

AllBank

A Thrift Bank

20

ANNUAL
REPORT



Annual Report 2018

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www.allbank.ph
info@allbank.ph

Work Hard. Bank Easy.

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About Us

Work hard. Bank easy.

AllBank (A Thrift Bank), Inc. is in the business of providing specialized financing products and services to working-class Filipinos and business owners. AllBank's fundamental goal is to play a vital role in the development of not only the communities that its branches call home, but also the businesses that surround it.

AllBank also offers highly competitive rates that yield better returns compared with our competitors. Banking with us is never a chore due to our top-notch customer service innovations. But beyond anything, banking with us makes you feel at ease.

At AllBank, our assurance is that you can work hard, live well, and bank easy.

VISION

To be the Bank for all, by delivering the commitments that matter to you most.

MISSION

To be the preferred bank of our partners in their financial growth, committed to providing excellent service and innovative products for all.

COMMITMENT

"Work hard, Bank easy" is not just a tagline, it is a two-part promise between AllBank and its stakeholders. We know you work hard, so we commit to:

E - "Excellence" in all that we do
A - "Accessibility", strategic locations, convenient banking hours, wider touchpoints.
S - "Service" with a smile, while going the extra mile.
Y - "You" are our priority.

Financial Summary & Highlights

*Amounts in thousands PhP

	2018		2017	
Profitability				
Total Net Interest Income	₱	114,393	₱	111,496
Total Non-Interest Income	₱	47,771	₱	36,270
Total Non-Interest Expenses	₱	135,598	₱	124,467
Pre-provision profit	₱	26,566	₱	23,299
Provision for credit losses- net	₱	10,663	₱	2,800
Net Income	₱	15,903	₱	20,499

Selected Balance Sheet Data

Liquid Assets	₱	1,323,219	₱	1,197,468
Gross Loans	₱	1,702,241	₱	1,534,009
Total Assets	₱	3,256,937	₱	2,946,152
Deposit	₱	2,065,404	₱	1,869,160
Total Equity	₱	1,036,720	₱	1,020,817

Selected Ratios

Return on equity	2%	2%
Return of assets	1%	1%
Tier 1 capital ratio	48%	54%
Capital Adequacy Ratio	47%	53%

CORE VALUES

- Competitive Spirit:** The competition is there for two reasons: To learn from and knock out.
- Teamwork:** We have a common goal, and we need each other to get there.
- Concern for Customers:** Our future is tied up with our customers' - along with their dreams, their hopes, and their lives. They are the reason we exist.
- Cost Consciousness:** It is not what we can cut, but what we can save on.
- Honesty:** We need to be trustworthy, and we need to be trusted - there must be integrity and reliability in our word, and our character.

Word from the Chairman

Against many odds, our firm and resolute determination to establish the Bank as a strong participant in this very competitive industry has yielded positive results. Once more, we maintained our CAMELS rating for the 3rd consecutive time on the back of a branch expansion program that involved a merger with another bank. Such endeavor is our major commitment to strengthen our institutional framework, expand our market reach and better service our client base. The merger likewise affirms our intent to grow our organization to become a major player in the country's financial services sector.

Throughout the year, the Bank has adopted new strategic plans of achieving strong cash generation, sustaining aggressive loan conversion and creating long term shareholder and customer relationship. We also invested in new and innovative pipelines by financing capital expenditures and digital initiatives. Operating processes have been streamlined and a continuing review aims to provide the best and most convenient products to our clients. We are confident that our operating plans will deliver astonishing value and benefits to our stakeholders.

In behalf of the Board of Directors, we thank you for your continued support. It is our privilege to serve you as we remain true to our slogan "Work Hard, Bank Easy". Salamat po.


Lili B. Ramirez
Chairman



President's Report

The year 2018 was a year of breakthroughs for AllBank. We have accomplished a great deal and have made excellent progress in many areas. Indeed, the past twelve months have been fulfilling as the organization continued to deliver on its promises.

We have implemented major changes and projects aimed at achieving and capturing the long-term goals of the Bank.

The Bank's merger with Rural Bank of Plaridel, Inc. (RBPI) provided a more comprehensive network that translated to a wider banking platform and efficient services for our clients. The continued aggressive expansion has paved the way for capturing additional target markets and clients for the Bank. We added five new branches and three automated teller machines, supplementing the ten existing branches and 21 ATMs. And there's more to come.

Building a solid customer base remains our top priority as we believe it is the key to a solid future. We trust that having the confidence to deliver our promise to our customers will drive success. The strategic initiatives that the Bank has taken will be the prerequisites for a sustainable growth. Investments with capital expenditures, projects and people are finally yielding results.

To cater to the varying needs of our clients, we have introduced new products and services. We are now offering Foreign Currency Deposit as well as Partner Checking Account for our clients. Additional services like Bills Payment and Night Depository Services are also some of our innovations to make the lives of our clients easier and more convenient.

We sustained our high CAMELS rating, demonstrating that the Bank is effective in implementing its strategies and policies are in place. Total resources posted a 10.5% growth to P3.26B. Loans and Other Receivables increased by 7.6% to P1.73B while Deposit Liabilities grew 10.5% to P2.07B. Total Net Interest Income after Impairment Losses and Other Income was also higher by 4.5%.

Alongside these significant achievements are the trainings and programs for AllBank officers and staff as part of the Bank's employee development program to build a winning culture and strengthen its leadership pipeline. Likewise, we have rolled out several enhancements and we continue to automate our processes to elevate our customer experience and protection. We have also participated in various events and adopted marketing initiatives as part of introducing the Bank and expanding its niche.

I want to thank our dear stakeholders for the unending support, the Board of Directors for their continuing guidance, our partners and clients for their trust and confidence, and the officers and staff for their commitment and impressive drive to always deliver efficient and quality services. As we enter another year, and as we continue to touch and reach out to more and more of our kababayans, we hope for your continued patronage and unwavering support. Cheers to more years of partnership!


Cecille Marie H. Bernardo
President

Risk Management Framework

The Bank faces and manages several types of risks. In understanding and managing these risks, the Bank is guided by this philosophy:

“AllBank (A Thrift Bank), Inc. identifies, understands, measures, and controls the different risks inherent in all aspects of its operation, ensuring that the benefits in taking such risks are commensurate to the degree of risks taken. Risk Management is everyone’s responsibility.”

The Board of Directors leads the risk management direction, approves the corporate risk policy, risk tolerances and appetite, and provides risk oversight function through the Risk Oversight Committee (ROC).

The Bank is guided by a Risk Appetite Statement in the pursuit of its objectives and goals. Risk Appetite as approved by the Board and reviewed periodically by Management to ensure that it is consistent with the bank’s strategies and regulatory requirements. The specific appetite for each risk type as implemented and enforced by an extensive set of specific limits. These limits are monitored regularly and presented to Management and appropriate committees. Any breaches are elevated for approval as appropriate.

The members of the ROC possess a range of expertise as well as adequate knowledge of AllBank’s risk exposures. They develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. The Committee’s role is one of oversight, recognizing that Management is responsible for executing the bank’s risk management. The ROC is supported by the Risk Management Unit.

Specifically, the Risk Management processes are as follows:

1. Identify and evaluate exposures
2. Develop risk management strategies
3. Oversee the implementation of the risk management plan
4. Review and revise the plan as needed.

The Bank’s Management supervises various types of risks from a comprehensive perspective. In managing these risks, consideration is given not only on risk minimization but also in controlling risks to make an optimal contribution to the Bank. This requires a thorough, timely, and reasonable measurement of different types of risks.

Various types of Risks

Credit Risk

Credit risk is the risk that a customer or counterparty will fail to fulfill its contractual obligations thus subjecting the Bank to a possibility of incurring financial losses. Due to the nature of its business, AllBank faces credit risks in its investing and lending activities.

AllBank has established a quality credit undertaking and loan evaluation process to identify possible changes in the credit worthiness of the borrowers. The Bank implements Internal Credit Risk Rating Systems (e.g., Borrower’s Risk Rating and Credit Scoring), which considers both the qualitative and the quantitative risk factors in determining the counterparty/borrower limits and in measuring and monitoring credit risks for its covered portfolio. These rating systems are also tied-up with the Bank’s loan pricing scheme to factor in the additional risk that the Bank is taking by extending credit(s) to accounts which initially exhibit higher risks or probability of default (prior to loan approval) as compared to prime accounts. These rating systems are evaluated, updated and enhanced as a result of experience gained by the Bank and to align with industry best practices.

