

VISION

To be the most trusted and preferred rural bank in the Philippines by delivering innovative products... “Where Service is Best”, enriching our people with a sense of ownership and commitment and optimizing share of our stockholders.

MISSION

As a responsive and ethical banking institution which values integrity, good governance and professional excellence, we are committed to our customers and fully accountable to our shareholders, partners and employees by delivering optimal results with transparent and efficient management systems.

We are a bank known for its outstanding support and commitment to MSMEs (micro, small and medium enterprises), nurturing and transforming them into viable and competitive business entities.

At the heart of this endeavor is our desire to see the lives of those we serve ever more enriched and capable of contributing to the success of our country, thereby improving the lives of every Filipino.

CORPORATE VALUES

- S – STABILITY
- P – PROFESSIONALISM
- I – INTEGRITY
- R – RESPONSIVE
- I – INNOVATIVE
- T – TRANSPARENCY

CORPORATE PROFILE

In 1954, a group of 14 determined and strong-minded professionals and businessmen from Guagua, Lubao and Sta. Rita led by Mr. Esteban G. Lapid, Dr. Felix M. Coronel and Mr. Jose L. Carlos, Sr. pooled their resources to put up Guagua Rural Bank, Incorporated, now known as GRBank. It was AMONG THE FIRST TEN RURAL BANKS to be opened in the Philippines and the Bangko Sentral ng Pilipinas (then Central Bank of the Philippines) granted its Certificate of Authority on May 8, 1954. “Our founders handed down to us the values of prudence, integrity, and commitment to rural development, thus with 65 years of existence, we aim to be a bank of value, not just a bank of success. Such values have proven their worth as we steadily grow in strength and stability.”

Now, GRBank is among the country’s largest banks in its category and has remained among the top for the past 3 years in terms of Total Assets, Total Capital, Total Loans and Deposits. It is an active member of the Rural Bankers Association of the Philippines and is one of the leading banks in other associations of its peers in the region and province where it operates. It is also a member of the Philippine Deposit Insurance Corporation (PDIC).

GRBank offers a wide variety of deposit products, opening a savings account is so easy. Its lending services provides fast processing, flexible terms and affordable interest rates. Aside from deposits and loans, the bank continues its advocacy of supporting the local MSMEs by providing a one-stop-shop facility as it started servicing utility bills and other payments as well. The bank’s innovations include redesigning its PhilPass operations and having an approved membership with the Philippine Clearing House Corporation (PCHC). It also includes being in cyber-space with its website, www.grbank.com.ph, that provides more information about the bank.

During its 60th year, the bank launched its “Empowering MSMEs, Enriching Pinoy Lives” Program that aims to provide opportunities to micro-small-medium entrepreneurs. This program is also in line with the government’s call of bringing development to the countryside and achieving financial inclusion initiatives as well. GRBank’s MSME Program is a total package that includes financial seminars and offering credit facilities to micro, small and medium entrepreneurs making sure they will become competent businessmen.

GRBank’s core management is known to be one of the well-organized among rural banking institutions in the country today. The bank’s Board of Directors is composed of professionals with extensive experience and expertise in various fields – banking, accounting, finance, education, entrepreneurship, and marketing. Assisting the GRBank’s Board and management on its day to day operations are its highly qualified and competent officers and staff who are treated as “family” and are guided by these corporate concerns:

- ❖ Integrity
- ❖ Optimum financial Returns
- ❖ Stability over Profitability

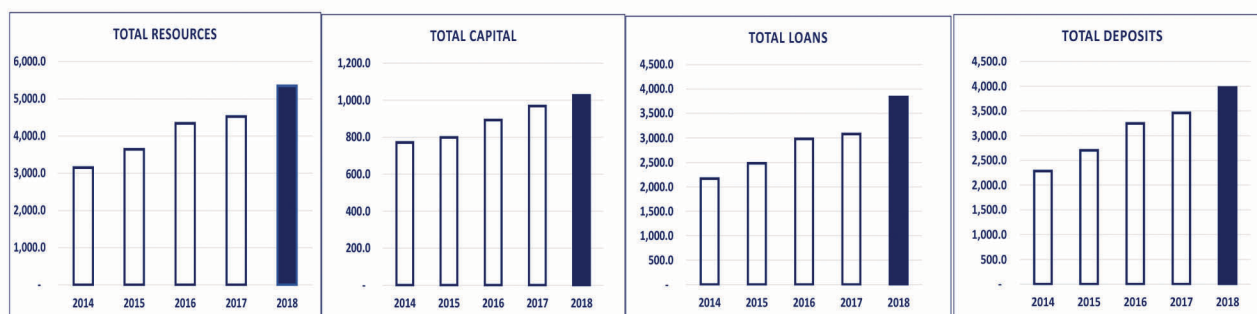
As GRBANK celebrates its 65th year anniversary, it continues to grow with 3 more on the way making its network a total of 25 branches all over Central Luzon and Metro Manila. With the Vision to become the most preferred rural bank in the Philippines.



FINANCIAL HIGHLIGHTS

MESSAGE FROM THE CHAIRWOMAN

Minimum Required Data	Parent Bank (Solo)	
	Current Year (2018)	Previous Year (2017)
Profitability		
Total Net Interest Income	240,645,118.66	212,742,882.45
Total Non-Interest Income	34,105,558.47	37,383,639.35
Total Non-Interest Expenses	167,072,147.13	127,710,384.69
Pre-provision profit	107,678,530.00	122,416,137.11
Allowance for credit losses	140,250,669.34	108,538,011.30
Net Income	96,354,649.93	111,622,216.13
Selected Balance Sheet Data		
Liquid Assets	1,408,399,485.76	1,277,013,210.57
Gross Loans	3,835,226,951.21	3,080,220,336.54
Total Assets	5,350,846,907.95	4,525,489,670.02
Deposits	3,973,623,253.81	3,461,788,078.64
Total Equity	1,026,552,006.80	968,395,973.94
Selected Ratios		
Return on equity	9.66%	11.99%
Return on assets	1.95%	2.52%
Capital Adequacy Ratio	20.67%	23.69%
Capital Structure and Capital Adequacy		
Tier 1 capital and a breakdown of its components		
Paid up common stock	350,221,600.00	350,221,600.00
Retained Earnings	678,454,995.71	618,173,660.64
Cumulative foreign currency transaction	17,003.80	713.30
Tier 2 capital and a breakdown of its components		
General Loan Loss Provision	17,365,727.18	24,748,722.28
Deduction from Tier 1(50%)	-	-
Deduction from Tier 2(50%) capital	-	-
Total Qualifying Capital	1,046,059,326.69	993,144,696.22
Capital Requirements for credit risk		
Capital Requirements for operational risk	319,839,736.03	290,247,873.37
Others		
Cash Dividends Declared		35,022,160.00
Headcount		
Officers	61	58
Staff	60	67



Dear Fellow Shareholders,

On behalf of your Board of Directors, it is with pleasure that I report to you that 2018 has been a remarkable year amidst a changing environment.

