	₱2,083,544,369
Net income for the year	-	-	213,468,054	-	-	-	206,531,473
Other comprehensive income:							
Net change in remeasurement gains (losses) on retirement plan	-	-	-	-	-	(1,592,946)	(1,592,946)
Net change in unrealized gain on financial assets at fair value through other comprehensive income	-	-	-	-	(14,489,284)	-	(14,489,284)
Total comprehensive income for the year	954,518,410	418,870,939	898,936,523	40,000,000	(12,739,164)	(18,656,515)	2,280,930,195
Declaration of stock dividends	300,000,000	-	(300,000,000)	-	-	-	-
Adjustment from merger/others	200,700	240,401	(14,414,463)	-	-	-	(13,973,362)
Balance as at December 31, 2018	₱1,254,719,110	₱419,111,340	₱584,522,060	₱40,000,000	(₱12,739,164)	(₱18,656,515)	₱2,266,956,833

Years Ended December 31

Individual	Capital Stock (Note 24)	Paid-in Surplus	Surplus Free	Surplus Reserves (Note 25)	Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	Remeasurement Losses on Retirement Plan (Note 27)	Total Equity
Balance as at January 1, 2017	₱754,518,410	₱418,870,939	₱659,212,499	₱40,000,000	₱3,716,874	(₱39,861,757)	₱1,836,456,965
Net income for the year	-	-	226,255,970	-	-	-	226,255,970
Other comprehensive income:							
Net change in remeasurement losses on retirement plan	-	-	-	-	-	22,798,188	22,798,188
Net change in unrealized gains on financial assets at fair value through other comprehensive income	-	-	-	-	(1,966,754)	-	(1,966,754)
Total comprehensive income for the year	754,518,410	418,870,939	885,468,469	40,000,000	1,750,120	(17,063,569)	2,083,544,369
Declaration of stock dividends	200,000,000	-	(200,000,000)	-	-	-	-
Balance as at December 31, 2017	₱954,518,410	₱418,870,939	₱685,468,469	₱40,000,000	₱1,750,120	(₱17,063,569)	₱2,083,544,369

See Notes to the Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

(With comparative figures for the year ended December 31, 2017)

				December 31
	Note	**Consolidated 2018**	**Separate 2018**	Individual 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱231,746,629**	**₱236,745,794**	₱432,825,836
Adjustments for:				
Gain on sale of investments at amortized cost	*8,9*	**-**	**-**	(6,219,800)
Gains on foreclosure of investment properties - net	*13*	**(91,411,752)**	**(89,612,176)**	(105,665,663)
Gains on sale of nonfinancial assets - net	*13*	**-**	**-**	(10,114,118)
Dividend income	*9*	**-**	**-**	(2,924,850)
Provision for Probable losses	*17*	**106,117,271**	**102,294,423**	(127,884,331)
Reversal of impairment of investment properties		**-**	**-**	(3,220,724)
Depreciation and amortization	*12, 13*	**102,202,483**	**99,867,263**	117,759,972
Amortization of premium on investments		**-**	**-**	4,546,977
Income on sinking fund		**(961,332)**	**(961,332)**	(505,576)
Retirement benefits		**6,424,275**	**5,000,000**	18,829,154
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Loans and receivables		**(2,599,724,128)**	**(2,499,418,347)**	(3,179,479,009)
Other assets		**29,330,837**	**(29,004,386)**	(73,071,277)
Increase (decrease) in:				
Deposit liabilities		**2,820,158,393**	**2,580,411,771**	1,375,820,762
Accrued interest, taxes and other expenses		**48,249,506**	**45,746,158**	16,275,351
Other liabilities		**1,110,930**	**(10,540,355)**	2,064,298
Net cash (used in) generated from operations		**653,243,112**	**440,528,813**	(1,540,962,998)
Income taxes paid		**(25,140,235)**	**(23,277,740)**	(18,075,387)
Net cash (used in) provided by operating activities		**628,102,877**	**417,251,073**	(1,559,038,385)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend received		**-**	**-**	4,924,800
Proceeds from sale or redemption of:				
Investment properties		**(81,330,316)**	**(70,505,600)**	99,899,886
Non-current assets held for sale		**13,228,782**	**13,228,782**	20,540,778
Investments at amortized cost		**(13,329,782)**	**(7,555,135)**	-
Financial assets at fair value through OCI		**-**	**-**	79,967,300
Acquisition of:				
Investments at amortized cost		**(600,000,000)**	**(600,000,000)**	(200,000,000)
Financial assets at fair value through other comprehensive income		**-**	**-**	(400,000,000)
Intangible assets	*15*	**(4,244,122)**	**(4,244,122)**	(6,119,437)
Property and equipment	*12*	**(160,022,589)**	**(160,022,589)**	(163,238,720)
Additions to cash items as a result of merger		**-**	**-**	(12,055,500)
Net cash used in investing activities		**(845,698,027)**	**(829,098,664)**	(576,080,893)