The Bank’s lending activities are governed by its Credit Policy Manual which defines guiding principles and parameters for credit activities as well as roles and responsibilities of every party to the overall credit process. Credit policies and standards are aligned with the relevant BSP standards (i.e., Circular 855). These are being reviewed periodically to ensure effectiveness and continued relevance.

The Board ensures that the credit risk management system provides adequate policies, procedures and processes to identify, measure, monitor and control all credit risks, both at the individual and portfolio levels on a consistent and continuing basis; and that an independent assessment of the system is periodically performed. The Board also ascertains its compliance to Single Borrower’s and Related Party Transaction limits and performs regular monitoring of large exposures and credit concentrations to ensure portfolio diversification. The results of these regular activities are reported to the Risk Oversight Committee.

Management performs an unbiased assessment of the quality of individual credits and the aggregate credit portfolio including review of credit process to determine that credits are granted in accordance with the Bank’s policies. It also assesses the overall asset quality, including appropriateness of loan classification and adequacy of loan-loss provisioning, and determines current trends for identification of red flags and problems (e.g., risk concentration, risk mitigation, deficiencies in credit administration and monitoring processes).

For investment in debt securities, credit risk is addressed by setting limits on the maximum amount of investment that can be made on certain types of securities.

The Bank’s exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of each reporting period as shown in the Statements of Financial Position. The table provided below shows the exposure to credit risk as of December 31 for each risk grouping and the related allowance for impairment.

	Due from BSP*	Due from Other Banks**	HTM Investments	Loans and Other Receivables	Total
2018					
Carrying amount	₱ 1,062,200,105	₱ 218,877,311	₱ 3,517,643	₱1,724,718,422	₱3,009,313,481
Individually impaired	₱ -	₱ -	₱ -	₱ 85,671,429	₱ 85,671,429
Allowance for impairment	₱ -	₱ -	₱ -	(₱ 39,418,963)	(₱ 39,418,963)
	₱ -	₱ -	₱ -	₱ 46,252,466	₱ 46,252,466
Neither past due nor impaired	₱ 1,062,200,105	₱ 218,877,311	₱ 3,517,643	₱ 1,678,465,956	₱ 2,963,061,015
Total carrying amount	₱ 1,062,200,105	₱ 218,877,311	₱ 3,517,643	₱ 1,724,718,422	₱ 3,009,313,481

	Due from BSP*	Due from Other Banks**	HTM Investments	Loans and Other Receivables	Total
2017					
Carrying amount	₱ 1,022,967,393	₱ 148,668,880	₱ 3,515,421	₱ 1,602,871,856	₱ 2,778,023,550
Individually impaired	₱ -	₱ -	₱ -	₱ 110,554,977	₱ 110,554,977
Allowance for impairment	₱ -	₱ -	₱ -	(₱ 25,226,813)	(₱ 25,226,813)
	₱ -	₱ -	₱ -	₱ 85,328,164	₱ 85,328,164
Neither past due nor impaired	₱ 1,022,967,393	₱ 148,668,880	₱ 3,515,421	₱ 1,517,543,692	₱ 2,739,828,378
Total carrying amount	₱ 1,022,967,393	₱ 148,668,880	₱ 3,515,421	₱ 1,602,871,856	₱ 2,778,023,550

* Includes loans and receivables arising from repurchase agreement.

** Includes time deposits with maturities of more than three months.

The Due from Bangko Sentral ng Pilipinas (BSP) account represents the aggregate balance of interest-bearing deposit accounts in local currency maintained by the Bank with the BSP, primarily to meet reserve requirements and to serve as a clearing account for any interbank claims. Hence, no significant credit risk is anticipated for this account.

Credit risk arising from Due from Other Banks is being managed by ensuring that the banks where these financial assets are invested are of high reputation and good credit standing and have passed the investment guidelines of the Bank.

The carrying amount of financial assets recorded in the financial statements represented the Bank's maximum exposure to credit risk without taking into account the value of any collateral obtained.

The concentrations of credit risk by sector of the Bank's financial assets (gross of allowance) as of December 31 are presented in the succeeding page.

	Due from BSP*	Due from Other Banks**	HTM Investments	Loans and Other Receivables	Total
2018					
Financial intermediaries	₱ 1,062,200,105	₱ 218,877,311	₱ 3,517,643	₱ -	₱ 1,284,595,059
Real estate, renting and other related activities	₱ -	₱ -	₱ -	₱ 928,209,555	₱ 928,209,555
Wholesale and retail	₱ -	₱ -	₱ -	₱ 220,675,121	₱ 220,675,121
Others	₱ -	₱ -	₱ -	₱ 615,252,709	₱ 615,252,709
	₱ 1,062,200,105	₱ 218,877,311	₱ 3,517,643	₱ 1,764,137,385	₱ 3,048,732,444

	Due from BSP*	Due from Other Banks**	HTM Investments	Loans and Other Receivables	Total
2017					
Financial intermediaries	₱ 1,022,967,393	₱ 148,668,880	₱ 3,515,421	₱ -	₱1,175,151,694
Real estate, renting and other related activities	₱ -	₱ -	₱ -	₱ 917,259,031	₱ 917,259,031
Wholesale and retail	₱ -	₱ -	₱ -	₱ 218,436,398	₱ 218,436,398
Others	₱ -	₱ -	₱ -	₱ 492,403,240	₱ 492,403,240
	₱ 1,022,967,393	₱ 148,668,880	₱ 3,515,421	₱ 1,628,098,669	₱2,803,250,363

* Includes loans and receivables arising from repurchase agreement.

** Includes time deposits with maturities of more than three months.

The Bank holds collateral against loans to borrowers in the form of mortgage interests over properties, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Market and Liquidity Risks

Market risk is the central focus of risk management methodologies and limits, as well as a gauge by the Bank to determine the returns it will require for its activities. The Bank's market risk is measured using different measurement and monitoring tools such as Mark-to-Market (MTM), Stress Testing and Scenario Analysis. All assumptions and results of the monitoring tools are documented and routinely reported by the Risk Management Unit to the ROC or the Board on a monthly basis.

Liquidity risk, on the other hand, is the risk that sufficient funds will not be available to adequately meet the credit demands of the Bank's customers, repay deposits on maturity and settle other obligations and financial liabilities. The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquid financial assets at all times to meet obligations when they fall due, and under both normal and stressed conditions, without incurring unacceptable losses that would be detrimental to the Bank's operation.

The Bank's policy is to maintain adequate liquidity at all times. It aims to honor all cash requirements on an on-going basis and to avoid raising funds above market rates or through the forced sale of assets.

The Bank manages liquidity by maintaining a portfolio of highly liquid financial assets of appropriate quality to ensure that short term funding requirements are met regularly in the event of unforeseen interruption in cash flows. Specifically, the Bank's liquidity risk management is focused on the matching of the maturities of its liquid financial assets and short-term liabilities. In addition, the Bank also seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when this arises.

The Bank has a functional Asset and Liability Committee which oversees liquidity management. Gap reports and monitoring is done and reported to the Risk Oversight Committee. It also has a Liquidity Contingency Plan which identified fund sources during potential liquidity stress/crunch scenarios.