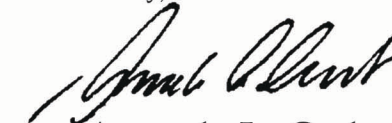
As we continue to do our share in re-shaping the communities we serve, your bank grows with our Corporate Values as our guide. The economy poses us with great challenges, but great opportunities as well. We responded by sharpening our focus on MSMEs and strengthening our efforts to enhance our operations with a robust risk management to ensure that we create value for our customers.

2019 will surely be a year to look forward to as the bank got Bangko Sentral's approval to open 3 more branches. We anticipate great new relationships to nurture in the areas of Magalang, Concepcion and Tarlac City.

We remember, Jose L. Carlos, Sr., GRBank Co-Founder and the longest serving Chairman of the Board, along with other co-founders Esteban Lapid and Dr. Felix Coronel. His vision and legacy continues to be the anchor for the bank amid challenges. His love for his countrymen also continues to be the inspiration and guide of the bank in fulfilling its institutional role in the countryside development.

I personally thank our Board of Directors and the management team for their continued support and dedication. As we prepare for our 65th year anniversary, let us work together by moving forward towards making GRBank an instrument in enriching the lives of every Filipino and making our country a better place to live.

Sincerely,



Amanda L. Carlos
Chairperson

THE PRESIDENT'S REPORT



The landscape of banking as a whole has truly changed. With the advent of digital disruption such as the arrival of the Crypto-currency; Block Chain technology and other Artificial Intelligence or cashless based transactions - banking has never been made easy. Also the proliferation of competition in terms of banks and non-bank financial institutions such as Telco's; Pawnshops; and Remittance centers drives banks to be more efficient and innovative. Gone are the days of banks in rural areas waiting for people to arrive and avail of its products and services. Today, in the Millennial Age, you can easily make a transaction with just a mobile phone. In all of this, rural banks have survived and continuous to thrive amongst big banks operating in the region and in the country.

In an environment that is rapidly evolving, adaptability is key. But adapting to change does not necessarily mean changing our core and losing our relevance. In fact, as the push for financial inclusion continues to intensify, the role of rural banks today is even greater than it was then. GRBank embraced its mission and role, which was given more than 65 years ago, and remain to be a key channel in delivering financial services to the countryside and evolved by adapting to the demands of the times.

GRBank continues to strengthen its presence in Central Luzon with twenty-two (22) branches spread over Pampanga, Bataan, Tarlac, Zambales, Bulacan, including Metro Manila. GRBank has a solid footprint in Pampanga where most of its branches are, and the bank expands its domestic branch network in line with its efforts to become financially inclusive and accessible to its customers. In response to the Bangko Sentral ng Pilipinas' (BSP's) call for financial inclusion, GRBank widens its reach to the unbanked and underserved communities through the creation of more branches to be a catalyst for change and development in the countryside.

In 2018, GRBank continuously posted a favorable return as ROE was recorded at 9.66% while CAR, at 20.67%, is way above the 10% BSP requirement. Loans and Deposits gave an excellent turn-out, reaching 142% and 97% of the projected targets, respectively. Loans reached P 3.84 billion, a 24.5% increase from 2017, while Deposits was recorded at P 3.97 billion or 14.79% increase from last year's performance. Total Capital hit the P 1.0 billion mark while Total Assets increased by 18.24% ending at P 5.35 billion as of December 31, 2018. GRBank was able to maintain its Liquidity at above 33% while Past Due Ratio was at an all-time low of 6.21%, by year end, due to well managed funds and loan accounts, respectively.



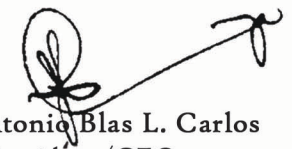
For 2019, the bank aims to turn opportunities and challenges to become better in terms of its performance and relevance to its customers, hopeful that this year will be a better year compared to the performance of the past year. The gradual slowdown of inflation; the upcoming Mid-term Elections; and the steady strengthening of the Philippine Peso all lead to bright endeavors for the coming year. With the help and support of our regulator, the BSP, we are confident to look for a brighter and lighter year this 2019 as the mentioned factors will bring in more opportunities for growth in the banking industry. GRBank is very optimistic that it will achieve more, backed up with sound and prudent management systems; diligent and conscientious Board of Directors and Top Officers; abled and inspired workers to serve our customers and the community thereby improving and enriching the lives of the Filipino people.

We will continue expanding our branch network to areas that need our banking services and show potential consumer base. Through the BSP branching initiatives, GRBank reaffirms its commitment to be a dependable partner of the government in nation-building. Innovations for better systems are in the pipeline, together with new services like faster clearing of checks and its very own remittance service through PCHC and Philpass.

Now on its 65th year, GRBank remains committed to its brand promise of serving the MSMEs and make a positive difference in the lives of the Filipino people in every community that it serves.

Thank you for the continued trust and confidence in YOUR bank, GRBank.

Yours truly,



Jose Antonio Blas L. Carlos
President/CEO

OPERATION'S PERFORMANCE

The Philippine banking industry has always played a substantial role in sustaining the pace of growth of the country's economy. Today, banks create their own platforms to keep up with the fast-paced technology and development. Innovation is essential to keep abreast with the ever changing trends and drifts. With this in mind, GRBank never fails to come up with its own development to ensure that we provide great service to our valued customers and that we live up to our motto, "Where Service is Best". Each department plays a vital role in achieving this goal. Together, we contribute and work hand in hand to fulfill success. 2018 was met with challenges and obstacles, but with great team work from the management, officers, and all other employees, and a vigorous drive to succeed, all these challenges were met head on and we emerged not only victorious but stronger than ever, making sure that for the year 2019, we are fully equipped in surpassing what was met in 2018.

Branch Banking Group

2018 was another banner year for the Operations Department of GRBank as it rolled out its programs and activities. The launching of the Basic Savings Account, in line with the Bangko Sentral ng Pilipinas' thrust for Financial Inclusion aimed at reaching out to the unbanked, was a success. With this effort, the 2018 target for deposits reached 97%, and Deposit mix ratio improved by 3.23% an increase of more than P 335 million in low cost deposits. Total deposits increased by 14.79% by the end of December 2018 translating to P 3.973 Billion.

We have further strengthened our partnership with BSP San Fernando Branch and formalized it this year. With the same advocacy - to educate and inform the people through the Financial Literacy program and the "Clean Note Policy", GRBank and BSP will be seen together in this endeavor in and around Central Luzon communities more through the next year. Another great news this year is BSP's approval of our application to open three more branches, 1 in Magalang, Pampanga and 2 in the province of Tarlac, strengthening our presence in Central Luzon to cater to the rural areas and underserved sector.