(forward)

	December 31		
	Consolidated 2018	**Separate 2018**	Individual 2017
CASH FLOWS FROM FINANCING ACTIVITY			
Payment of bills payable	**₱-**	**₱-**	(₱2,313,245,795)
Proceeds from bills payable	**(335,714,286)**	**(335,714,286)**	4,550,000,000
Net cash used in financing activity	**(335,714,286)**	**(335,714,286)**	2,236,754,205
EFFECT OF EXCHANGE RATE DIFFERENCES			
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(553,309,436)**	**(747,561,877)**	101,634,927
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	**402,649,904**	**402,649,904**	383,795,763
Due from Bangko Sentral ng Pilipinas	**2,672,191,276**	**2,672,191,276**	2,541,887,940
Due from other banks	**279,653,597**	**279,653,597**	327,176,147
	3,354,494,777	**3,354,494,777**	3,252,859,850
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	**627,391,489**	**610,557,594**	402,649,904
Due from Bangko Sentral ng Pilipinas	**1,503,106,577**	**1,488,665,071**	2,672,191,276
Due from other banks	**670,687,275**	**507,710,235**	279,653,597
	₱2,801,185,341	**₱2,606,932,900**	₱3,354,494,777
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest received	**₱1,091,931,817**	**₱1,091,931,817**	₱855,171,384
Interest paid	**260,707,703**	**260,707,703**	131,549,449

See Notes to the Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative figures as at and for the year ended December 31, 2017)

1. Basis of Preparation

Producers Savings Bank Corporation (PSBC or the "Parent") was registered with the Philippine Securities and Exchange Commission (SEC) on October 1, 2012 to operate as a thrift banking corporation. Likewise, on the same day, SEC issued the Certificate of Filing of the Articles and Plan of Consolidation by and between PSBC and New Rural Bank of Victorias, Inc. (NRBV) to be known as PSBC.

The registration of PSBC with SEC came after the approval by the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP) of the consolidation of PSBC and NRBV under MB Resolution No. 963 dated June 15, 2012. The MB approval also granted several meaningful consolidation incentives to the consolidated bank.

Pursuant to Republic Act (R.A.) No. 7906 and MB Resolution No. 963 dated June 15, 2012, the BSP awarded PSBC's Certificate of Authority to oper ate as a thrift bank on October 8, 2012.

PSBC commenced operations as a consolidated bank on October 12, 2012. When the consolidation took place, PSBC had 73 operating branches while NRBV had five (5) operating branches and one (1) other banking office.

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

The consolidation was treated as a business combination of entities under common control and was accounted for using the acquisition method in accordance with Philippines Financial Reporting Standards (PFRS) 3, *Business Combinations*. Management believes that the transaction has commercial substance.

Factors considered in evaluating whether the transaction has commercial substance follows:

a. the purpose of the transaction;
b. the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
c. whether or not the transaction is conducted at fair value;
d. the existing activities of the entities involved in the transactions;
e. whether or not the transaction is bringing entities together into a "reporting entity" that did not exist before;
f. where a new company is established, whether it is undertaken as an integral part of an initial public offering or spin-off or other changes in control or significant ownership; and

g. the extent to which an acquiring entity's future ca sh flows are expected to change as a result of the business combination in which:

i. the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred;
ii. the entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the combination; and
iii. the difference in items (i) and (ii) is significant relative to the fair value of the assets exchanged.

Merger with Iloilo City Development Bank
On October 31, 2013, the SEC issued the Certificate of Filing of the Agreement and Articles and Plan of Merger by and between PSBC and its thrift bank subsidiary, Iloilo City Development Bank (ICDBank). As such, on October 31, 2013, the corporate term of ICDBank was automatically terminated pursuant to the aforementioned Agreement and Articles and Plan of Merger, and its assets of ₱438.03 million and liabilities of ₱368.15 million were absorbed and assumed, respectively, by PSBC.