The settlement groupings of the Bank's financial assets and liabilities as of December 31, 2018 and 2017 are as follows:

	2018				
	One to Three Months	Three months to One Year	One to Five Years	More than Five Years	Total
Financial assets:					
Cash and other cash items	₱ 42,141,861	₱ -	₱ -	₱ -	₱ 42,141,861
Due from BSP	283,200,105	-	-	-	283,200,105
Due from other banks*	167,873,415	51,003,896	-	-	218,877,311
Loans and receivables arising from repurchase agreement	779,000,000	-	-	-	779,000,000
Loans receivables – net	61,896,801	305,015,793	503,892,352	853,913,476	1,724,718,422
Investment securities at amortized cost- net	-	517,643	-	3,000,000	3,517,643
Total financial assets	₱ 1,334,112,182	₱ 356,537,332	₱ 503,892,352	₱ 856,913,476	₱ 3,051,455,342
Financial liabilities:					
Deposit liabilities	₱ 1,956,579,456	₱ 41,499,931	₱ 67,324,736	-	₱ 2,065,404,123
Other liabilities	137,829,937	-	-	-	137,829,937
Total financial liabilities	₱ 2,094,409,393	₱ 41,499,931	₱ 67,324,736	-	₱ 2,203,234,060
Net Position	(₱ 760,297,211)	₱ 315,037,401	₱ 436,567,616	₱ 856,913,476	₱ 848,221,282
Cumulative Net Position	(₱ 760,297,211)	(₱ 445,259,810)	(₱ 8,692,194)	₱ 848,221,282	₱ -

	2017				
	One to Three Months	Three months to One Year	One to Five Years	More than Five Years	Total
Financial assets:					
Cash and other cash items	₱ 25,831,342	₱ -	₱ -	₱ -	₱ 25,831,342
Due from BSP	616,539,737	-	-	-	616,539,737
Due from other banks*	98,668,880	50,000,000	-	-	148,668,880
Loans and receivables arising from repurchase agreement	406,427,656	-	-	-	406,427,656
Loans receivables – net	94,089,583	265,185,986	505,194,663	738,401,624	1,602,871,856
HTM investments	-	515,421	-	3,000,000	3,515,421
Total financial assets	₱ 1,241,557,198	₱ 315,701,407	₱ 505,194,663	₱ 741,401,624	₱ 2,803,854,892
Financial liabilities:					
Deposit liabilities	₱ 1,719,259,573	₱ 95,150,724	₱ 54,750,197	-	₱ 1,869,160,494
Other liabilities	41,652,168	-	-	-	41,652,168
Total financial liabilities	₱ 1,760,911,741	₱ 95,150,724	₱ 54,750,197	-	₱ 1,910,812,662
Net Position	(₱ 519,354,543)	₱ 220,550,683	₱ 450,444,466	₱ 741,401,624	₱ 893,042,230
Cumulative Net Position	(₱ 519,354,543)	(₱ 298,803,860)	₱ 151,640,606	₱ 893,042,230	₱ -

* Includes time deposits with maturities of more than three months.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation or may lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank will be able to manage this risk. Controls include effective segregation of duties, promotion of ethical and integrity standards, access, authorization and reconciliation procedures, staff training and assessment process, including maintenance of internal audit.

The Bank also puts premium on the confidentiality, availability and integrity of information it possesses. The Bank has put in place information security policies to address this. Frameworks were also established to ensure that risks are identified, measured, controlled, monitored and reported.

Legal and Regulatory Risk

To address changes in laws, regulations and fiscal policies that could have an adverse effect to the Bank's operations and financial reporting, the Bank implements a legal review process as a primary control mechanism against legal risk. This review is aimed to verify the capacity and authority of counterparties to enter into several transactions and validate the propriety and due execution of legal documents. Legal risk is also managed through the use of legal documentation forms and imposition of certain requirements to ensure that transactions are properly authorized.

Regulatory risk is the risk of regulatory sanctions resulting to financial losses or loss of reputation the Bank may suffer as a result of its failure to comply with all applicable laws, regulations, code of conduct and standards of good practice. The compliance function has the primary duties of identifying, monitoring and controlling regulatory or compliance risks. It is responsible for communicating and disseminating new rules and regulations to all units. The Bank's Compliance Officer is reporting directly to the Corporate Governance Committee.



Capital Adequacy

The Bank ensures that it operates within the regulatory capital framework prescribed by the BSP. For 2018 and 2017, the Bank remains compliant within the regulatory capital requirement.

The table below shows the comparative capital and risk weighted assets composition of the Bank and the corresponding Capital Adequacy Ratio (CAR) and the Net Tier 1 ratio for the years ended 2018 and 2017.

(Amounts in Thousand Pesos)

	2018		2017	
Paid-up common stock	₱	749,833	₱	749,833
Paid-up perpetual and non-cumulative preferred stock		60,422		60,422
Additional paid-in capital		110,143		110,143
Retained earnings and surplus reserves		98,784		78,285
Undivided profits		15,821		20,499
Tier 1 Capital		1,035,003		1,019,182
Less: Deferred tax asset		16,520		13,041
Net Tier 1 Capital		1,018,483		1,006,141
Tier 2 Capital		₱16,957		₱14,007
General loan loss provision				
Total Qualifying Capital	₱	1,035,440	₱	1,020,148
Credit Risk Weighted Assets	₱	1,972,677	₱	1,711,699
Operational Risk Weighted Assets		201,188		179,622
Market Risk Weighted Assets		-		-
Total Risk Weighted Assets	₱	2,173,865	₱	1,891,321
Total Capital Adequacy Ratio		48%		54%
Net Tier 1 Capital Adequacy Ratio		47%		53%

AML Governance

As part of AllBank's effort to ensure overall compliance with the provisions of the Anti-Money Laundering Act, the Bank has implemented "Know-Your-Customer" policies and procedures, wherein all business units are required to validate the true identity of the customer based on official and other reliable documents or records before accounts are opened or a business relationship is initiated. The Bank is also required to risk profile its clients, perform the corresponding due diligence procedures, monitor their accounts on a continuing basis and report covered and suspicious transactions as required. The Bank, through its Compliance Unit and Internal Audit Unit, measures the Bank's overall compliance through the conduct of compliance testing and audit engagements, respectively.

Corporate Governance

AllBank's Corporate Governance framework was crafted to support the achievements of its corporate mission for the benefit of various stakeholders.

The Bank's Board of Directors is composed of five (5) directors - four (4) are non-executive directors, two (2) of whom are independent directors. They are all qualified business professionals with the expertise and experience in directing the Bank's strategic growth and path. The independent directors provide independent judgment, outside experience and objectivity.

Directors are elected every year during the stockholders' meeting from a list of nominees endorsed by the Corporate Governance Committee (CGC) and approved by the Board of Directors. The CGC screens the qualifications of the nominees and comes up with a final list of nominees.

Succession or filling up vacancies in the Board is addressed in the Bank's By-Laws. Any vacancy in the Board of Directors, except removal or expiration of term, shall be filled in by the remaining Directors if constituting a quorum, and the director or directors so chosen shall serve for the unexpired term.

The Board of Directors is entrusted with the primary responsibility of approving and overseeing the implementation of the strategic objectives, risk strategies, corporate governance and values. It is also responsible for monitoring and overseeing the performance of senior management as the latter manages the Bank's day-to-day affairs.

The Chairman of the Board provides leadership in the Board of Directors and ensures its effective functioning. While he encourages dissenting opinions, he ensures that a relationship of trust and respect is maintained within the Board of Directors.

The Board of Directors is required to remain fit and proper during their term. It is expected to conduct fair business dealings and avoid conflicts of interest. The Directors must act honestly, in good faith and in the best interest of the Bank and its stakeholders. They are required to devote their time and attention necessary to properly discharge their duties and responsibilities and act judiciously at all times.

The attendance of each and every director for the 2018 Board and Committee meetings are as follows:

	Name of Directors	Board		Corporate Governance Committee		Risk Oversight Committee		Audit Committee	
		Attended	%	Attended	%	Attended	%	Attended	%
1	LILI B. RAMIREZ	13	93%	N/A	-	11	92%	9	90%
2	DANILO D. CAMACHO	14	100%	11	100%	n/a	-	n/a	-
3	EVELYN D. GUERRERO	14	100%	11	100%	12	100%	10	100%
4	PAUL T. SALANGA	11	79%	9	82%	9	75%	8	80%
5	CECILLE MARIE H. BERNARDO	14	100%	N/A	-	n/a	-	n/a	-
Total no. of meetings held during the year		14	100%	11	100%	12	100%	10	100%

The Directors' performances are assessed on a yearly basis through self-evaluation and peer assessments. The results of such assessments are disclosed in a board meeting.

Board Committees

There are three (3) committees that were created to assist and to help the Board in efficiently handling various tasks and in performing their respective mandates.



As part of its function, the Committee reviewed issued internal audit reports and focused on high- and medium-risk areas that can impact the Bank's overall operational and financial soundness. It also noted the quarterly exception monitoring reports to ensure prompt resolution of unresolved audit findings. Furthermore, the Committee also discussed pertinent matters and responses related to the results of examination conducted by the Bangko Sentral ng Pilipinas.