Credit Department

GRBank indeed delivered exceptional performances in reaching and even surpassing its 2018 target on its loans portfolio – a staggering 142% – the highest on record for the bank. This translates to P 755 Million net increase or 24.5% increase from December 31, 2017 bringing the total Loan Portfolio to P 3.84 Billion as of December 31, 2018. Truly at GRBank, we always live up to our strength, guided by the Management's principle of "working together, soaring higher." Despite the challenges in the first half of 2018, the Credit department managed to turn it around through referrals from valued customers and with the help and support of its Management. A new Car loan Promo was also set in place which was a sure hit as it reached 60% of its car loan target. Furthermore, the effective and prudent close monitoring of accounts proved to be as effective as always especially in maintaining a single digit past due ratio. To date, GRBanks' past due ratio has lowered down to 6.21% as of year-end from its target of 8%. Also in 2018, more enhancements were made to our guidelines and policies not only to be compliant with existing rules and regulations of our regulators but to protect all stakeholders of the bank as well.

In the first semester of 2018, GRBank partnered with the Agricultural Credit Policy Council (ACPC) of the Department of Agriculture (DA) to provide Financial Assistance Farmers and Fisher folks. Programs like Survival and Recovery Program (SURE) and Program for Unified Lending to Agriculture (PUNLA) Production Loan Easy Access (PLEA) and Working Capital will be provided by the DA thru GRBank. With the SURE program, more than 3,000 farmers and fisher folks affected by calamity will benefit. Farmers and fish folks in the communities where we are can avail of the other programs to recover or start over.

As we look forward to GRBank's 65th Anniversary in 2019, we have high hopes in making it another victorious year for the bank. Programs and projects are set this coming year such as our new Housing Loan promo which will help our customers with their housing needs. Our loan packages were enhanced to become pro-active and to be abreast to address the ever changing needs of our customers. We always believe that in teamwork, everything can be achieved.

Accounting

The Accounting group had changes in 2018 in terms of leadership, re-organization and processes and still managed to be on top of it all. For this year, it is noteworthy that such financial reports were made with outstanding results thereby aiding in decision making for the Management of the Bank. 2018 was a proactive year for the Accounting and Finance Group as it conducted two (2) major seminars for all Branch Accountants which tackled different updates on accounting procedures and policies. Seminars and symposiums were also attended by key personnel in the Accounting group such as TRAIN Law updates; BIR Administrative filings; PFRS 9: Financial Assets & PFRS 16: Leases; New AMLA updates among others. Discussions on some basic accounting principles including adjusting entries, time deposits and loan computations, estate, testate & intestate tax and loan computations, uniformity of report formats, and accounting assessments were made to improve the department's process. Programs and platforms on Tagging Fixed Assets & Capitalizing Major Repairs, Preparation of Bank Reconciliation, the implementation of the GL Net, Credit Information Corporation training, and the compilation of the financial manual for the Bank were among the projects that are in their initial phase and will be in full swing this 2019.

The timely compilation of accounting information, reporting and setting financial controls contributed to giving pertinent information and direction aimed at precise decision making thus attaining GRBank's set goals. This coming year, we are poised to face the challenges of 2019 and soar to greater heights with our policies in place.



Treasury

For 2018, the Treasury Department is proud of its achievements. Financial targets were met for the previous year outstandingly under the watchful eye of its Leaders. Amidst the slowdown of interest rates last year, GRBanks' performance managed to achieve a notable 13% increase in total net interest income while return on assets ratio, which measures the profitability of the bank's assets, was recorded at 1.95%, better than the industry's average of 1.40%. The Treasury department continues to lookout for opportunities to keep on improving its standing and performance as one of the leading and preferred bank in the countryside. For the coming years, GRBank is very well poised to meet the challenges and opportunities in the banking industry with procedures and policies in place to improve more and be pro-active in managing our finances.

Audit and Compliance



In 2018, the Audit and Compliance Group have made remarkable changes to improve their programs and procedures. Assessments were made in all branches to check the current status of their operations in terms of compliance and internal control. This assessment brought forth the issues experienced by the employees and on how to mitigate such and to provide timely and accurate solutions. Participation on various seminars and orientations conducted by the Bank was also a major highlight for the group such as AMLA & Risk Management; Branch Accounting Orientations & Briefings and others. For 2019, the ACG will energetically broaden its scope and coverage to provide thorough review, inspection and analysis of the different areas/departments being audited. With the installation of its new Audit Head & Compliance Officer, the group aspires to enhance more in its examinations to safeguard and pro-actively address issues in these areas: Effectiveness in doing the right things with least wastage of resources/assets; Efficiency in one's performance of work in the least possible time; and Economy that make balance between benefits and costs to run the operation.

Information Technology

In this fast changing computer-driven, digital world we now live in, it is very important to anticipate moves and actions in line with automation and information technology. This is what GRBank is pushing for and the IT Department started to revolutionize its way to improve the banking operations in terms of technology. The major milestone in 2018 is the approval and implementation of the new accounting system – GLNet. This system will enhance the accounting process of the bank as it is fully automated. Reports and other pertinent documents can be easily accessed but are also protected to ensure safe and credible computerized banking. The surveillance systems and burglar alarms of all twenty two (22) branches were updated to secure and safeguard their premises, internal and external. The installation of Network cabinets in the branches proved very beneficial to avoid linkage and secure online connectivity thereby having uninterrupted access to its core banking system.

Programs and projects are in the pipeline for 2019 such as the implementation of the PhilPASS Portal; PCHC's CICS; new face of the GRBank Website to reach more in the digital world, among others.



Human Resources

The Human Resource department experienced a fruitful year in 2018. Keeping it positive, the HR pushed harder to make innovations within the organization, discovering and tapping the talents of employees, and providing them avenues to shine and contribute what knowledge they have. Several employees were promoted which drove them to perform even well and the journey to success continued with each officer and employee on board towards one goal.

Looking for the welfare of the employees is also an integral part of the HR. The rewards system through the incentive program is always intact to keep the employees motivated and for the second time, achievers were awarded a free trip to Hong Kong. The annual company outing and team building is always in the calendar of events of the HR. For 2018, the outing was held in Bakasyunan Resort, in Iba, Zambales. This is a time for relaxation away from the four corners of the office. It's a time to meet colleagues to nurture relationships, and strengthen the team spirit. The year will not be complete without trainings and seminars that are geared toward improving efficiency, enhancing competencies to produce quality service and achieve the bank's goal. The HR will continue to deliver the needs of the employees and the organization as a whole to have smooth and great experience towards success.



Research and Development

Research and development plays a vital role in every organization. The bank's Business Development (BusDev) Committee leads the R&D. The committee is geared towards creating value products and services for the bank's customers. They are the people behind the innovations implemented by the different departments like the ECPay Payment facility which is now able to accept SSS and Pag-ibig fund payments. They pushed for the reactivation of the bank's membership with PhilPass which aids our customers to transfer money even from abroad; the proposal for the new accounting system – GLNet, which was approved in 2018. They assisted in the successful launching of the Car loan pre-anniversary promo which is still on going until July 2019. Also among their projects in 2018 was the approval of the membership with PCHC; the approval in joining the I2I Platform of UBP which will enable the bank to accept local remittances; ongoing application with PPMI to join in the National Retail Payment System (NRPS) through Instapay or Pesonet which will allow our customers to transfer funds domestically.