The issuance by the SEC of the Certificate of Filing of the Agreement and Articles and Plan of Merger by and between PSBC and ICDBank came after the approval of the MB, with PSBC as the surviving entity. The approval was obtained under MB Resolution No. 1498 dated September 13, 2013. In relation to the merger, PSBC issued common shares to former ICDBank shareholders amounting to ₱20.29 million or 2,029,066 shares at a par value of ₱10 per share.

Merger with Rural Bank of Cainta, Inc.
On February 6, 2015, PSBC filed with the BSP an application for merger with Rural Bank of Cainta, Inc. (RBC). The MB approval was obtained through MB Resolution No. 1688 dated October 15, 2015.

On December 29, 2015, the SEC issued the Certificate of Filing of the Articles and Plan of Merger by and between PSBC and its rural bank subsidiary, RBC. On the same day, the corporate term of RBC was automatically terminated pursuant to the aforementioned Articles and Plan or Merger, and its total assets of ₱560.27 million and total liabilities of ₱524.18 million were absorbed and assumed, respectively, by PSBC.

Acquisition of Rural Bank of San Fabian (Pangasinan), Inc. and Tower Development Bank, Inc.
On October 27, 2015, the Board of Directors (BOD) approved PSBC's acquisition of the 100% of the outstanding shares of Rural Bank of San Fabian (Pangasinan), Inc., (RBSFI) and Tower Development Bank, Inc. (TDBI) at a price of ₱43.48 per common share and ₱201.33 per common share, respectively. The BOD authorized its merger with RBSFI and TDBI, with PSBC as the surviving entity, in accordance with Batas Pambansa Blg. 68, otherwise known as the Corporation Code of the Philippines, and the applicable banking laws and regulations.

On November 4, 2015, PSBC acquired 100% ownership or 122,948 common shares of RBSFI for a purchase price of ₱43.48 per share.

On December 10, 2015, PSBC acquired 100% ownership or 663,285 common shares of TDBI for a purchase price of ₱201.33 per share.

RBSFI, a 47-year old rural bank, and TDBI, a 20-year old thrift bank, has two (2) branches each including its head offices which are located in Pangasinan and Bulacan province, respectively.

Acquisition of Rural Bank of Tayabas, Inc.
On December 21, 2015, the BOD approved PSBC's acquisition of the 100% of the outstanding shares of Rural Bank of Tayabas, Inc. (TYBAS) at a price of ₱151.60 per common share.

On January 15, 2016, PSBC acquired 82.48% ownership of TYBAS or 65,984 common shares out of a total 80,000 for a purchase price of ₱151.60 per share.

Merger with Rural Bank of San Fabian (Pangasinan), Inc., Tower Development Bank, Inc. and Rural Bank of Tayabas, Inc.
On April 7, 2016, the MB approved the acquisition of up to 100% of the total outstanding shares of RBSFI, TYBAS, and TDBI as an exception to Section 12 of R.A. No. 7906 as implemented by Section X378 of the MORB, subject to the following conditions:

i. PSBC shall file its application for merger with RBSFI, TYBAS and TDBI within 30 days from receipt of BSP approval of the equity investment; and

ii. PSBC shall not make any other equity investment until after BSP approval of the eventual merger.

On May 20, 2016, PSBC filed with the BSP an application for merger with RBSFI, TDBI and TYBAS. The MB approval was obtained through MB Resolution No. 1547 dated August 25, 2016.

On November 23, 2016, the SEC issued the Certificate of Filing of the Articles and Plan of Merger by and between PSBC and its subsidiaries, RBSFI, TDBI and TYBAS. On the same day, the corporate terms of RBSFI, TDBI and TYBAS were automatically terminated pursuant to the aforementioned Articles and Plan of Merger.

Acquisition of The Rural Bank of Bustos (Bulacan), Inc.
On November 29, 2016, the BOD approved PSBC's acquisition of the 72.74% of the outstanding shares of The Rural Bank of Bustos (Bulacan), Inc. (RB Bustos) at a price of ₱100.00 per common share. The BOD authorized its merger with RB Bustos with PSBC as the surviving entity. Accordingly, BSP approved PSBC's stock acquisition on May 18, 2017.