Lastly, the Audit Committee has endorsed for the Board of Director's approval, the service level agreement with AllBank's Compliance Unit as part of strengthening the Bank's overall review program and broadening the coverage of compliance reviews.



Evelyn D. Guerrero
Chairman



Paul T. Salanga
Member



Lili B. Ramirez
Member

Audit Committee

The Audit Committee is responsible for providing independent oversight of the effectiveness and adequacy of internal controls, financial reporting and risk management systems, compliance with relevant regulations, and internal and external audit activities.

The Committee is composed of three (3) non-executive directors, two (2) of whom are independent directors, including the Committee Chairman. All members have relevant background, knowledge, skills and/or experience in the areas of accounting, banking and finance.

The Committee meets on a regular basis (at least quarterly) and is supported by the Internal Audit Unit (IAU).

During the year, the Audit Committee has reviewed its own charter, the IAU's charter and the IAU's guidelines for the conduct of the Quality Assurance and Improvement Program. It has also approved the amendments and revisions made to the IAU Manual of Operations as part of enhancing IAU's current mechanisms, practices and standards in conducting its audits.

Moreover, the Committee has authorized the implementation of the annual internal audit plan after thoroughly reviewing IAU's audit methodologies and scope, results of audit risk assessment and resource requirement and personnel development plans. Throughout its implementation, the Committee has monitored the status and progress of the internal audit plan and confirmed its corresponding accomplishment reports.

Risk Oversight Committee

The Risk Oversight Committee is responsible for the development and oversight of risk management programs to ensure its functionality and effectiveness. The Committee reviews risk reports that control and monitor risk exposures and limits.

It is composed of three (3) non-executive directors, two (2) of whom are independent directors, including the Committee Chairman. The members are all equipped with adequate knowledge and banking exposures which are needed in risk identification, risk mitigation and control. The Committee meets on a monthly basis and is supported by the Risk Management Unit (RMU).

During the year, the Committee conducted regular discussions on the Bank's exposures to credit, market/liquidity and operational and reputational risks, reviewed amendments made on certain credit policies and guidelines, discussed the results of BSP-mandated stress tests, noted the assessment reports pertaining to information technology and information security and approved updated policies on stress testing, information security and operational risk frameworks in accordance with relevant and applicable standards.



Paul T. Salanga
Chairman



Evelyn D. Guerrero
Member



Lili B. Ramirez
Member

Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the Board in fulfilling its duties and responsibilities and monitoring the Bank's adherence to the principles set forth in the Corporate Governance Manual.

The Committee is composed of three (3) non-executive directors, two (2) of whom are independent directors, including the Committee Chairman. The Committee meets on a regular basis and is supported by the Compliance Unit.

In 2018, the Committee discussed relevant and current issues concerning anti-money laundering policies, BSP circulars and BIR/SEC regulations. Moreover, the Committee reviewed appointments of key officers and personnel. It also performed review procedures on related party transactions, and self-evaluation and peer assessment for directors.



Paul T. Salanga
Chairman



Evelyn D. Guerrero
Member



Danilo D. Camacho
Member

The Committee also acts as the Bank's Related Party Transaction Committee which is tasked to review the propriety and appropriateness of transactions entered into with its related parties and in ensuring that these are done within arm's-length terms and that no stakeholder is unduly disadvantaged. All RPTs of the Bank considered material, in accordance with the Bank's internal limit, are endorsed by the Committee to the Board of Directors for approval and submitted for confirmation by the majority vote of the stockholders in the annual stockholders' meeting.

The material related party transactions entered by the Bank as of 31 December 2018 are as follows:

- Loans to various related parties in the aggregate amount of PhP 983,079,286.27 with outstanding balance of PhP 245,362,421.10, interest rates of 6% to 12%, maturity of 12 months to 36 months and mostly for use as working capital
- Sale of other asset in the amount of PhP 9,000,000
- Lease rentals to various related parties in the aggregate amount of PhP11,251,536.03

Remuneration and Incentive Policy

The Bank's directors and officers are provided with an industry-competitive compensation package to attract, motivate and retain highly qualified people. The remuneration for the members of the Board of Directors is based on experience, professional background and level of responsibilities while the salary scale for officers is based on position and rank. The basis for fixing the remuneration and salary scale is reviewed annually and amended when necessary.

The Bank reviews on an annual basis the performance of its workforce and rewards its deserving employees through a performance-based merit increase program and promotions. Performance management system is put in place to improve employee motivation.

Retirement Program and Succession Planning Policy

The Bank has a noncontributory post-employment benefit plan covering all regular full-time employees. The Bank provides retirement benefits to a member who retired on the first day of the month coincident with or next following his sixtieth (60th) birthday provided he has served the Bank for at least five (5) years of credited service. The Member's Normal Retirement Benefit shall be determined in accordance with Republic Act No. 7641 otherwise known as the Retirement Pay Law.

The Bank has adopted a Succession plan for its Board of Directors (BOD), Senior Management and Employees that will ensure a smooth transition and continuity of business operations in the event of vacancies.

Dividend Policy

The amount of surplus funds available for dividend declaration is determined on the basis of regulatory net worth after considering certain adjustments. The Bank's lead regulator, the BSP, sets and monitors capital requirements of the Bank.

Dividends shall only be declared in such time or times and in such percentages as the Board of Directors may deem appropriate. No dividend shall be declared that will impair the capital of the Bank.

Structure of Compliance Function

Compliance starts at the top. It will be most effective in a corporate culture that emphasizes standards of honesty and integrity which the Board of Directors and Senior Management lead by example. It concerns everyone within the Bank and should be viewed as an integral part of the Bank's business activities. A bank should hold itself to the highest standards when carrying on business, and at all times strive to observe the spirit as well as the letter of the law. Failure to consider the impact of its actions on its shareholders, customers, employees and the markets may result in significant adverse publicity and reputational damage, even if no law has been broken.

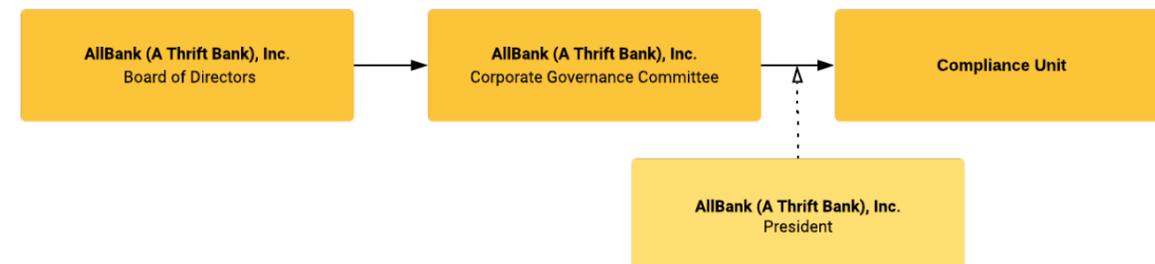
The Bank's Compliance Unit spearheads the Bank's Compliance Risk Framework. Compliance Unit has a formal status in the organization that directly reports to the Corporate Governance Committee and the Board.

The Compliance Unit facilitates effective management of compliance risk by:

- Advising the Board of Directors and Senior Management on relevant laws, rules and standards, including keeping them informed on developments in the area;
- Apprising the personnel of the Bank on compliance issues, and acting as a contact point within the Bank for compliance queries from Bank personnel;
- Establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
- Identifying, documenting and assessing the compliance risks associated with the Bank's business activities, including new products and business units;
- Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;
- Conducting compliance testing; and
- Maintaining a constructive working relationship with the BSP and other regulators.

In 2018, the Bank continued to enhance and strengthened its compliance system by instilling in its system the applicable laws, rules, regulations of the BSP and other regulatory bodies. The Compliance Unit institutionalized compliance awareness among officers and staff through cascading of regulatory issuances.

Organizational and Reporting Structure of Compliance Unit



Structure of Internal Audit Function

The objective of AllBank's Internal Audit Unit (IAU) is to assist the Board of Directors (BOD) and Management in monitoring risk management processes and internal controls as part of AllBank's overall governance processes. IAU is mandated to provide an independent and objective assessment of the adequacy of, and compliance with, the Bank's established controls, policies and procedures. IAU's scope of work, which is necessary in meeting its objectives, is outlined in the Internal Audit Charter.