All service and product innovations are well researched and studied by the BusDev Committee. With the management's support, the Business Development Committee will surely be rolling out more products and services for our customers in 2019.



Marketing and Relationship Building

The past year was a year full of fun and festivities for the Marketing Department. Partnerships were formed and communities were served. GRBank also made headlines in the Province of Bulacan by the Blessing and Inauguration of its Malolos, Bulacan Branch last May 8, 2018. Customers and guests from different sectors: government officials, businessmen, fellow bankers, representatives from the BSP attended and celebrated the achievement with the bank.

GRBank joined in the celebration of festivals in some Municipalities where we are located where they showcase the community's cultural prowess and traditions. Among these were: Sta. Rita de Cascia; Porac's Binulu festival or Apung Tali; and Balanga's Fiesta. It is our way of building relationships with the communities where we serve.

Also in 2018, BSP San Fernando recognized the bank's efforts of providing financial literacy to its stakeholders by sealing the partnership with a Memorandum of Understanding. Truly, 2018 was a very productive year and with the positive outlook for 2019, we will definitely be having more fun and enjoyment as we serve our customers.



CORPORATE SOCIAL RESPONSIBILITY



Once again, GRBank gained good will and camaraderie in its community in 2018. Its Corporate Social Responsibility was at its peak when it struck Three (3) Major points: 1. Care for Health 2. Care for Wealth and 3. Care for the Needy.

Care for Health. Last June, GRBank inked a partnership with one of the biggest Foundations in Central Luzon - the Kapampangan Development Foundation (KDF) for its medical and health initiatives. GRBank President & CEO Jose Antonio Blas L. Carlos and KDF President Mr. Benigno N. Ricafort signed this agreement to help those in need, starting with GRBank's customers and their families. Beneficiaries will be provided with free medical & health programs such as minor surgeries in Cleft Lip, Cleft Palate, Cataract Surgery, Eye Check-ups & Examination, even free Eye Glasses, and Prosthesis for arms and legs; they also provide free wheelchairs to those who need it.

Care for Wealth. The Financial Literacy Campaign (FLC) is one of the bank's advocacy in enriching pinoy lives. This has been the personal mission of GRBank's President & CEO, giving seminars to customers and friends on the value of saving, and how to handle your money and other resources with the BSP-San Fernando Branch EFLC always in support. Such partnership was fostered and sealed by the signing of a Memorandum of Understanding between GRBank and BSP- San Fernando Branch during the fourth quarter of 2018. It is a great distinction for the bank to be formally acknowledged for its efforts in this aspect by no less than the Bangko Sentral ng Pilipinas. During this year, three FLCs were conducted in the northern cluster of GRBank's network: Porac, Angeles and a joint one for Mabalacat and Capas.

Care for the Needy. This time, GRBank sponsored a rotary club initiative. The initiative is the launching of the Usbong Katutubo Rotary Resettlement introducing the "Usbong Katutubo" program which aims to promote health, livelihood, education and peace and order to our Aeta brothers and sisters in Porac, Pampanga. During the event, there was a medical and dental mission with lectures on proper hygiene for the women and children. There was also a feeding program. The livelihood activity entailed planting of crops, like corn and cassava, and educating them on the raising of goats and native pigs. This project is headed by the Sr. Exec. Vice President, whose advocacy is to care for the needy, especially the Aetas.



This is the thrust of GRBanks' Corporate Social Responsibility, as our Founders have instilled in us - to be pro-active and significant in the society where we are located. GRBank aims to be a "Bank of Value" not just a bank of success.



RISK MANAGEMENT

Risk Management Culture and Philosophy

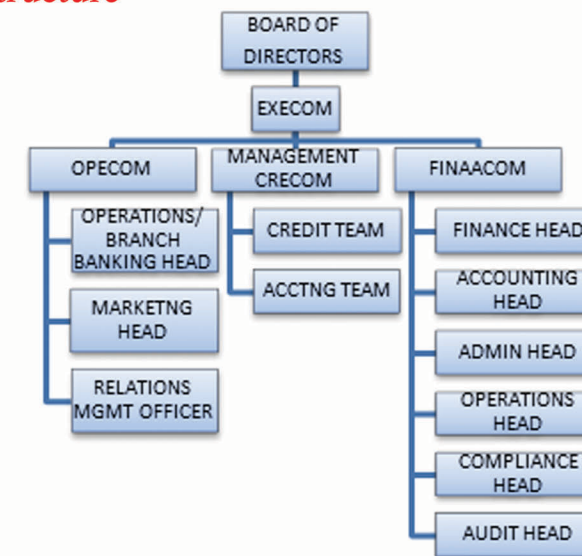
Managing risks can be more than just protecting the value by avoiding the downsides; it can actually help create value by taking advantage of uncertainty and opportunity to maximize gains and improve our competitive position.

GRBank took on the directives given by the Bangko Sentral ng Pilipinas to serve as a guide in effectively managing the different risks it has to face in the implementation of its strategic plans. Policies are formulated and approved by the Board to mitigate the risks, identified by the bank as operational risk, credit risk and liquidity risk. Regular training is provided to increase the awareness of the potential risks involved in the execution of routine processes. The value of integrity, transparency and prudence are inculcated and embodied in the day-to-day operations where all levels and members of the bank's organization are involved.

Risk Appetite and Strategy

GRBank aims to be the most preferred rural bank in the country. It values integrity and is accountable to its shareholders therefore providing transparent and efficient management systems. Hence the bank ensures that stability is not sacrificed over profitability and adequate capital ratios are maintained to ensure a strong financial position. The bank also ensures that credit and liquidity risks are well monitored and are within Board-approved limits. Risks are managed well by policies and procedures that ensure internal control.

Risk Management Structure



The Bank has adopted a structure that is suitable to its culture, where the Board has the over-all responsibility of formulating and managing an effective risk management system to sustain the safe and sound operations of the bank. The Execom is responsible for the over-all monitoring of the system, and sees to it that resources are properly allocated.

RISK MANAGEMENT

Risk Management Process

Sub-committees were created, (OPECOM, Management CRECOM AND FINAACOM) composed of the different department heads. They recommend new policies necessary to mitigate the risks identified and are responsible in monitoring of the risks within each of their departments and in all the branches.

The establishment of the different committees/duties of departments itself is deemed to contribute to the improvement of the management of the Bank's risk. Among others, these committees/departments shall regularly perform risk monitoring activities, in order to promptly detect deficiencies in the policies, procedures and processes, and propose corrective actions. The frequency of monitoring shall reflect the risks involved and the frequency and nature of changes in the operating environment. The scope and breadth of the activities of these committees shall be subject to independent periodic review by the Execom.

All units of the Bank shall conduct self-assessment exercises of the specific risks inherent in their activities, including their identification and assessment with regard to their frequency of occurrence and materiality, and shall report the identified events to the Execom. This shall allow the Bank to identify changing risks upon their occurrence and respond to them promptly.