As at December 31, 2018 and 2017, the Parent Company holds interest in the following subsidiaries:

Name of bank	BOD approval date	Price per share	Date of BSP approval	Percentage of ownership [illegible]	[illegible]
Rural Bank of Sto. Domingo (Nueva Ecija), Inc.	May 12, 2017	₱26.59	August 17, 2017	100%	100%
Rural Bank of Pamplona (Camarines Sur), Inc,	October 27, 2017	281.13	October 11, 2018	100%	100%
Rural Bank of President Quirino (Sultan Kudarat), Inc.	December 21, 2017	49.78	October 11, 2018	100%	100%
Bangko Rural ng Pasacao (Camarines Sur), Inc.	February 19, 2018	78.419	October 11, 2018	100%	-
Bangko Rural ng Magarao (Camarines Sur), Inc.	February 21, 2018	252.56	October 11, 2018	100%	-
Rural Bank of San Fernando (Camarines Sur), Inc.	May 10, 2018	117.64	October 11, 2018	100%	-
Rural Bank of Sibalom (Antique), Inc.	August 06, 2018	1.00	December 14, 2018	100%	-
Rural Bank of Barotac Nuevo, Inc.	August 06, 2018	1.00	December 14, 2018	100%	-

PSBC has 175 operating branches as at December 31, 2018 compared to 155 operating branches as at December 31, 2017. Currently, it operates in 11 regions, namely, Cordillera Autonomous Region, Regions I to III, National Capital Region, Region IV-A, V, VI, VII, X, and XI.

The principal office of PSBC is located at the 17th floor, AIC Burgundy Empire Tower, ADB Avenue corner Sapphire St., Ortigas Center, Pasig City, Philippines.

2. Basis of Preparation

Statement of Compliance

The consolidated and separate financial statements of the Parent, and Subsidiaries (collectively referred to as the "Group") have been prepared in compliance with PFRS. PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

Basis of Measurement

The consolidated and separate financial statements have been prepared on the historical cost basis, except for the following items which are measured on an alternative basis for each reporting date.

Items	Measurement bases
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Retirement liability - net	Present value of the defined benefit obligation less the fair value of the plan assets

Functional and Presentation Currency

The consolidated and separate financial statements include accounts maintained in the Regular Banking Unit (the "RBU") and the Foreign Currency Deposit Unit (the "FCDU"). The functional currency of the RBU and the FCDU is the Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP (see Note 3 for the accounting policy on *Foreign Currency Transactions and Translations*). The consolidated and separate financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

Each entity in the Group determines its own functional currency and items included in the consolidated and separate financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries are presented under Basis of Consolidation. The consolidated and separate financial statements are presented in Philippine Peso, and all values are rounded to the nearest peso, unless otherwise stated.

Presentation of Consolidated and Separate Financial Statements

This report includes both the consolidated and separate financial statements as at and for the year ended December 31, 2018, with the individual financial statements presented as comparative information for 2017.

The statement of financial position is presented broadly in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

Basis of Consolidation

The consolidated and separate financial statements include the consolidated and separate financial statements of the Group and its subsidiaries and are prepared for the same reporting period as the Group using consistent accounting policies. The following are the wholly and majority-owned domestic subsidiaries of the Group in 2018:

Subsidiary	Principal Place of Business and Country of Incorporation	Effective Percentage of Ownership	Functional Currency
Financial Institutions			
The Rural Bank of Sto. Domingo (Nueva Ecija), Inc.	Philippines	100%	PHP
The Rural Bank of Pamplona (Camarines Sur), Inc.	Philippines	100%	PHP
The Rural Bank of President Quirino (Sultan Kudarat), Inc.	Philippines	100%	PHP
The Bangko Rural ng Pasacao (Camarines Sur), Inc.	Philippines	100%	PHP
The Bangko Rural ng Magarao (Camarines Sur), Inc.	Philippines	100%	PHP
The Rural Bank of San Fernando (Camarines Sur), Inc.	Philippines	100%	PHP
The Rural Bank of Sibalom (Antique), Inc.	Philippines	100%	PHP
The Rural Bank of Barotac Nuevo, Inc.	Philippines	100%	PHP

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation (see Note 32). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Group or the Parent. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income and consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the Parent's ownership interest in a sub sidiary that do not result in a loss of control are accounted for within equity. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid (or to be paid) or received is recognized directly in equity included as part of 'Translation adjustment and others' and attributed to the owners of the Parent.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interest; (c) derecognizes the related other comprehensive income (OCI) recorded in equity and recycles the same to statement of income or retained earnings; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in statement of income; and (g) reclassifies the Parent's share of components' gains (losses) previously recognized in OCI to statement of income or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The acquisition method of accounting is used when subsidiaries are acquired by the Parent. The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration, given at the date of exchange. Acquisition-related costs are recognized as an expense in the statement of income in the period in which they are incurred. The acquired identifiable assets, liabilities and contingent liabilities are generally measured at their fair values at the date of acquisition.