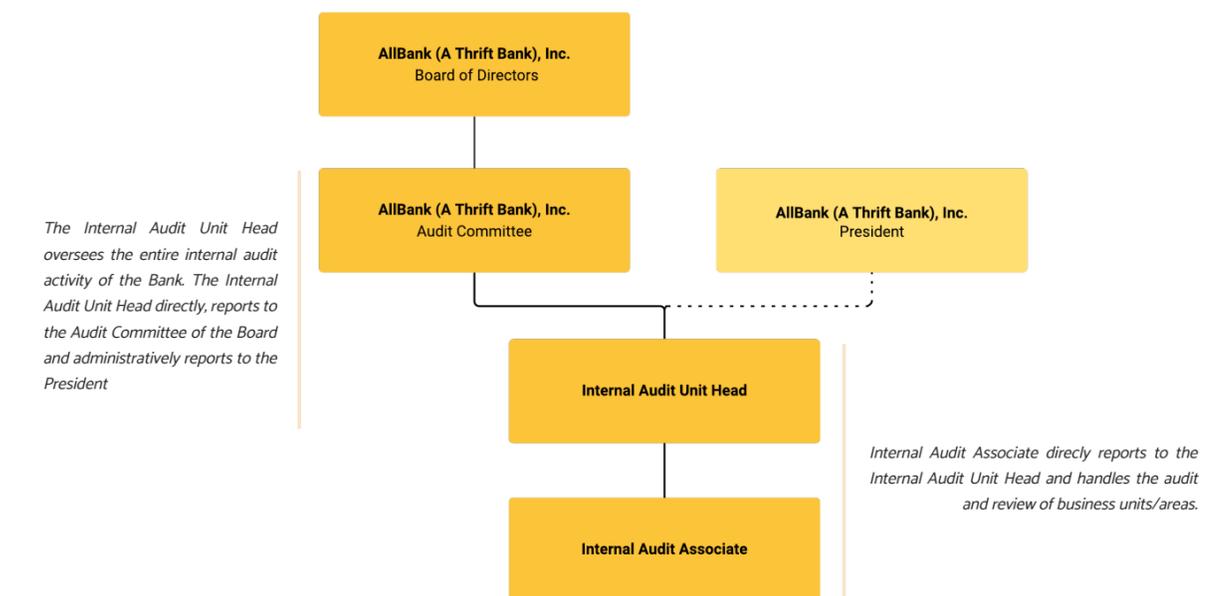
The Internal Audit Charter establishes the IAU's position within the organization, including the nature of the IAU Head's functional reporting relationship with the Board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The Internal Audit function is free from interference by any element in the Bank, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective mental attitude.

The Internal Audit Head reports functionally to the Audit Committee and administratively to the President.

The Internal Audit Unit is guided by auditing standards which set the required minimum qualities of performance of audit engagements. These standards serve as the basis of measurement and indicate the level of performance which must be conformed with to complete an audit engagement.

Organizational and Reporting Structure of Internal Audit Unit





The purpose of the Audit Committee is to assist the BOD of AllBank in fulfilling its oversight responsibilities over the following:

1. The integrity of the Bank's financial statements, financial reporting process and financial statement audits;
2. The effectiveness of the systems of internal control;
3. The performance and leadership of the Bank's Internal Audit function;
4. The Bank's compliance with legal and regulatory requirements; and
5. The business practices and ethical standards adopted by the Bank.

The Audit Committee is responsible for overseeing Senior Management in establishing and maintaining an adequate, effective, and efficient internal control framework. It ensures that systems and processes are designed to provide an assurance in the areas of reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets, by reviewing internal audit plans and work programs, internal audit resource requirements, internal audit reports issued and other memoranda regarding audit involvement in Bank projects and activities.

Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Bank's policies, procedures and practices at all levels. The Audit Committee should also provide for open communication among the External Auditor, the Management, the Internal Auditor and the Board.

Consumer Protection Practices

The Bank acknowledges the vital role of consumers in the survival of a business, and therefore puts the consumers welfare on top of the Bank's priorities. In its commitment to protect the interests of financial consumers and institutionalize the responsibilities of all stakeholders, the Bank has established guidelines that its employees must strictly adhere to, especially for those assigned to deal directly with customers, to deliver the required level of fair treatment, disclosure and transparency, and financial customer protection.

The guidelines are compliant with the Bank's internal policies and with guidelines set by the BSP and shall be reviewed periodically and kept-to-date as these serve as reference for employees in their day-to-day activities when dealing with clients.

Pursuant to the Bank's Consumer Protection Risk Management System, employees should ensure that appropriate management controls are in place. They should also take reasonable steps to ensure that in handling complaints/requests, they: i) identify and remedy any recurring or systemic problem; and ii) identify weaknesses in the Bank's internal control procedure or process. This may be done by:

1. *Analyzing complaints/requests data;*
2. *Analyzing causes of complaints/requests;*
3. *Considering whether such identified weaknesses may also affect other processes or products, including those not directly complained of/requested; and*
4. *Correcting, whether reasonable to do so, such causes taking into consideration the concomitant costs and other resources.*

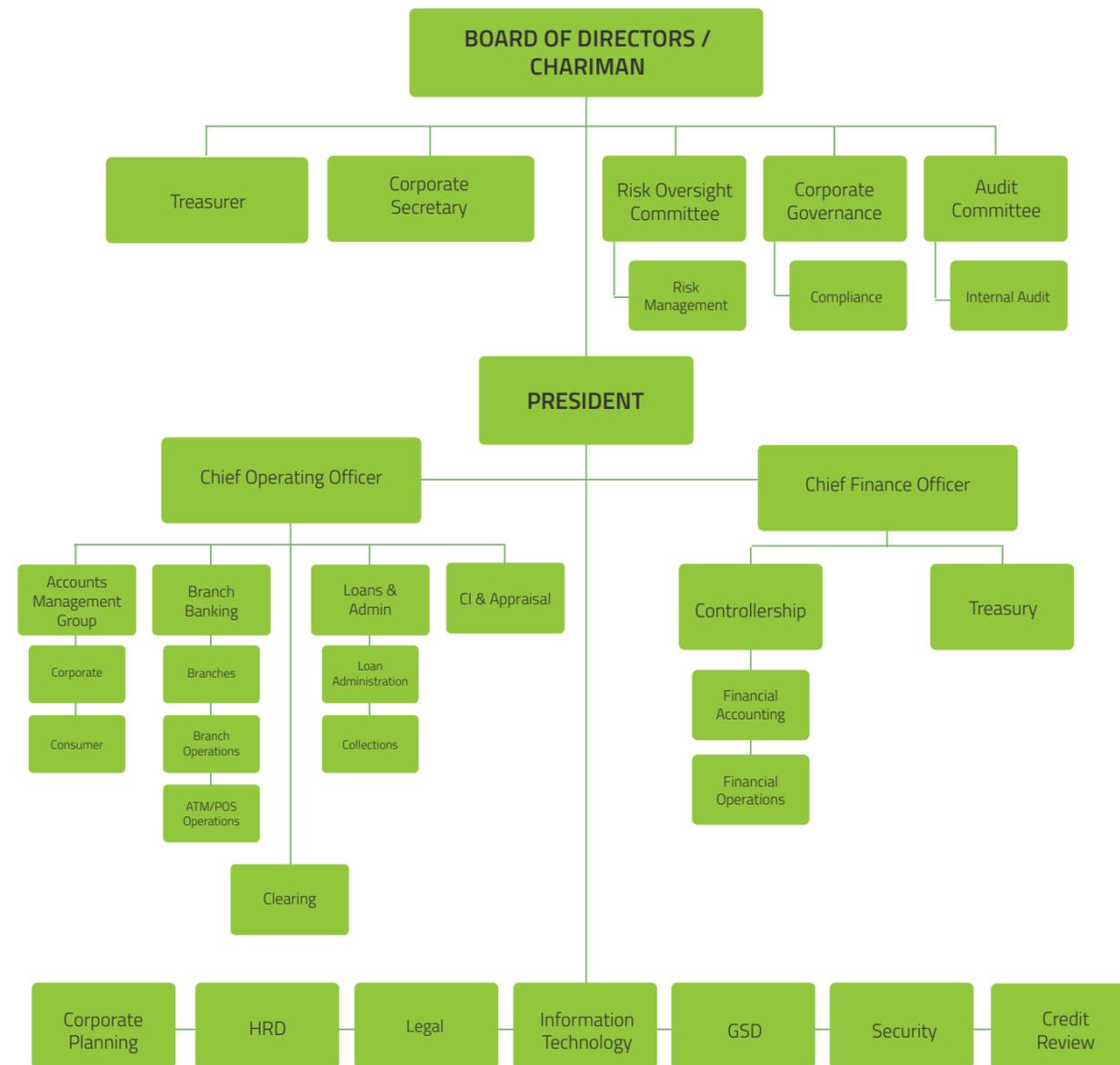
The Board develops and maintains a sound Consumer Protection Risk Management System (CPRMS) that is integrated into the overall framework of the entire product and service life-cycle. It also oversees the implementation of the Bank's consumer protection policies as well as the mechanism to ensure compliance with said policies. The Board also monitors and oversees the performance of the Management in managing the day to day consumer protection activities of the Bank. The Board delegates other duties and responsibilities to the Management for the purpose of compliance with the BSP-prescribed and the Bank's own Consumer Protection Framework.