During a new product approval process the risk related to each new product, activity, process and system, or their amended versions, will be identified and assessed, and mitigating controls will be established. The same shall be done for expansion initiatives and IT infrastructure enhancements. Insurance policies may be used to confront losses which may occur as a result of events such as third-party claims resulting from errors and omissions, employee or third-party fraud, and natural disasters.

Disaster recovery and business continuity plans shall take into account different types of plausible scenarios to which the Bank may be vulnerable, commensurate with the size and complexity of the Bank's operations. The plan shall include alternate or recovery sites in case of downtime due to communication/connection problems and disasters. Such plans shall periodically be reviewed and tested, frequency of which will be determined by each unit of the bank. With regard to the adequacy of the human resources, all efforts shall be made to ensure that staff has appropriate expertise and training. Also, adequate performance assessment systems and career advancement procedures should be in place.

The bank's Manual on Money Laundering and Terrorist Financing Program, which is regularly updated, ensures to protect and preserve the integrity and confidentiality of bank accounts. It also ensures that GRBank shall not be used as a money laundering site for the proceeds of any unlawful activity, thereby contributing to the safety, soundness and integrity of the national banking and financial system. The branch banking group and credit group, where customer front-end activities start, is responsible for the proper implementation of customer due diligence procedures. The head of operations sees to it that transactions are properly monitored while the compliance office sees to it that covered or suspicious transactions are reported properly. The Board through the ACC shall ensure that oversight of the bank's anti-money laundering and combating the financing of terrorism compliance management is adequate.

CORPORATE GOVERNANCE

Management Stability

GRBank's core management is one of the well-organized among rural banking institutions in the country today. Since a bank mainly operates on the value of trust. GRBank is equally careful in maintaining its good will. Given our present standing, we believe that the bank has gained the trust and confidence of communities where we are present.

GRBank practices good corporate governance in a broad umbrella concept, extending to all relationships between the bank and its shareholders, customers, employees, suppliers, regulators and other government institutions. The Board oversees the activities of the bank and act with utmost integrity and transparency and in accordance with the bank's code of conduct to promote good corporate governance, increase public confidence, and seeing to it that actions are in the best interests of the bank and put their own interests behind those of the bank. In 2018, several policies have been approved to continuously improve GRBank's governance practices.

Governance Structure

Board Composition

Its Board of Directors is composed of nine directors, 60% of whom serve as non-executive directors including one independent director. This provides independent views and judgement to ensure that corporate matters are discussed openly for transparency and strategies are provided with objective views and ideas. Members of the Board consists of professionals with extensive experience and expertise in various fields – banking, accounting, finance, education, entrepreneurship, and marketing. Except for the independent director, the board is composed mostly by members of the second and third generation of the Carlos, Lapid and

Coronel families. Members of the Board are elected every year by the stockholders during the Annual Meeting of Stockholders. They serve for one year until the next election. Through the Nomination and Remuneration Committee, the bank ensures that all directors pass the criteria set in the Policy on Nominations and Qualifications of Directors.

Director Independence

Executive Directors	■	■	■	□	□	□	□	□	□
Non-Executive Directors	■	■	■	■	□	□	□	□	□
Independent Director	■	□	□	□	□	□	□	□	□

As the Board supports the continuing education of its GRBank family, they keep themselves abreast with the latest trends, developments and regulations surrounding the banking industry by attending different conventions on banking, business, finance and technology.

Board Functions:

- ❖ The Chairperson and the Board shall provide direction and leadership for the effective execution of the bank's plans in accordance with the bank's business model.
- ❖ The Board of Directors shall be ultimately responsible for the overall good governance and risk management of the bank, seeing to it that risk appetites are within the limits set.
- ❖ It shall oversee the full compliance of the bank with the rules and regulations of its regulators and other government institutions including provisions of the AMLA and its Implementing Rules and Regulations to protect all stakeholders of the bank.

CORPORATE GOVERNANCE

Board Committees

Board Committees were created to handle special duties for the board to ensure efficiency, focus and responsiveness.

Executive Committee

The Executive Committee is composed of three executive directors appointed by the Board and oversees the overall risk management policies and procedures of the bank. It approves or recommends policies and procedures proposed by the different management/sub-committees and are confirmed by the Board. It is in-charge of monitoring the strategic plans and approves loan applications below P 2.0 million.

Board Credit Committee

The Board Credit Committee, composed of seven directors with 2 consultants, is in-charge of deliberations for applications of loans of more than P 2.0 million. They approve such loans in accordance with the credit risk policies and procedures of the bank. They are also responsible in monitoring credit exposure limits, SBL and large exposures and recommends policies to the board.

Audit and Compliance Committee

The Audit and Compliance Committee is composed of three non-executive directors, one of which is the Independent Director, who helps protect the bank's assets by playing a key role in financial control and reporting. It examines the major risk exposures of the bank with regards to management's accountability on monitoring and controlling such risk exposures. It also oversees that the functions of the internal audit and compliance group are continuously relevant to the size and operations of the bank.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, composed of three non-executive directors, assists the Board in its oversight responsibility to shareholders by ensuring that the GRBank Board and Top Management comprise of individuals best able to discharge the responsibilities of Directors and Executives having regard to the law and aspiring to excellence in governance standards.

Attendance to Meetings

The Bank held 12 regular board meetings and 2 special meetings in 2018 for a total of 14 meetings and achieved an average of 98% presence for the year. The Board Credit Committee also achieved a 98% presence out of 40 meetings while Execom achieved a 99% presence out of the 37 meetings. Directors are responsible in seeing to it that they attend the meetings of the board and their committees and to contribute ideas and strategies for the proper implementation of plans, provide control and to safeguard the assets of the bank.

Performance Assessment for the Board

The Board has created an internal self-rating system to determine and measure compliance, good governance principles and strategic initiatives. Each director self-rates and rates the other directors by answering a set of questionnaires. Assessment is done yearly and proper action is done where weaknesses are seen.

For the 2018 assessment, overall assessment showed the board's adherence to its code of conduct and compliance to policies. Improvement has been seen in its committees and recommendations can be seen in terms of improving operations, employee and directors' development, good governance and, innovation and growth strategies. The harmonious relationship has been maintained between Management and staff and among members of the board.

CORPORATE GOVERNANCE

Succession Planning

GRBank's Succession Plan focuses mainly on Executive Officers and Senior management positions starting at the top of the organization, particularly the Board of Directors, the President and CEO and going to the lowest level given the retention value of offering development opportunities as well as the increase in profitability associated with a competent and motivated workforce.

A change in leadership is inevitable for all organizations and can be a very challenging time. Therefore, it is the policy of GRBANK to be prepared for eventual changes in its leadership and in its key positions – either planned or unplanned – to insure the stability and accountability of the bank. The board of directors shall be responsible for implementing this policy and its related procedures. The board, with the assistance of the Executive Committee, will assess the needs of the bank to help ensure the selection of a qualified and capable candidate who is a representative of the community; a good fit for the bank's mission, vision, goals, and objectives; and who has the necessary skills for the organization. To ensure that the bank's operations are not interrupted, the board will appoint an interim key officer to ensure that the bank continues to operate without disruption.