The Parent reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three (3) elements of control.

Non-controlling Interest

Non-controlling interest represents the portion of statement of income, OCI and the net assets of the funds not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent. Any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests are accounted for as equity transactions.

Changes in the Parent's ownership interest in a sub sidiary that do not result in the Parent losing control of the subsidiary are treated as equity transactions with owners of the Parent.

Separate Financial Statements

In the Parent's separate financial statements, inve stments in subsidiaries are carried at cost, less accumulated impairment in value. Dividends earned are reported as dividend income when the right to receive the payment is established.

Approval of Issuance of Consolidated and Separate Financial Statements

The consolidated and separate financial statements of the Group as at and for the year ended December 31, 2018 were approved and authorized for issue by the BOD on April 12, 2019.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated and separate financial statements except for the changes in accounting policies as explained below.

Changes in Accounting Policies and Procedures

The Group has adopted the following amendments to standards starting January 1, 2018 and, accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated and separate financial statements.

<u>Amendments</u>

Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15*
The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

Amendments to PAS 40, *Investment Property - Transfers of Investment Property*
The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

<u>New Standards and Interpretations</u>

PFRS 15, *Revenue from Contracts with Customers*
The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue,* and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

Based on the Group's assessment, all of the Group's contracts with customers generally undertake to provide single performance obligation at a fixed price which is mainly rendering of services. Thus, the allocation of transaction price to the single performance obligation is not applicable. The Group's recognizes revenue as the services are rendered over time. Accordingly, the adoption of PFRS 15 has no impact in the timing of the Group's revenue recognition.

PFRS 9, *Financial Instruments*
This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

The Group has early adopted the PFRS 9 (2010 version) in 2013. On January 1, 2018 the Group adopted the PFRS 9 (2014 version) and the comparative information for 2017 for financial instruments in scope of PFRS 9 was not restated and was reported under PFRS 9 (2010 version). The Group assessed that the adoption of PFRS 9 (2014 version), specifically on determining impairment loss, has no impact on the carrying amounts of the Group's financial assets carried at amortized cost.

- PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

- For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

- For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

- For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

- The derecognition provisions are carried over almost unchanged from PAS 39.

Foreign Currency Transactions and Translation

Transactions in foreign currencies are initially recorded at the functional rate of exchange at the date of transaction.

Foreign currency-denominated monetary assets and liabilities in the RBU and the FCDU of the Group are translated to their respective presentation currencies based on the Bankers Association of the Philippines (BAP) closing rate (for 2018) and the Philippine Dealing System (PDS) closing rate (for 2017 and prior years) prevailing at the statement of financial position date and (BAP) closing rate (for 2018) and PDS weighted average rate (PDSWAR) for the reporting period for income and expenses. Foreign exchange differences arising from foreign currency transactions and translation of foreign currency-denominated assets and liabilities to the functional currency are credited to or charged against the statements of income under "Foreign exchange losses (gains)", except for differences arising from the translations of financial assets at FVOCI which are recognized directly in "Net change in unrealized gains (losses) of financial assets at FVOCI" in the period in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined.

In accordance with the Manual of Regulations for Groups (MORB) and BSP Circular No. 691 issued on June 23, 2010 and PAS 21, *The Effects of Changes in Foreign Exchange Rates*, the exchange differences arising from translation of the FCDU accounts to PHP are taken directly to OCI under "Net movement in cumulative translation adjustment" in the statements of income. Exchange differences arising from translation of foreign currency-denominated assets and liabilities of the RBU are credited to or charged against operations in the year in which the rates change.

Given the nature and amount of the exchange differences arising from translation of FCDU accounts to PHP in 2018 and 2017, management believes the Parent's net movement in cumulative translation adjustment is considered minimal.

Financial Instruments

Date of Recognition
Financial instruments are recognized when the Group becomes a party to the contractual provisions of the instruments.

Regular way purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market are recognized on settlement date. Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Group. Deposit liabilities, bills payable, and loans and receivables are recognized when cash is received by the Group or advanced to the borrowers.