It is the Management's duty to implement the consumer protection policies as approved by the Board. It also reviews the effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms in place enable adequate oversight. It also ensures that CPRMS weaknesses are addressed and corrective actions are taken in a timely manner.

The Consumer Assistance Officer is responsible for handling consumer concerns. The Consumer Assistance Officers in the branches and head office shall submit complaints report which will be consolidated and reported to the Board and the Management. Reports on unresolved complaints beyond the agreed timeline in processing complaints shall be discussed in the Risk Oversight Committee on a monthly basis.

Consumers may lodge their concerns through any reasonable means: i) walk-in or personal visit ii) letter iii) e-mail or iv) via telephone call.

Organizational Chart



Stockholders' Information

Stockholders as of April 2019 owning more than 20% of voting shares are all Filipino corporations, as follows:

STOCKHOLDERS	% of Subscribed Capital Stock
Ultimate Holdings, Inc.	39.91%
Infra Holdings Corp.	19.98%
Prescription Holdings Limited, Inc.	19.98%
Links Holdings & Properties, Inc.	19.91%

Trainings and Seminars

As part of Bank's continuous effort to broaden the employees' knowledge and awareness of the latest practices in the banking industry, AllBank has invested in different training and seminars for 2018. The Management believes that allotting resources for training improves the morale and performance of its workforce. Conducting seminars also serves a way for Management to ensure that employees continuously possess the qualifications needed for their respective positions.

For 2018, AllBank's employees underwent the following trainings and seminars:

TITLE OF TRAINING / SEMINARS
1st National Data Privacy Conference
A Regulatory Perspective on Trust Activities and Administration
Advance Property Appraisal and Valuation
AML Training
ASEAN Mobile Application Security Roadshow 2018
BSP Cir. No. 706 Amended by Cir. 950(AML and AML Risk Rating System)
BSP Cir. No. 989:Guidelines on the Conduct of Stress Testing Exercises
BSP Circular 1007 (Net Stable Funding Ratio)
BSP Circular 900 (Operational Risk Management)
BSP Circular 981 (Liquidity Risk Management)
BSP Circular 996 (Amendments to LCR Framework & Minimum Prudential Liquidity Reqts for Stand-Alone TBS)
Build Better Datacenter
Business Communication Skills for Professionals
Complete Network Fundamentals
CompTIA A+ Certification 901. The Total Course
Counterfeit Detection
Credit Investigation Techniques
Cyber Security Summit- RANSOMWARE & CRYPTOMINING TRACK (with Hands-on Training)
Excel Training (Intermediate)
Managing Technology and Cybersecurity Risk
Modern Workplace: Work the you want
Philippine Digital Convention
Security Awareness Seminar & BCP Training
SQL Server Reporting Services Part 1 (SSRS)
Treasury Certification Program
Work Attitude and Values Enhancement

Board of Directors



Lili B. Ramirez
Chairman, Non-executive

- Director since 2008
- 65 years old, Filipino
- No. and % of Shares Held: 3 (0%)
- Former Executive Vice President, RCBC Savings Bank
- Former Executive Vice President and Managing Director, Capitol Development Bank
- Former Trustee, Home Development Mutual Fund
- Former Senior Vice President, Development Bank of the Philippines
- Former Director, Premiere Development Bank
- Former Director, Asiatrust Bank
- A.B. Economics, Maryknoll College
- MBA, De La Salle University



Danilo D. Camacho
Director, Non-executive

- Director since 2008
- 70 years old, Filipino
- No. and % of Shares Held: 1 (0%)
- Trustee, PAREF Northfield School
- Former Chairman, Rural Bank of Plaridel, Inc.
- Former First Vice President, Export & Industry Bank
- Former Senior Vice President, Ayala Life Assurance
- Former Senior Vice President, Trust International Paper
- Former Senior Vice President, Development Bank of the Philippines
- Former Vice President, PCI Bank
- Former Manager, Citibank
- AB Public Administration, University of the Philippines



Atty. Paul T. Salanga
Independent Director

- Director since 2011
- 46 years old, Filipino
- No. and % of Shares Held: 2 (0%)
- Partner, Picazo Buyco Tan Fider & Santos Law Offices
- Assistant Corporate Secretary, Manila North Harbour Port, Inc.
- Corporate Secretary, Dolmar Real Estate Development Corporation
- Corporate Secretary, Prime Metro BMD Corporation
- Corporate Secretary, Prime Metro Power Holdings Corporation
- Corporate Secretary, Prime Metroline Infrastructure Holdings Corporation
- Corporate Secretary, Aviation Concepts Technical Services, Inc.
- Corporate Secretary, Alsons Thermal Energy Corporation
- Corporate Secretary, Sarangani Energy Corporation
- Corporate Secretary, San Ramon Power, Inc.
- Corporate Secretary, Aces Technical Services Corporation
- A.B. Philosophy, Ateneo de Manila University
- Juris Doctor, Ateneo de Manila University



Evelyn D. Guerrero
Independent Director

- Director since 2008
- 64 years old, Filipino
- No. and % of Shares Held: 1 (0%)
- Former Independent Director, Rural Bank of Plaridel, Inc
- Former First Vice President-Investment Banking III Head, Development Bank of the Philippines
- Former First Vice President-Trust Services Head, Development Bank of the Philippines
- Former Senior Assistant Vice President-Investment Unit Head, Development Bank of the Philippines
- BS Commerce Major in Management and Finance, Sta. Isabel College, Manila



Cecille Marie H. Bernardo
President, Executive Director

- Director since 2017
- 49 years old, Filipino
- No. and % of Shares Held: 1 (0%)
- Certified Public Accountant
- Trustee, Nutrition Council of the Philippines
- Former OIC and Controller, Optimum Development Bank Inc.
- Former Commercial Finance Director, Coca-Cola Far East Limited
- Former Treasurer, Coca-Cola Foundation Phils., Inc.
- Former Corporate Planning Manager, Polar Mines and Development Corp.
- Former Audit Executive, SyCip, Gorres, Velayo & Co.
- BS Business Administration & Accountancy, University of the Philippines
- Master of Applied Finance, The University of Melbourne



Atty. Arbin Omar P. Cariño
Corporate Secretary

- 38 years old, Filipino
- Legal Counsel, Vista Land & Lifescapes, Inc.
- Former Senior Associate, Kapunan Lotilla Garcia & Castillo Law Offices
- Former Associate, Buñag & Lotilla Law Offices
- BS Chemistry and BS Education Major in Physics and Math (Double degree), De La Salle University
- Bachelor's Degree in Law, San Beda College