Remuneration Policy

GRBank's remuneration policy is not only focused on providing fair compensation and remuneration in accordance with industry standards, job requirements and work performance that are aligned with the bank's values, objectives, but is also geared to attract competent candidates, and retain and motivate its employees and members of the board. Compensation packages for employees include additional allowances that increments as the employee's tenure progresses, thereby encouraging them to stay longer with the bank. Fringe benefits are likewise enjoyed by regular employees while the board receives some allowance, aside from per diem every meeting, that is commensurate to their effort, responsibilities and time spent.

Dividends

The bank shall, at the end of each fiscal year, apply the amount of its earnings, in excess of operating expenses during such fiscal year to (1) a capital retirement fund to provide for the gradual retirement of the government's equity investment in the bank, if any (2) establishing and maintaining a reserve for bad and doubtful accounts, (3) replenishing any impairment to its capital. Any sums remaining shall be distributed as dividends to stockholders, but no dividends in excess of 20% per annum shall be paid. The board has to approve the declaration of dividends as of record date and specifies the date of distribution, which is usually during the annual stockholders meeting.

Related Party Transactions

It is the policy of the bank and the responsibility of the board to ensure that there is effective compliance with existing laws, rules and regulations and that no stakeholder is unduly disadvantaged in handling transactions with directors, officers, stockholder, their related interests (DOSRI), the bank's affiliates and other related parties. All extensions of credit and other bank related transactions to related parties shall be on an arm's-length basis, handled in a sound and prudent manner, with integrity and in accordance with the bank's credit granting criteria and other policies in relation to the transaction, and in the regular course of business, and upon terms not less favorable to the bank than those offered to non-related borrowers. Directors and officers with personal interest in a transaction do not participate in any deliberation, approval or voting on the transaction. The board sees to it that interests of depositors, creditors and stockholders are protected.

CORPORATE GOVERNANCE

Consumer Protection

GRBank values its customers. Thus with more than 60 years of dedicated untarnished banking service excellence, the bank continues to innovate and usher in a more improve banking service by implementing its Customer Assistance and Protection Program to further complement the well-being of its customers. The program is set to cater the concerns, complaints and appreciate compliments to further enhance the delivery of its banking service and promote transparency in all transactions with the bank. There is a customer assistance and protection group that is in charge of processing customer concerns received through any of the branch managers or department heads. Aside from personal channels, concerns may be coursed through a hotline number or thru the bank's customer service email. Feedback is given within a specified timeframe and resolutions, which are well formulated, are suggested to the customer. The bank values both the customer and relationship thus we ensure that "GRBank... Where Service is Best" is practiced faithfully.

Major Stockholders

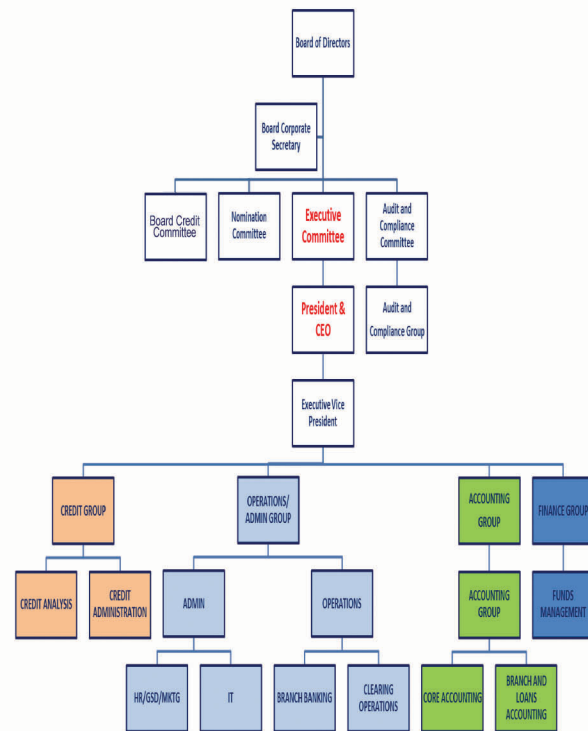
As of December 31, 2018, below are the major stockholders of Guagua Rural Bank, Inc. of record, owning more than 2% of common stocks.

Name of Stockholder	Type of Share	Citizenship	Percentage
Carlan Realty & Dev. Corp.	Common	Filipino	19.76%
Fourteen Stars Realty Inc.	Common	Filipino	20.08%
Yellow Green Global Corp.	Common	Filipino	14.92%
CORSAN Realty Corp.	Common	Filipino	14.79%
Kapalaran Realty Development, Inc.	Common	Filipino	7.59%
San Jose, Bettina L.	Common	Filipino	2.33%
Lapid, Cinderella	Common	Filipino	2.33%
Basa, Gina L.	Common	Filipino	2.33%
Lapid, Michael B.	Common	Filipino	2.33%
Lapid, Mario B.	Common	Filipino	2.33%
Lapid, Anthony B.	Common	Filipino	2.33%
Lapid, Daniel B.	Common	Filipino	2.33%
Total Common			96.71%

Directors' Ownership Structure as of December 31, 2018.

Name of Director	Position/ Type of Directorship	No. of Years as Director	Total No. of Direct (D) and Indirect Shares (I)	Percent to Total Outstanding Shares
Amanda L. Carlos	Chairperson/ Non-Executive Director	46	200 (D)	0.00%
Elizabeth C. Timbol	Sr. Executive Vice President/COO Executive Director	26	8,800 (D)	0.00%
Florencio L. Carlos	Non-Executive Director	1st term: 1 yr. 2nd term: 1 yr.	8,800 (D)	0.00%
Jose Antonio Blas L. Carlos	President & CEO Executive Director	34	379,500 (D)	0.11%
Grace C. Glorioso	Sr. Vice President Admin/Operations Executive Director	22	8,800 (D)	0.00%
Carlos S. Coronel	Non-Executive Director	10	5,200 (D)	0.00%
Diana C. Cruz	Non-Executive Director	3	1,550,500 (D)	0.44%
Michael B. Lapid	Non-Executive Director	2	8,150,700 (D)	2.33%
Benigno N. Ricafort	Independent Director	1	100 (D)	0.00%

Organizational Chart



BOARD OF DIRECTORS



Name of Director: **Amanda L. Carlos**
 Age & Nationality: 88 yrs., Filipino
 Board Position: Chairperson since 2009,
 Non-Executive Director
 Past Position: Director of
 Guagua Rural Bank, Inc.
 1972-2008
 Education: B. S. Education