Initial Recognition
All financial assets and financial liabilities are recognized initially at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is normally the transaction price (e.g., the fair value of the consideration given or received). If a financial asset is not subsequently accounted for at fair value through profit or loss (FVPL), the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination.

Classification
The Group classifies its financial assets as financial assets at FVPL and FVOCI, and investments at amortized cost. The classification of financial assets depends on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Business Model Assessment
The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;

- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales in prior period, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest
For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on the initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows fr om specified assets (e.g., non-recourse asset arrangements); and
- features that modify consideration of the time value of money - e.g., periodical reset of interest rates.

(a) *Investments at Amortized Cost*
Debt financial assets are measured at amortized cost if it is not designated as at FVPL and both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the statements of income. The Group classifies cash and other cash items (COCI), excluding cash on hand, Due from Bangko Sentral ng Pilipinas, Due from other Banks, investments at amortized cost, loans and receivables, sinking fund, and security deposits (included under 'Other assets') as financi al assets at amortized cost.

Securities sold under repurchase agreements at a specified future date ("repos") are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as liability of the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ("reverse repos") are not recognized in the statement of financial position. The corresponding cash paid, including accrued interest, is recognized in the statement of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in the statement of income and is amortized over the life of the agreement using the effective interest method. The Group normally enters into overnight reverse repurchase agreement with the BSP.

(b) *Financial Assets at FVOCI*

The Group measures a financial asset at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

However, at initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments at FVOCI. Designation at FVOCI is not permitted if the equity investment is a contingent consideration in a business combination or is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Equity investments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in "Unrealized gains (losses) on financial assets at FVOCI" in the statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in "Net unrealized gain on financial assets at FVOCI" is not reclassified to the statement of income, but is reclassified to equity. Dividends earned on holding these equity investments are recognized in the statement of income when the Group's right to receive the dividends is established, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized under "Dividend income" in the statement of income.

(c) *Financial Assets at FVPL*

The Group measures a financial asset at FVPL unless it is measured at amortized cost or at FVOCI. At initial recognition, the Group may choose to irrevocably designate a financial asset as measured at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets of liabilities or recognizing the gains and losses on them on different bases.

Financial assets at FVPL are carried in the statement of financial position at fair value with gains and losses recognized in statement of income. Interest earned is recorded as Interest income while dividend income is recorded in other income when the right to receive payment has been established.

As at December 31, 2018 and 2017, the Group does not hold any financial assets at FVPL.

(d) *Other Financial Liabilities*

Issued financial instruments or their components, are classified as liabilities under appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity securities. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, borrowed funds and similar financial liabilities not qualified as and not designated as FVPL, are subsequently measured at cost or amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. This accounting policy relates to all financial liabilities in the statements of financial position, included under "Accrued interest, taxes and other payable" and "Other liabilities" accounts which are due and expected to be paid within one (1) year from reporting date.

Securities sold under agreements to repurchase (SSURA) at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as SSURA included in 'Bills payable' and is considered as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell (SPURA) at a specified future date ('reverse repos') are not recognized in the statement of financial position. The corresponding cash paid including accrued interest, is recognized in the statement of financial position, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR method.

(e) *Reclassification of Financial Instruments*

The Group reclassifies financial assets if the objective of its business model for managing those financial asset changes. The Group is required to reclassify the following financial assets:

- from amortized cost to fair value if the objective of the business model changes so that the amortized cost criteria are no longer met; and

- from fair value to amortized cost if the objective of the business model changes so that the amortized cost criteria starts to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated at FVPL at initial recognition is not permitted.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Reclassifications are applied prospectively and previously recognized gains, losses or interest are not restated. If a financial asset is reclassified so that it is measured at fair value, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and the fair value is recognized in the statement of income.

If a financial asset is reclassified so that it is measured at amortized cost, its fair value at the reclassification date becomes its new carrying amount.

Financial liabilities are not reclassified.

(f) *Classification of Financial Instruments between Debt and Equity*
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument or a component that is a financial liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Impairment of Financial Assets

Overview of the ECL principles
Impairment under PFRS 9 requires the use of an expected loss approach for the calculation of impairment allowances. The standard's core princ iple with respect to impairment is that impairment allowances are recognized before the losses are actually incurred. The losses are recognized through the whole life of the asset regardless of deterioration of credit quality of the asset. However, if credit quality further deteriorate in the lifetime of the loan, the approach on how and to what extent losses are estimated should be changed accordingly.

Definition of "default" and "cure"
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes 31 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.