Management Committee



Cecille Marie H. Bernardo
President



Jesus Vicente O. Garcia
Chief Operating Officer



Fritzie V. Loayon
Chief Finance Officer



Digna G. Samonte
Chief Technology Officer



Daniel Gial F. Decena
Controller



Haydee Victoria A. Cajilog
Branch Operations and Support Head



Lenie M. Taotao
Account Management Group Head



Liza Marie D. Tolentino
Loans Operations Head



Ma. Angela Flor P. Beleno
Human Resources Head



Michael Angelo A. Agustin
Clearing Head



Lovely C. Novales
Treasury Officer



Melanie G. Berenguer*
Corporate Planning and Special Projects



Marah Nelle R. Santos
Credit Review Officer



Ariel V. Ajesta*
Risk Officer
Compliance Officer



Michael Collins S. Porras
Internal Audit Head

Branch Managers



Kevin C. Carandang
Branch Manager
Alabang



Randy V. Del Rosario*
Branch Manager
General Trias



Amelita M. Avendaño
Branch Manager
Guiguinto and Plaridel



Junie M. Calmerin
Branch Manager
Imus



Wenalyn Joyce K. Peñaloza
Branch Manager
Kawit



Jo-anne G. Mirabueno
Branch Manager
Las Piñas



Glenlyn Z. Navarro
Branch Manager
Main



Joel G. Bautista
Branch Manager
Molino



Pee-Jay Marie P. Dinglasan
Branch Manager
Pampanga



Ma. Chedelyn D. Diaz
Branch Manager
San Jose Del Monte



Michelle D. Ambit
Branch Manager
Sta. Rosa



Jonathan I. Ballesteros
Branch Manager
Taguig



John Edward C. Luat
Branch Manager
Tanza

Key Persons



Cecille Marie H. Bernardo

President, Executive Director

- Director since 2017
- 49 years old, Filipino
- No. and % of Shares Held: 1 (0%)
- Certified Public Accountant
- Trustee, Nutrition Council of the Philippines
- Former OIC and Controller, Optimum Development Bank Inc.
- Former Commercial Finance Director, Coca-Cola Far East Limited
- Former Treasurer, Coca-Cola Foundation Phils., Inc.
- Former Corporate Planning Manager, Polar Mines and Development Corp.
- Former Audit Executive, SyCip, Gorres, Velayo & Co.
- BS Business Administration & Accountancy, University of the Philippines
- Master of Applied Finance, The University of Melbourne



Jesus Vicente O. Garcia

Chief Operating Officer

- 61 years old, Filipino
- Former Chief Operating Officer and Head of Branch Banking Group, CityState Savings Bank
- Former Head of Institutional Banking and Branch Banking Group, Philippines Veterans Bank
- Former Head of Branch Banking Group and Area Head, Asiatrust Bank
- Former Head of Advertising, Sales & MOB, Pan Asia Bank
- Former Area Head and Branch Manager, Union Bank
- BS Commerce, Assumption College of Pampanga



Fritzie V. Loayon

Chief Finance Officer

- 44 years old, Filipino
- Certified Public Accountant
- Former Chief Audit Executive, Vista Land & Lifescapes and Subsidiaries
- Former Chief Finance Officer, Vista Land & Leisure Club
- Former Chief Accountant/Finance Head, Vista Land & Lifescapes, Inc. Parent Co.
- Former Senior Manager, Philamlife
- Former Assistant Controller, De La Salle University - Manila
- MBA, De La Salle Graduate School of Business (With Distinction)
- BS Accountancy, DLSU-Manila



Digna G. Samonte

Chief Technology Officer

- 46 years old
- Former IT Head of Golden Haven Memorial, Inc.
- Former IT Head of Masterpiece Asia Properties, Inc.
- Former Functional Head of Mandalay Resources Corporation
- Former IT Head of Crown Asia Properties, Inc.
- Former Systems Analyst of Household Development Corporation
- Junior Accountant of Brownbull Homebuilders, Inc.
- Bachelor in Accounting, Polytechnic University of the Philippines

Corporate Social Responsibilities

November 24, 2018--AllBank employees together with participants from members of the Samahan ng mga Kababaihan ng San Pedro, St. Joseph Vill 10 Homeowners Association Inc., San Pedro, Laguna and residents of Victoria Homes Muntinlupa and Georgetown Molino got together for an immersion program at the Villar SIPAG (Social Institute for Poverty Alleviation and Governance) Farm School in Las Pinas City. During the event, participants were exposed to the different livelihood programs that the Villar SIPAG Farm School teaches such as vegetable farming, water hyacinth weaving, papermaking (from water lily and waste paper), coconut weaving and charcoal briquette making (from waste coconut husks), bamboo processing, recycling of waste plastic and a lot more.

The activity included a Basic Financial Literacy seminar which aimed to educate the representatives from the different groups on the different ways to earn financially and help the environment at the same time. This is in line with AllBank's commitment to serve, empower and give back to the community.



Highlights

Christmas Party



Trainings



House and Lot promo winners



Team Building



Banking Products

Deposit

 Time Deposit Make your money grow	 Regular Checking Account Checking convenience at your fingertips	 Passbook Savings Account Savings without the fuss and frills	 ATM Savings Account Cash anytime, anywhere
 Optimum Check Plus Premium checking account	 Payroll Account Easy banking for you and your employees	 AllKids and AllTeens Teach your children to save	 Optimizer V Optimized returns on your savings
 Partner Checking Account	 Foreign Currency Time Deposit	 Foreign Currency Savings Deposit	

Loans

 Salary Loan A multi-purpose loan granted to employed individuals with convenient payment terms	 Commercial Loans We have various available financing facilities to help your business grow.	 Auto Loan Acquisition of brand new car for personal use	 Real Estate Housing Loan Purchase or construct your dream home, renovate your existing house, refinance your existing mortgage or just simply looking for additional investment.
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Other Products

 Point of Sale (POS)	 Real and Other Properties Acquired
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Branches

A Thrift Bank

<p>Alabang Branch UG/F Starmall Alabang, Alabang, Muntinlupa T: (+63 2) 842-7099</p> <p>Bataan Branch G/F Vista Mall Bataan, Roman Super Highway Brgy. Cupang Proper Balanga, Bataan T: (+63 47) 633-9240</p> <p>General Trias Branch G/F Vistamall General Trias, Brgy. San Francisco, Arnaldo Highway, General Trias, Cavite T: (+63 46) 433-9840</p> <p>Guiguinto Branch Cagayan Valley Road Sta. Rita, Guiguinto, Bulacan T: (+63 44) 794-1836</p> <p>Imus Branch Beside AllHome Imus, Aguinaldo Highway Palico IV, Imus, Cavite T: (+63 44) 435-0027</p> <p>Kawit Branch G/F Vista Mall Kawit Brgy. Magdalo Potol, Centennial Road, Kawit, Cavite T: (+63 46) 450-0077</p> <p>Las Pinas Branch G/F Stamall Las Pinas C.V. Starr Avenue, Pamplona 2 Las Pinas City T: (+63 2) 869-9369</p>	<p>Main Branch G/F Polar Center EDSA EDSA cor. Cornell St., Brgy. WackWack Mandaluyong City T: (+63 2) 584-2582</p> <p>Molino Branch G/F Vista Mall Daang Hari Daang Hari cor. Molino Molino IV, Bacoor, Cavite T: (+63 46) 438-4256</p> <p>Pampanga Branch G/F Vista Mall Pampanga MacArthur Highway, Brgy. San Agustin San Fernando City, Pampanga T: (+63 45) 497-0632</p> <p>Plaridel Branch Gov. Padilla St., Banga 1st Plaridel, Bulacan T: (+63 44) 795-0089 (+63 44) 670-1154</p> <p>San Jose Del Monte Branch UG/F Starmall San Jose Del Monte Quirino Highway cor Kaypian Road San Jose Del Monte, Bulacan T: (+63 46) 913-1622 to 23</p> <p>Sta. Rosa Branch G/F Vista Mall Sta. Rosa Tagaytay - Sta. Rosa Road Sta. Rosa, Laguna T: (+63 49) 545-2179</p>	<p>Taguig Branch G/F Vista Mall Taguig, Levi Mariano Ave. Brgy. Ususan, Taguig City T: (+63 2) 477-1844</p> <p>Tanza Branch G/F Vistamall Tanza Brgy. Punta 2, Tanza, Cavite T: (+63 46) 433-6058</p> <p>MAIN OFFICE: AllBank (A Thrift Bank), Inc. 2/F Polar Center EDSA cor. Cornell St., Brgy. Wack Wack Mandaluyong City T: (+63 2) 571-9131 (+63 2) 571-9132 Email: info@allbank.ph Web: www.allbank.ph</p>
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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of AllBank (A Thrift Bank), Inc. (the Bank) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

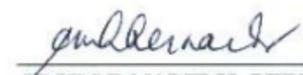
In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.