Name of Director: **Jose Antonio Blas L. Carlos**
 Age & Nationality: 60 yrs., Filipino
 Board Position:
 President & CEO since 2009
 Executive Director since 1984
 Committee:
 Executive Committee
 Board Credit Committee
 Concurrent Positions:
 President, Sta. Rita College
 Director, Mary The Queen Academy
 Education:
 Masters in Business Administration
 Ateneo Graduate School of Business
 Bachelor of Arts In Economic
 Ateneo De Manila University



Name of Director: **Elizabeth C. Timbol**
 Age & Nationality: 49 yrs., Filipino
 Board Position:
 Sr. Executive Vice President/COO
 Executive Director since January 1992
 Committee:
 Executive Committee
 Board Credit Committee
 Concurrent Positions:
 Stockholder, CARLAN Corp.
 Education:
 Masters in Business Administration
 Ateneo Graduate School of Business
 BS in Commerce in Legal Management
 De La Salle University, Manila

BOARD OF DIRECTORS



Name of Director: **Grace C. Glorioso**
 Age & Nationality: 45 yrs., Filipino
 Board Position:
 Sr. Vice President-Admin/Operations
 Executive Director since January 1996
 Committee:
 Executive Committee
 Board Credit Committee
 Concurrent Positions:
 Stockholder, CARLAN Corp.
 Education:
 BSC major in Management of Financial
 Institutions (with honors)
 De La Salle University, Manila
 Masters in Business Administration (units
 earned)



Name of Director: **Diana C. Cruz**
 Age & Nationality: 62 yrs., Filipino
 Board Position:
 Non-Executive Director since April 2015
 Committee:
 Audit and Compliance Committee
 Board Credit Committee
 Concurrent Positions:
 President of CRESDI Marketing Corp.
 Education:
 BS Commerce – Accounting; CPA
 St. Paul's College, Manila



Name of Director: **Michael B. Lapid**
 Age & Nationality: 58 yrs., Filipino
 Board Position:
 Non-Executive Director, January 1994-1998
 and since January 2016
 Committee:
 Audit and Compliance Committee
 Board Credit Committee
 Nomination & Remuneration Committee
 Concurrent Positions:
 President, Mary The Queen Academy
 Education:
 BS Physics at Don Bosco College Seminary
 Masters in Business Economics at University
 of Asia and the Pacific
 Masters in Theology at Divine Word
 Diploma in Management, College of London



Name of Director: **Carlos S. Coronel**
 Age & Nationality: 49 yrs., Filipino
 Board Position:
 Non-Executive Director, since January 2008
 Committee:
 Board Credit Committee
 Nomination & Remuneration Committee
 Concurrent Positions:
 President, Corsan Realty Corporation
 Director, Stockholder of Allied Concrete
 Products, Inc. & Majestic Shipping Corp.
 Chief Operating Officer, Kapalaran Realty
 Development, Inc.
 Gen. Manager, Don Antonio Sports Center
 Education:
 BS Management
 Ateneo De Manila University



Name of Director: **Florencio L. Carlos**
 Age & Nationality: 56 yrs., Filipino
 Board Position:
 Non-Executive Director, 2010, since Jan.2018
 Committee:
 Board Credit Committee
 Nomination & Remuneration Committee
 Concurrent Positions:
 General Manager, Ultimate Builders
 Education:
 BS Civil Engineering
 University of Sto. Tomas, Manila



Name of Director: **Benigno N. Ricafort**
 Age & Nationality: 80 yrs., Filipino
 Board Position:
 Non-Executive/Independent Director, since
 January 2018
 Committee:
 Audit and Compliance Committee, Chairman
 Concurrent Positions:
 Chairman, Chamber of Commerce of the
 Philippine Islands
 President/Founder, Kapampangan
 Development Foundation (KDF)
 Education:
 BSC Finance
 San Beda College, Manila
 MBA, Economics
 St. John University, New York, USA
 Degree of Honorary Doctor of Philosophy,

BOARD CREDIT COMMITTEE



EXECUTIVE COMMITTEE



BOARD
NOMINATION
& REMUNERATION
COMMITTEE



ADMIN &
OPERATIONS
GROUP



BOARD AUDIT
& COMPLIANCE
COMMITTEE



CREDIT
DEPARTMENT



AUDIT
& COMPLIANCE
GROUP



ACCOUNTING &
FINANCE
GROUP



MANAGEMENT CREDIT COMMITTEE



BRANCH BANKING



FinAAACom



BUSINESS DEVELOPMENT COMMITTEE



BRANCH BANKING



DEPOSIT PRODUCTS

PESO ACCOUNTS

Savings Accounts:

REGULAR SAVINGS ACCOUNT

Interest bearing with passbook
Initial Deposit and Maintaining Balance - P 100.00
Monthly ADB to earn interest - 5,000.00

GOLDEN KIDDLE SAVINGS ACCOUNT

For kids 12 yrs. old & below
Interest bearing with passbook
Initial deposit and Maintaining Balance - P100.00
Monthly ADB to earn interest - 5,000.00

CASH DEPOSIT ACCOUNT

For Cash deposits only, No checks allowed
Interest bearing with passbook
Initial deposit and Maintaining Balance - P 100.00
Monthly ADB to earn interest - 5,000.00

BASIC SAVINGS ACCOUNT

For Cash deposits only, No checks allowed
Interest bearing with passbook
No maintaining balance and no dormancy
Initial Deposit - Below 100.00
Monthly ADB to earn interest - 5,000.00
Maximum balance - 50,000.00

Time Deposit Accounts:

SPECIAL SAVINGS ACCOUNT

Principal & Interest can be withdrawn anytime
Initial deposit and Maintaining Balance - P10,000.00
High interestbearing account

GOLDEN EARNER SAVINGS ACCOUNT

Term is 1year
Advance Interest for one year
Initial Deposit is P 10,000.00
High interestbearing account

Interest Rates are subject to change without prior notice. Accounts are subject to Withholding Taxes where applicable.

LONG TERM DEPOSIT (LTD)

Term is 5 yrs., Tax exempt
Initial Deposit is P 10,000.00
High interestbearing account

Checking Accounts:

SMILE CHECKING ACCOUNT

Initial Deposit & Maintaining Balance - P 5,000.00
Non-Interest bearing
Checking account with passbook
Initial check booklet (25pcs) upon application

GOLD CHECK PLUS

Interest bearing with passbook
Initial Deposit - P 30,000.00
Maintaining Balance 25,000.00
Initial check booklet (25pcs) upon application

DOLLAR ACCOUNTS

DOLLAR SAVINGS ACCOUNT

Interest bearing with passbook
Initial Deposit and Maintaining Balance - \$ 100.00
Minimum balance to earn interest - \$ 500.00

DOLLAR SPECIAL SAVINGS ACCOUNT

Interest bearing with passbook
Initial Deposit and Maintaining Balance - \$ 1,000.00
High interest-bearing account
Maturity term is 30 days