LILI B. RAMIREZ
Chairman of the Board


CÉCILLE MARIE H. BERNARDO
President


FRITZIE V. LOAYON
Chief Financial Officer

Signed this 20th day of March 2019

2/F Polar Center EDSA, EDSA cor. Cornell St., Brgy. Wack Wack, Mandaluyong City
(02) 571-9131 to 32 • info@allbank.ph

Audited Financial Statements

Report of Independent Auditors

The Board of Directors
AllBank (A Thrift Bank), Inc.
(Formerly Optimum Development Bank, Inc.)
Polar Center EDSA, EDSA corner Cornell Street
Brgy. Wack Wack, Mandaluyong City
Metro Manila, Philippines

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AllBank (A Thrift Bank), Inc. (the Bank), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2018 required by the Bureau of Internal Revenue as disclosed in Note 23 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO


By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 7333691, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-2 (until Mar. 15, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-00251 1-32-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 20, 2019

ALLBANK (A THRIFT BANK), INC.
(Formerly Optimum Development Bank, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)

ALLBANK (A THRIFT BANK), INC.
(Formerly Optimum Development Bank, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)

RESOURCES	Notes	2018	2017
CASH AND OTHER CASH ITEMS	6	P 42,141,861	P 25,831,342
DUE FROM BANGKO SENTRAL NG PILIPINAS	6	283,200,105	616,539,737
DUE FROM OTHER BANKS	6	167,873,415	98,668,880
LOANS AND RECEIVABLES ARISING FROM REPURCHASE AGREEMENT	7	779,000,000	406,427,656
INVESTMENT SECURITIES AT AMORTIZED COST	8	3,517,643	-
HELD-TO-MATURITY INVESTMENTS	8	-	3,515,421
LOANS AND OTHER RECEIVABLES - Net	9	1,724,718,422	1,602,871,856
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	10	54,954,525	43,672,679
INVESTMENT PROPERTIES - Net	11	77,211,945	26,493,141
DEFERRED TAX ASSETS - Net	19	16,519,959	13,041,184
OTHER RESOURCES - Net	12	107,799,100	109,090,495
TOTAL RESOURCES		<u>P 3,256,936,975</u>	<u>P 2,946,152,391</u>

LIABILITIES AND EQUITY	Notes	2018	2017
DEPOSIT LIABILITIES	13	P 2,065,404,123	P 1,869,160,494
ACCRUED EXPENSES AND OTHER LIABILITIES	14	154,812,901	56,175,224
Total Liabilities		2,220,217,024	1,925,335,718
EQUITY	15	1,036,719,951	1,020,816,673
TOTAL LIABILITIES AND EQUITY		<u>P 3,256,936,975</u>	<u>P 2,946,152,391</u>

See Notes to Financial Statements

	Notes	2018	2017
INTEREST INCOME			
Loans and other receivables	9	P 112,716,314	P 112,473,273
Due from Bangko Sentral ng Pilipinas and other banks	6	11,708,376	11,528,790
Loans and receivables arising from repurchase agreement	7	13,186,781	7,709,232
Investment securities at amortized cost	8	1,508,762	196,596
		139,120,233	131,907,891
INTEREST EXPENSE			
Deposit liabilities	13	24,727,103	19,199,159
Bills payable		-	1,212,761
		24,727,103	20,411,920
NET INTEREST INCOME		114,393,130	111,495,971
IMPAIRMENT LOSSES - Net	9	10,662,928	2,800,000
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		103,730,202	108,695,971
OTHER INCOME			
Service charges	2	23,699,683	18,088,110
Miscellaneous	17	24,071,157	18,181,731
		47,770,840	36,269,841
OTHER EXPENSES			
Salaries and other employee benefits	16	41,174,283	37,462,980
Depreciation and Amortization	10, 11, 12	15,492,519	13,513,465
Taxes and Licenses	23	15,096,703	15,518,407
Rent	21	14,696,714	14,391,187
Security, janitorial and other services		5,733,890	4,683,103
Fuel and lubricants		3,868,918	3,426,249
Repairs and maintenance		1,339,874	1,218,187
Miscellaneous	17	31,198,679	24,957,200
		128,601,580	115,170,778
PROFIT BEFORE TAX		22,899,462	29,795,034
TAX EXPENSE	19	6,996,184	9,296,205
NET PROFIT		15,903,278	20,498,829
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of post-employment defined benefit plan	16	-	4,281,122
Tax expense	19	-	(1,284,337)
Other Comprehensive Income - Net of Tax		-	2,996,785
TOTAL COMPREHENSIVE INCOME		<u>P 15,903,278</u>	<u>P 23,495,614</u>

See Notes to Financial Statements

ALLBANK (A THRIFT BANK), INC.
(Formerly Optimum Development Bank, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	Capital Stock			Surplus Reserves	Revaluation Reserves	Retained Earnings	Total
		Preferred Shares	Common Shares	Additional Paid-in Capital				
Balance at January 1, 2018		P 60,422,400	P 749,832,750	P 110,142,793	P 3,080,288	P 1,635,107	P 95,703,335	P 1,020,816,673
Total comprehensive income for the year		-	-	-	-	-	15,903,278	15,903,278
Balance at December 31, 2018	16	P 60,422,400	P 749,832,750	P 110,142,793	P 3,080,288	P 1,635,107	P 111,606,613	P 1,036,719,951
Balance at January 1, 2017		P 60,422,400	P 599,832,750	P 110,142,793	P 3,080,288	(P 1,361,678)	P 75,204,506	P 847,321,059
Issuance of common shares during the year		-	150,000,000	-	-	-	-	150,000,000
Total comprehensive income for the year	15	-	-	-	-	2,996,785	20,498,829	23,495,614
Balance at December 31, 2017	17	P 60,422,400	P 749,832,750	P 110,142,793	P 3,080,288	P 1,635,107	P 95,703,335	P 1,020,816,673

See Notes to Financial Statements

ALLBANK (A THRIFT BANK), INC.
(Formerly Optimum Development Bank, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 22,899,462	P 29,795,034
Adjustments for:			
Depreciation and amortization	10, 11, 12	15,492,519	13,513,465
Impairment loss on loans and receivables	9	9,202,926	3,600,000
Gain on disposal of investment properties		(6,111,323)	-
Recovery from loans receivable written off	9	(2,439,998)	(800,000)
Gain on disposal of transportation equipment	10	-	(130,000)
Amortization of discount on investment securities at amortized cost	8		
	18	(2,222)	(14,178)
Operating profit before working capital changes		39,041,364	45,964,321
Increase in loans and other receivables		(189,241,848)	(239,761,908)
Decrease (increase) in other resources		1,299,460	(8,724,125)
Increase in deposit liabilities		196,243,629	814,544,710
Increase in accrued expenses and other liabilities		95,936,466	21,162,281
Cash generated from operations		143,279,071	633,185,279
Cash paid for income taxes		(8,942,626)	(9,511,392)
Net Cash From Operating Activities		134,336,445	623,673,887
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of bank premises, furniture, fixtures and equipment	10	(20,059,658)	(22,763,996)
Proceeds from disposal of investment properties	11	15,818,230	5,234,411
Acquisitions of computer software	12	(5,347,251)	(2,129,174)
Proceeds from sale of transportation equipment	10	-	130,000
Net Cash Used in Investing Activities		(9,588,679)	(19,528,759)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from issuing common stock	16	-	150,000,000
Cash paid for bills payable	14	-	(61,774,682)
Net Cash From Financing Activities		-	88,225,318
NET INCREASE IN CASH AND CASH EQUIVALENTS		124,747,766	692,370,446
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	6	25,831,342	10,333,587
Due from Bangko Sentral ng Pilipinas (BSP)	6	616,539,737	191,605,814
Due from other banks	6	98,668,880	33,245,197
Loans and receivables arising from repurchase agreement	7	406,427,656	219,912,571
		1,147,467,615	455,097,169
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	6	42,141,861	25,831,342
Due from BSP	6	283,200,105	616,539,737
Due from other banks	6	167,873,415	98,668,880
Loans and receivables arising from repurchase agreement	7	779,000,000	406,427,656
		P 1,272,215,381	P 1,147,467,615

See Notes to Financial Statements



AllBank

A Thrift Bank