LOAN PRODUCTS

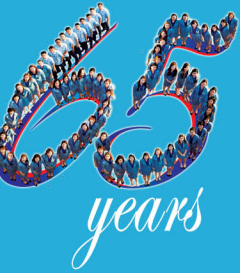
1. CAR LOAN
2. HOUSING LOAN
3. AGRI/AGRA LOAN
4. MSME LOAN
5. COMMERCIAL LOAN
6. INDUSTRIAL LOAN
7. SALARY LOAN
8. ASSIGNMENT OF DEPOSIT

OTHER SERVICES OFFERED

1. DEMAND DRAFTS
2. PAYROLL SYSTEM
3. SSS PENSION ACCOUNT
4. UNITELLER MONEY REMITTANCE
5. GCASH & GCASH REMIT
6. POS FACILITY
7. SSS PAYMENTS
8. PAGIBIG PAYMENTS
9. BILLS PAYMENTS



GRBANK
EMPOWERING MSMES . . . ENRICHING PINOY LIVES



ANNUAL REPORT 2018

**An Icon of Stability
A Legacy of Strength**



GRBANK

EMPOWERING MSMES . . . ENRICHING PINOY LIVES

With 22 branches to serve you, including one in Quezon City

GRBank MAIN OFFICE
Plaza Burgos, Guagua, Pampanga
Tel. No. (045) 900-0110 Core (045) 900-4552

GRBank CORPORATE CENTER
Dolores, City of San Fernando (P)
Tel. No. (045) 961-1113 Core (045) 963-5177
Credit (045) 963-7267

GRBank GUAGUA MARKET
Sto. Nifo, Guagua, Pampanga
Tel. No. (045) 900-0260

GRBank BETIS
San Nicolas, Guagua, Pampanga
Tel. No. (045) 900-0188

GRBank STA. RITA
San Vicente, Sta. Rita, Pampanga
Tel. No. (045) 900-2662

GRBank ORANI
Mesantol, Orani, Pampanga
Tel. No. (047) 237-0359

GRBank BALIBAGO
1st Balibago, Angeles City
Tel. No. (045) 625-5554

GRBank DINALUPIHAN
Dinalupihan, Bataan
Tel. No. (047) 636-1067; 636-0039

GRBank MABALACAT
Mabiga, Mabalacat, Pampanga
Fax (045) 624-5406; 458-0353

GRBank APALIT
San Vicente, Apalit, Pampanga
Tel. No. (045) 652-1113

GRBank CAPAS
Sto Rosario, Capas, Tarlac
Tel. No. (045) 925-0704

GRBank OLONGAPO
#30 18th, E.B.B., Olongapo City
Fax (047) 222-4139

GRBank LUBAO
Gomburza St., Sta. Cruz,
Lubao, Pampanga
Tel. No. (045) 971-5002

GRBank AC HENSON
Henson St., Angeles City
Tel. No. (045) 625-8601

GRBank MEXICO
Poblacion, Mexico, Pampanga
Tel. No. (047) 966-0999; 966-3688

GRBank FRIENDSHIP
Fil-Am Friendship Hi-way,
Brgy. Anunas, Angeles City
Tel. No. (045) 624-0196

GRBank KAMIAS Q.C.
100K, Kamias, Quezon City
Tel. No. (02) 355-9879

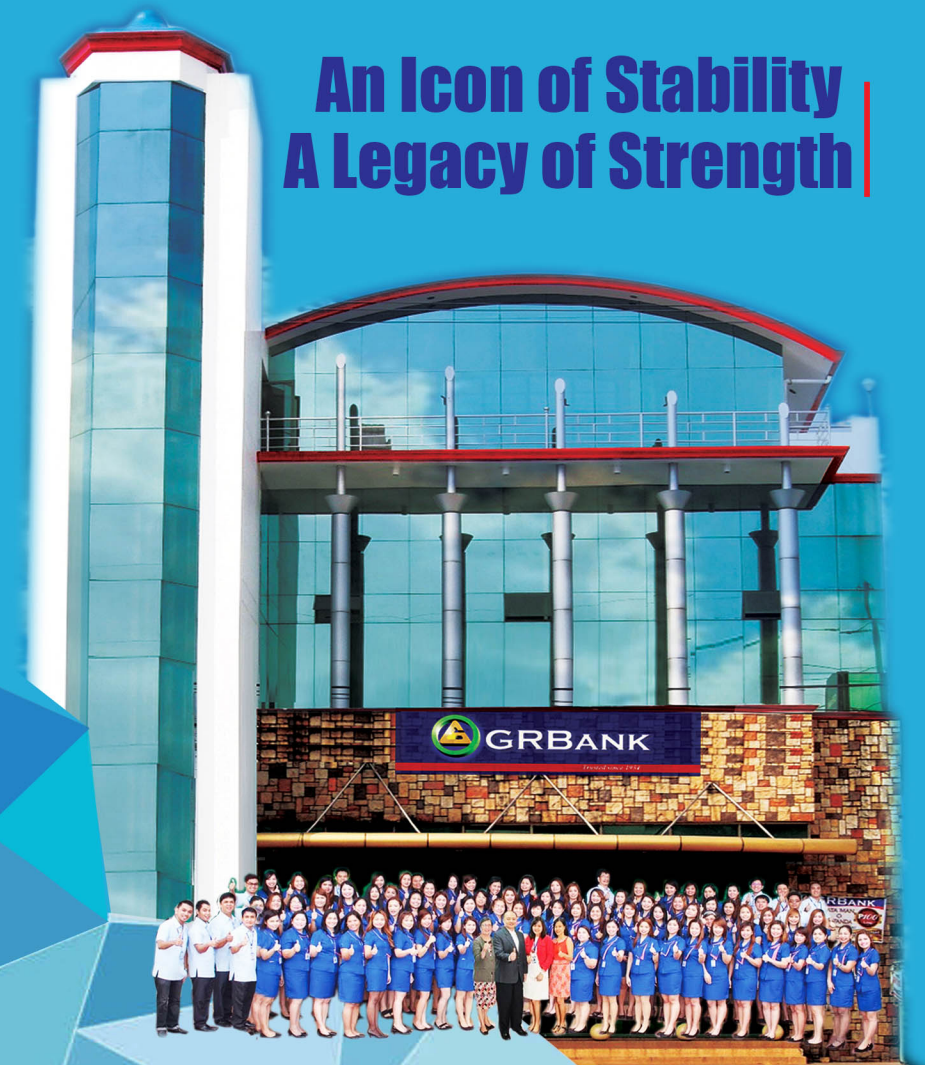
GRBank SINDALAN
MC Square Bldg., McArthur Highway
Sindalan, City of San Fernando (P)
Tel. No. (045) 626-8835

GRBank FLORIDABLANCA
Sta. Maria St., Poblacion,
Floridablanca, Pampanga
Tel. No. (045) 404-0447

GRBank BALANGA
Capitol Drive, Balanga City, Bataan
Tel. No. (047) 240-5349

GRBank PORAC
Cagatba, Porac, Pampanga
Tel. No. (045) 436-3715

GRBank MALOLOS
KM 41, McArthur Highway,
Brgy. Sumapang Matanda, Malolos City
Tel. No. (044) 753-0942



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